UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Fiscal Year Ended September 26, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-6227

LEE ENTERPRISES, INCORPORATED

(Exact name of Registrant as specified in its Charter)

Delaware	42-0823980
(State of incorporation)	(I.R.S. Employer Identification No.)

4600 E 53rd Street, Davenport, Iowa 52807
(Address of principal executive offices)
(563) 383-2100
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange On Which Registered
Common Stock - $0.01 par value	LEE	The Nasdaq Global Select Market
Preferred Share Purchase Rights	LEE	The Nasdaq Global Select Market

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this Chapter) during the preceding 12 months (or such shorter period that the Registrant was required to submit). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer," "accelerated filer," "smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller Reporting Company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registrant's public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of March 31, 2021, the aggregate market value of the Registrant's common stock held by non-affiliates of the registrant was $141,804,818 based on the closing sale price as reported on the New York Stock Exchange. As of November 30, 2021, 5,889,159 shares of Common Stock $0.01 par value were outstanding on Nasdaq Global Select Market.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Lee Enterprises, Incorporated Definitive Proxy Statement to be filed in January 2022 are incorporated by reference in Part III of this Form 10-K. Except as expressly incorporated by reference, the Registrant's Definitive Proxy Statement shall not be deemed to be a part of this report.

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References to “we”, “our”, “us” and the like throughout this document refer to Lee Enterprises, Incorporated and subsidiaries (the "Company"). References to "2021", "2020", "2019" and the like refer to the fiscal years ended the last Sunday in September.

PART I

ITEM 1. BUSINESS

Lee Enterprises, Incorporated was founded in 1890, incorporated in 1950 and serves 77 mid-sized local communities (including TNI Partners ("TNI") and Madison Newspapers, Inc. ("MNI") in 26 states) as the leading provider of valuable, intensely local, original news and information through our traditional print and digital subscriptions, and innovative, digitally focused marketing solutions to local advertisers. On March 16, 2020, we completed the acquisition of BH Media Group, Inc. ("BH Media") and The Buffalo News, Inc. ("Buffalo News"), adding 31 local media operations and nearly doubling our audience size and total operating revenue.

Our asset portfolio includes digital subscription platforms, daily, weekly and monthly newspapers and niche publications, all delivering original local news and information. Our products offer print and digital editions, and our content and advertising is available in real time through our websites and mobile apps. We operate in predominately mid-sized communities with products ranging from large daily newspapers and associated digital products, such as the *St. Louis Post-Dispatch* and *The Buffalo News*, to non-daily newspapers with news websites and digital platforms serving smaller communities.

As the leading provider of local news and information in our local markets and an innovative marketing solutions company, we aim to grow our business through three main categories: subscriptions to our product offerings, advertising and marketing solutions to local advertisers, and digital services to a diverse set of customers. The execution of this strategy is expected to enable the Company to continue its transformation from a more traditional print media business to a digitally focused subscription platform and digital marketing solutions company.

- Our digital subscription platforms are some of the fastest growing digital subscription platforms in local media. At the end of 2021, we had more than 400,000 subscribers to our digital platforms, up 65% over 2020.

- Our digital marketing services agency, *Amplified Agency* ("Amplified") offers a full suite of digital marketing solutions to local advertisers both in and outside of the markets in which we operate a subscription platform. Revenue at Amplified totaled almost $42 million in 2021, up 43% over 2020.

- Our software as a service (SaaS) content platform, TownNews, is one of the largest web-hosting and content management SaaS providers in North America. TownNews represents a powerful opportunity to drive additional digital revenue by providing state-of-the-art web hosting and content management services to more than 2,000 customers who rely on TownNews for their web, over-the-top display ("OTT"), mobile, video and social media products. Revenue at TownNews, including intercompany revenue, totaled more than $27 million in 2021, and has achieved a compound annual growth rate of 10.5% over the last ten years.

We generate revenue primarily through advertising and marketing services, subscriptions to our digital and print products, and digital services, primarily through our majority owned subsidiary, TownNews. Our operations also provide printing and distribution of third party publications.

Advertising and Marketing Services - In 2021, advertising and marketing services of $369.3 million comprised 46% of total operating revenue, down from 47% in the prior year.

- Local advertising revenue is earned from top local accounts and small to medium businesses (SMBs) in but not limited to our markets. Advertising takes the form of display advertising in daily and non-daily publications, preprinted advertising inserted in the publication, display advertising delivered on our owned and operated websites, and a full suite of digital marketing services through *Amplified*, including targeted display, video, OTT, custom content, web development, social media management, search, email marketing and other tactics.

- National advertising is revenue earned from the sale of print or digital display advertising space, or from preprint advertising inserted in the publication, from national accounts that do not have a local retailer representing the account in the market.

Our primary strategy is a data-driven, multi-channel sales approach that enables our sales force to put the right marketing solution that maximizes audience reach for our advertisers by tailoring advertising and marketing solutions based on the size, scale, and needs of the advertiser. Through *Amplified* we create sophisticated digital campaigns on our owned and operated sites and on third-party sites that give advertisers the ability to target their message. We collaborate with Google and other ad tech companies to provide key metrics and analytics to measure campaign effectiveness.

Our advertising revenues are subject to seasonality due primarily to fluctuations in advertising spend. Advertising revenue is typically highest in our first quarter due to holiday and seasonal advertising and lowest in the second quarter following the holiday season. The volume of advertising sales in any period is also impacted by other external factors such as competitors' pricing, advertisers' decisions to increase or decrease their advertising expenditures in response to anticipated consumer demand, and general economic conditions.

Subscription Revenue - In 2021, subscription revenue of $357.7 million comprised 45% of our total operating revenue, up from 43% in the prior year. Subscription revenue is earned primarily from our full access subscription model, whereby subscribers receive complete access to our content on all platforms, both print and digital, and from subscriptions to our digital-only products. We also generate revenue from the sale of single copy editions.

- Our printed newspapers reach almost 1 million households daily and more than 1.2 million on Sunday, and more than 265,000 users access our digital e-edition.

- Our web and mobile sites are the number one digital source of local news in most of our markets, reaching more than 50 million unique visitors, at the end of September 2021, with almost 1 million "known-users".

- As of September 26, 2021, we have 402,000 digital-only subscribers, a 65% increase over 2020. Growing our digital only subscribers remains a key strategic priority as we make the digital transformation.

Digital Services Revenue – In 2021, digital services revenue of $19 million comprised 2.4% of our total operating revenue, compared to 3% in the prior year. Almost all of our digital services revenue is from TownNews. TownNews, operated through our 82.5% owned subsidiary INN Partners, L.C. and is one of the largest web-hosting and content management SaaS providers in North America and offers state of the art integrated digital publishing and content management solutions for creating, distributing, and monetizing multimedia content.

- TownNews is the engine that powers our digital products. In addition, TownNews services nearly 2,000 daily customers, including legacy media publications, universities, television stations and niche publications.

- Including intercompany revenue generated from our markets, revenue at TownNews grew almost 9% in 2021 and totaled $27 million.

- With strong product offerings, investments in video and streaming technology and diversifying the customer base into broadcast, TownNews is positioned to continue to be a key component to our growth strategy.

Other Revenue - In 2021, Other Revenue of $67.7 million comprised 8.5% of total operating revenue, down from 9.7% the prior year. Excluding digital services revenue, other revenue is comprised mainly of commercial printing and delivery of third party products and until March 16, 2020 revenue from our Management Agreement with BH Media. In 2021, other revenue excluding digital services of $19 million, comprised 6.1% of our total operating revenue, down from 6.8% in the prior year.

We compete with other media and digital companies for advertising and marketing spend as well as other news and information outlets for subscription spend. The market for local digital marketing solutions is highly competitive and evolving allowing opportunities for new competitors to enter the market. *Amplified* competes with other digital marketing solutions agencies as well as other media companies who have a similar strategy for digital marketing solutions. While some of our competitors enjoy competitive advantages such as greater name recognition, longer histories as well as greater financial resources, we believe we compete favorably and our product capabilities meet customer requirements due to our data-driven, multichannel sales approach, our experienced digital sales force and our overall customer satisfaction.

While very few of our local media operations have similar daily print competitors that are published in the same city, our local media operations compete with other media including magazines, radio, television, outdoor/billboard advertising, other classified and specialty publications, other print publications both free and paid, direct mail, directories, and national, regional and local advertising websites and content providers.

The number of competitors in any given market varies, however all of the forms of competition noted above exist to some degree in all of our markets.

STRATEGIC INITIATIVES

We are a major subscription platform providing trusted, local information, news, and an innovative, digitally focused marketing solutions company. Our focus is the local market - including local news and information, marketing solutions for local advertisers, and digital services for local content curators. To align with the core strength of our company, our digital transformation strategy is locally focused and revolves around three pillars:

To align with customer expectations, we will transform the way we present local news, information, and viewpoints, both in digital and print. We seek to maintain our position as the leading provider of news and information by providing best-in-class digital experiences to improve consumer engagement and grow our audiences. We aim to achieve this by delivering relevant, useful, and engaging content to the consumer using a multi-media approach with a heavy emphasis on video and audio.

In 2022, we look to create new content and video channels by growing our multimedia capabilities leveraging the high quality, trusted, engaging content we produce locally to tap into these growing market segments. Through strategic investments in talent and technology, we aim to continuously improve the user experience with our digital products and to expand our digital product offerings where we have niche expertise.

We believe that our proprietary local content displayed in best-in-class multimedia platforms combined with new and engaging content and video channels will grow our audiences and increase our audience monetization capabilities.

We will accelerate subscription growth, transforming our print-centric audience model to a robust digital subscription model. We are one of the fastest growing digital subscription platforms in local media. In 2021, our total paid audiences (including print and digital) increased for the first time in several years. Digital only subscriber growth accelerated in 2021, offsetting the declines in our traditional full access (print and digital) subscribers. In 2021, we reached 50 million unique visitors across all of our digital platforms, with 393 million page views in September. Our digital audiences are comprised of full access subscribers, digital-only subscribers and non-subscribers who access our sites subject to our paywalls. More than 60% of our full access subscribers have activated their digital access and digital-only subscribers increased 65% in 2021, reaching 402,000 digital-only subscribers.

Our acquisition and retention tactics are focused on growing our digital subscription base by using data and analytics to direct our huge addressable market of 50 million unique visitors toward obtaining a digital subscription. In 2022, we expect to implement an ongoing, comprehensive marketing campaign focused on aggressively promoting dynamic video and graphic content that drives consumption, engagement and ultimately feeds consumers down our digital subscription funnel.

Using these techniques, we expect digital-only subscribers to continue to grow substantially, reaching more than 900,000 digital-only subscribers by 2026.

We believe our digital transformation will have a favorable impact on the environment. A key component to our digital growth strategy is to accelerate the pace of digital subscriber growth. Growing our digital business as the legacy business wanes will have a favorable impact on the environment as our production hubs will consume less energy, we will consume less newsprint and there will be less environmental impact from our distribution channels that largely operate on fossil-fuel powered transportation.

We will diversify and transform the services and products we offer advertisers and dramatically expand our local advertiser base. According to eMarketer, local advertising spending is expected to reach nearly $115 billion in 2022. Our vast array of rapidly growing digital products, our large, digitally adept salesforce and Amplified, our high powered full service digital agency, creates a powerful opportunity to gain scale both in and outside of our local markets.

- Our local sales forces are larger than any local competitor, and we believe they are the most highly trained and proficient sales force in our markets.
- We have strong relationships with businesses in our markets and offer a wide array of products to deliver our advertisers' message.
- Our sales executives pitch the power of our audiences directly to local decision makers.

We have a world-class sales force, managed and supported centrally to ensure the highest digital talent is recruited, developed and retained to meet our clients' needs. *Amplified* is the backbone of our sales force and supports our local operators by providing lead generation, developing highly sophisticated proposals and provides all of the essential digital marketing services including web development, social media management, email marketing, fulfillment and search that most sophisticated advertisers are looking for. Amplified also provides our advertisers with the best data and metrics in order for them to maximize their advertising ROI. Amplified is a powerful organization that will help us improve our advertising revenue trends in 2022 and beyond.

TownNews represents a powerful opportunity for us to drive additional digital revenue through their SaaS content platform. In 2021, revenue at TownNews, including intercompany revenue, totaled more than $27,197,000 and since 2011 the compounded annual growth rate of TownNews revenue has been 10.5%. Through continuous investment in product development and gaining essential technology, like world-class video and streaming technology, TownNews is the leading CMS provider in the publishing CMS segment and is growing its market share in the broadcast CMS segment. In 2022, we believe we can grow revenue at TownNews through modest market share gains in our core markets, increasing our average revenue per customer.

DAILY NEWSPAPERS AND MARKETS

The Company, TNI and MNI, defined in Note 4, publish the following daily newspapers and maintain the following primary digital sites:

			Average Units (1)		2021 Monthly Average ('000s) (5)(6)	
Newspaper	Primary Website	Location	Daily (2)	Sunday (2)	Unique Visitors	Page Views
St. Louis Post-Dispatch	stltoday.com	St. Louis, MO	97,634	127,802	5,256	51,311
Buffalo News	buffalonews.com	Buffalo, NY	68,989	102,969	2,683	12,374
Arizona Daily Star (4)	azstarnet.com	Tucson, AZ	48,391	80,657	1,903	16,663
Omaha World Herald	omaha.com	Omaha, NE	69,945	78,528	3,660	26,779
Richmond Times-Dispatch	richmond.com	Richmond, VA	60,552	68,124	2,691	16,869
Wisconsin State Journal (3)	madison.com	Madison, WI	58,406	66,308	3,155	22,121
The Times	nwitimes.com	Munster, Valparaiso, and Crown Point, IN	35,364	44,392	1,905	25,277
Lincoln Journal Star	journalstar.com	Lincoln, NE	38,653	43,319	2,128	19,558
Tulsa World	tulsaworld.com	Tulsa, OK	35,608	41,118	2,581	14,499
Roanoke Times	roanoke.com	Roanoke, VA	27,850	29,253	1,574	8,267
Winston Salem Journal	journalnow.com	Winston-Salem, NC	25,471	28,186	1,335	7,524
The Press of Atlantic City	pressofatlanticcity.com	Atlantic City, NJ	22,039	25,759	1,533	9,234
Greensboro News-Record	greensboro.com	Greensboro, NC	21,510	25,207	1,241	5,809
The Post-Star	poststar.com	Glens Falls, NY	23,580	24,248	626	6,755
Billings Gazette (5)	billingsgazette.com	Billings, MT	17,323	23,054	1,245	12,578
Quad-City Times	qctimes.com	Davenport, IA	18,370	22,637	842	7,251
The Pantagraph	pantagraph.com	Bloomington, IL	20,376	21,866	555	9,475
The Courier	wcfcourier.com	Waterloo and Cedar Falls, IA	11,946	20,574	556	5,095
The Free-Lance-Star	fredericksburg.com	Fredericksburg, VA	17,942	20,195	979	5,851
The Bismarck Tribune	bismarcktribune.com	Bismarck, ND	17,298	18,122	549	6,412
Casper Star-Tribune	trib.com	Casper, WY	14,272	17,660	644	3,972
Missoulian (5)	missoulian.com	Missoula, MT	12,151	17,536	648	6,183
Statesville Record & Landmark	statesville.com	Statesville, NC	14,757	15,713	294	1,611
La Crosse Tribune	lacrossetribune.com	La Crosse, WI	13,423	15,352	564	6,244
Dispatch-Argus	qconline.com	Moline, IL	50,261	15,214	359	4,167
Sioux City Journal (5)	siouxcityjournal.com	Sioux City, IA	11,798	14,531	607	4,293
Waco Tribune-Herald	wacotrib.com	Waco, TX	12,947	14,388	838	4,589
Charlottesville Daily Progress	dailyprogress.com	Charlottesville, VA	11,381	12,274	636	3,374
Lynchburg News & Advance	newsadvance.com	Lynchburg, VA	11,077	12,657	721	3,927
Bristol Herald Courier	heraldcourier.com	Bristol,VA	10,722	11,668	622	2,848
Independent Record (5)	helenair.com	Helena, MT	7,946	11,380	489	4,986
Dothan Eagle	dothaneagle.com	Dothan, AL	10,841	11,351	480	2,082
Kenosha News	kenoshanews.com	Kenosha, WI	9,658	11,117	719	5,738
The Journal Times	journaltimes.com	Racine, WI	9,993	11,116	611	6,611
Grand Island Independent	theindependent.com	Grand Island, NE	10,823	10,979	507	3,176
The Daily News (5)	tdn.com	Longview, WA	7,443	10,377	295	2,307
Napa Valley Register	napavalleyregister.com	Napa, CA	10,120	10,212	551	4,150
The Times-News	magicvalley.com	Twin Falls, ID	10,698	9,725	408	3,545

			Average Units (1)		2021 Monthly Average ('000s) (5)(6)	
Newspaper	Primary Website	Location	Daily (2)	Sunday (2)	Unique Visitors	Page Views
Florence Morning News	scnow.com	Florence, SC	7,960	9,181	429	2,239
The Citizen (5)	auburnpub.com	Auburn, NY	5,390	8,949	386	3,527
Hickory Daily Record	hickoryrecord.com	Hickory, NC	7,585	8,689	1,022	5,868
Montana Standard (5)	mtstandard.com	Butte, MT	6,540	8,623	331	3,686
Globe Gazette	globegazette.com	Mason City, IA	5,808	8,531	328	3,143
Corvallis Gazette-Times	gazettetimes.com	Corvallis, OR	5,844	8,172	106	192
Bryan-College Station Eagle	theeagle.com	Bryan, TX	8,094	8,153	532	2,826
Arizona Daily Sun (5)	azdailysun.com	Flagstaff, AZ	5,259	7,467	305	1,812
Albany Democrat-Herald	democratherald.com	Albany, OR	5,687	6,962	462	4,054
Martinsville Bulletin	martinsvillebulletin.com	Martinsville, VA	6,144	6,747	315	1,655
Danville Register & Bee	godanriver.com	Danville, VA	5,212	6,377	310	1,649
Opelika Auburn News	oanow.com	Opelika, AL	6,639	6,629	460	2,389
The Times and Democrat (5)	thetandd.com	Orangeburg, SC	5,012	6,627	347	2,671
Scottsbluff Star-Herald	starherald.com	Scottsbluff, NE	6,109	6,092	318	1,544
Kearney Hub	kearneyhub.com	Kearney, NE	5,938	6,013	460	2,318
The Daily Nonpareil	nonpareilonline.com	Council Bluffs, IA	5,121	5,133	335	1,540
The News Herald	morganton.com	Morganton, NC	4,306	4,561	368	1,962
North Platte Telegraph	nptelegraph.com	North Platte, NE	4,509	4,527	225	1,081
Winona Daily News	winonadailynews.com	Winona, MN	2,925	3,063	129	1,192
Culpeper Star-Exponent	starexponent.com	Culpeper, VA	2,620	2,790	215	856
The News Virginian	newsvirginian.com	Waynesboro, VA	2,432	2,579	111	540
The McDowell News	mcdowellnews.com	Marion, NC	2,288	2,456	144	602
Ravalli Republic (5)	ravallinews.com	Hamilton, MT	2,136	2,000	90	434
Herald & Review	herald-review.com	Decatur, IL	16,427		819	5,543
Rapid City Journal (5)	rapidcityjournal.com	Rapid City, SD	10,888		1,047	6,611
The Southern Illinoisan	thesouthern.com	Carbondale, IL	9,515		360	2,118
The Sentinel (5)	cumberlink.com	Carlisle, PA	5,654		291	2,213
Journal Gazette & Times-Courier	jg-tc.com	Mattoon/Charleston, IL	4,190		178	1,874
Daily Citizen	wiscnews.com/bdc	Beaver Dam, WI	3,293			
Columbus Telegram (5)	columbustelegram.com	Columbus, NE	3,274		122	1,266
Baraboo News Republic	wiscnews.com/bnr	Baraboo, WI	2,891			
Elko Daily Free Press (5)	elkodaily.com	Elko, NV	2,849		180	1,629
Daily Journal (5)	dailyjournalonline.com	Park Hills, MO	2,810		250	1,875
Fremont Tribune (5)	fremonttribune.com	Fremont, NE	2,533		131	1,266
Beatrice Daily Sun (5)	beatricedailysun.com	Beatrice, NE	2,112		76	687
Muscatine Journal	muscatinejournal.com	Muscatine, IA	1,996		92	695
Portage Daily Register	wiscnews.com/pdr	Portage, WI	1,870			
York News-Times (5)	yorknewstimes.com	York, NE	1,801		134	732
The Chippewa Herald (5)	chippewa.com	Chippewa Falls, WI	1,414		154	992

(1) Source: AAM: March 2021 Quarterly Executive Summary Data Report, unless otherwise noted. More recent data is not available.
(2) Not all newspapers are published Monday through Saturday or have a Sunday edition
(3) Owned by MNI
(4) Owned by Star Publishing and published through TNI
(5) Source: Company statistics.
(6) Excludes Agri-Media sites

NEWSPRINT

The raw material of newspapers, and our other print publications, is newsprint. We purchase newsprint from U.S. and Canadian producers. We believe we will continue to receive a supply of newsprint adequate for our needs and consider our relationships with newsprint producers to be good. Newsprint purchase prices can be volatile and fluctuate based upon factors that include foreign currency exchange rates, tariffs and both foreign and domestic production capacity and consumption. Price fluctuations can affect our results of operations. We have not entered into derivative contracts for newsprint. For the quantitative impacts of these fluctuations, see Item 7A, “Quantitative and Qualitative Disclosures about Market Risk”, included herein.

EMPLOYEES AND HUMAN CAPITAL RESOURCES

We believe the foundation of our business is the people and employees who carry out the various tactics that support our business strategy. A major focus in 2021 was our integration of BH Media Group and the Buffalo News into common platforms and operating structures that manage all aspects of the employee experience including communication, performance management and benefits. This integration allows us to provide a unified approach to our digital transformation efforts.

At September 26, 2021, we had approximately 5,130 employees, including approximately 915 part-time employees, exclusive of TNI and MNI. Full-time equivalent employees in 2021 totaled approximately 4,793 of which 805 are represented by unions. We consider our relationships with our employees to be good. We are committed to an equitable and inclusive workplace that also reflects the diversity of our local readers and communities in which we serve. This past year, we hired a Director of News and Talent Development who is charged with improving diversity in our newsrooms and hiring practices that promote a more complete and inclusive news coverage of the communities in which we serve.

We continue to demonstrate our commitment to diversity, equity, and inclusion by assessing our hiring practices, extending our hiring reach, providing skill-building opportunities on diverse storytelling, and developing business strategies that include historically marginalized communities. These efforts and initiatives will help us reach our goal of a more diverse workforce at all levels of our company.

CORPORATE GOVERNANCE AND PUBLIC INFORMATION

We have a long history of sound corporate governance practices. Currently, our Board of Directors has affirmatively determined that six of its eight members are independent, including all members of the Board's Audit, Executive Compensation and Nominating and Corporate Governance committees. The Audit Committee approves all services to be provided by our independent registered public accounting firm and its affiliates.

At www.lee.net, one may access a wide variety of information, including news releases, SEC filings, financial statistics, annual reports, investor presentations, governance documents, newspaper profiles and digital links. We make available via our website all filings made by the Company under the Securities Exchange Act of 1934 ("Exchange Act"), including Forms 10-K, 10-Q and 8-K, and related amendments, as soon as reasonably practicable after they are filed with, or furnished to, the SEC. All such filings are available free of charge. The content of any website referred to in this Annual Report on Form 10-K ("Annual Report") is not incorporated by reference unless expressly noted.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements. This Annual Report contains information that may be deemed forward-looking that is based largely on our current expectations, and is subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those anticipated. Among such risks, trends and other uncertainties, which in some instances are beyond our control, are:

- Revenues may continue to diminish or declines in revenue could accelerate as a result of the COVID-19 pandemic;
- Revenues may continue to be diminished longer than anticipated as a result of the COVID-19 pandemic;
- The COVID-19 pandemic may result in material long-term changes to the publishing industry which may result in permanent revenue reductions for the Company and other risks and uncertainties;
- We may experience increased costs, inefficiencies and other disruptions as a result of the COVID-19 pandemic;
- We may be required to indemnify the previous owners of the BH Media Newspaper Business or Buffalo News for unknown legal and other matters that may arise;
- Our ability to manage declining print revenue;
- The warrants issued in our 2014 refinancing will not be exercised;
- The impact and duration of adverse conditions in certain aspects of the economy affecting our business;
- Change in advertising and subscription demand;
- Changes in technology that impact our ability to deliver digital advertising;
- Potential changes in newsprint, other commodities and energy costs;
- Interest rates;
- Labor costs;
- Significant cyber security breaches or failure of our information technology systems;
- Our ability to achieve planned expense reductions and realize the expected benefit of our acquisitions;
- Our ability to maintain employee and customer relationships;
- Our ability to manage increased capital costs;
- Our ability to maintain our listing status on NASDAQ;
- Competition; and
- Other risks detailed from time to time in our publicly filed documents, including this Annual Report and particularly in "Risk Factors", Part I, Item 1A herein.

Any statements that are not statements of historical fact (including statements containing the words “may”, “will”, “would”, “could”, “believes”, “expects”, “anticipates”, “intends”, “plans”, “projects”, “considers” and similar expressions) generally should be considered forward-looking statements. Readers are cautioned not to place undue reliance on such forward-looking statements, which are made as of the date of this Annual Report. We do not undertake to publicly update or revise our forward-looking statements, except as required by law.

ITEM 1A. RISK FACTORS

The risks described below could materially and adversely affect our business, financial condition and results of operations. We could also be affected by additional risks that apply to all companies operating in the U.S., as well as other risks that are not presently known to us or that we currently consider to be immaterial. These Risk Factors should be carefully reviewed in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and our Financial Statements and Supplementary Data in Item 8 of this Report. For ease of review, the risk factors generally have been grouped into categories, but many of the risks described in a given category relate to multiple categories.

Risks Related to General Economic Factors

The Company has incurred a material drop in advertising revenues as COVID-19 continues.

The COVID-19 pandemic and subsequent government restrictions caused and continue to cause significant declines in demand for certain products and services of ours, which ultimately affects advertising revenue. As such, certain aspects of our operating results have experienced lower revenue and profitability over 2021 and 2020 and these trends are expected to continue in the future.

Our advertising revenues may decline due to weakness in the brick and mortar retail sector.

A significant portion of our revenue is derived from advertising. The demand for advertising is sensitive to the overall level of economic strength, both in the markets in which we operate and nationally. Also, the decline in the financial or economic conditions of our advertisers could alter discretionary spending by advertisers. Certain segments of the economy have been challenged in recent years, particularly in the brick and mortar retail sector, and total advertising revenues have declined as a result. Advertising revenues may worsen if advertisers reduce their budgets, shift their spending priorities, are forced to consolidate, or cease operations.

Our ability to generate revenue is highly sensitive to the strength of the economies in which we operate and the demographics of the local communities that we serve.

Our advertising and marketing services revenues and subscription revenues depend upon a number of factors, including the size and demographic characteristics of the local population; the general local economic conditions; and the economic condition of the retail segments in the communities that our publications serve. In the case of an economic downturn in a market, our publications, revenues, and profitability in that market could be adversely affected. Our advertising and marketing services revenues could also be affected by negative trends in the general economy that affect consumer spending. The advertisers in our newspapers, other publications, and related websites are primarily retail businesses that can be significantly affected by regional or national economic downturns and other developments. Declines in the U.S. economy could also significantly affect key advertising revenue categories, such as help wanted, real estate, and automotive.

Uncertainty and adverse changes in the general economic conditions of markets in which we participate may negatively affect our business.

Current and future economic conditions are inherently uncertain. It is difficult to estimate the level of growth or contraction for the economy as a whole, and even more difficult to estimate growth or contraction in various parts, sectors, and regions of the economy, including the markets our publications serve. Adverse changes may occur as a result of weak global economic conditions, declining oil prices, wavering consumer confidence, unemployment, declines in stock markets, contraction of credit availability, declines in real estate values, natural disasters, or other factors affecting economic conditions in general. These changes may negatively affect the sales of our products, increase exposure to losses from bad debts, increase the cost and decrease the availability of financing, or increase costs associated with publishing and distributing our publications.

The collectability of accounts receivable under adverse economic conditions could deteriorate to a greater extent than provided for in our financial statements and in our projections of future results.

Adverse economic conditions in the U.S. may increase our exposure to losses resulting from financial distress, insolvency, and the potential bankruptcy of our advertising and marketing services customers. Our accounts receivable is stated at net estimated realizable value, and our allowance for credit losses has been determined based on several factors, including receivable agings, significant individual credit risk accounts, and historical experience. If such collectability estimates prove inaccurate, adjustments to future operating results could occur.

The value of our intangible assets may become impaired, depending upon future operating results.

At September 26, 2021, the carrying value of our goodwill was $330,204,000, the carrying value of mastheads was $39,672,000, and the carrying value of our amortizable intangible assets was $116,999,000. The indefinite-lived assets (goodwill and mastheads) are subject to annual impairment testing and more frequent testing upon the occurrence of certain events or significant changes in our circumstances that indicate all or a portion of their carrying values may no longer be recoverable, in which case a non-cash charge to earnings may be necessary in the relevant period. We may subsequently experience market pressures which could cause future cash flows to decline below our current expectations, or volatile equity markets could negatively impact market factors used in the impairment analysis, including earnings multiples, discount rates, and long-term growth rates. Any future evaluations requiring an asset impairment charge for goodwill or other intangible assets would adversely affect future reported results of operations and stockholders' equity.

For further information on goodwill and intangible assets, see Note 5 — Goodwill and other intangible assets.

Risk Related to Competition from Digital Media

Our operating revenue may be materially adversely affected if we do not successfully respond to the shift in newspaper readership and advertising expenditures away from traditional print media and towards digital media. Significant capital investments may be needed to respond to this shift.

Currently, a primary source of revenue is from advertising and marketing services, which accounts for 46% of our revenue. Subscription revenue accounts for 45% of our revenue. The media publishing industry has experienced rapid evolution in consumer demands and expectations due to advances in technology, which have led to a proliferation of delivery methods for news and information. The number of consumers who access online services through devices other than personal computers, such as tablets and mobile devices, has increased dramatically in recent years and likely will continue to increase. The media publishing industry also continues to be affected by demographic shifts, with older generations preferring more traditional print newspaper delivery and younger generations consuming news through digital media. Also, the revenues generated by media publishing companies have been affected significantly by the shift in advertising expenditures towards digital media.

The future revenue performance of our digital business depends to a significant degree upon the growth development and management of our subscriber and advertising audiences. The growth of our digital business over the long term depends on various factors, including, among other things, the ability to:

- Continue to increase digital audiences;
- Attract advertisers to our digital platforms;
- Tailor our products to efficiently and effectively deliver content and advertising on mobile devices;
- Maintain or increase the advertising rates on our digital platforms;
- Exploit new and existing technologies to distinguish our products and services from those of competitors and develop new content, products and services;
- Invest funds and resources in digital opportunities;
- Partner with, or use services from, providers that can assist us in effectively growing our digital business; and
- Create digital content and platforms that attract and engage audiences in our markets.

If we are unable to grow our digital audience, distinguish our products and services from those of our competitors or develop compelling new products and services that engage users across multiple platforms, then our business, financial condition, and results of operations may be adversely affected. Responding to the changes described above may require us to make significant capital investments and incur significant research and development costs related to building, maintaining, and evolving our technology infrastructure, and our ability to make the level of investments required may be limited.

See “Audiences” in Item 1, included herein, for additional information on about our print and digital audiences.

Risks Related to Takeover Attempts

Alden's unsolicited proposal to acquire us may divert management's attention and resources, cause us to incur substantial costs, and have an adverse effect on our business.

On November 22, 2021, we received an unsolicited proposal from Alden Global Capital, LLC (with its affiliates, "Alden") to acquire the Company for $24.00 per share in cash (the "Unsolicited Proposal"). On December 9, 2021, we announced that our Board of Directors, in consultation with its independent financial and legal advisors, unanimously determined to reject the Unsolicited Proposal, as it significantly undervalues the Company and is not in the best interests of the Company and its stockholders.

The events surrounding the Unsolicited Proposal and related circumstances and our response have required, and may continue to require, significant time and attention by management and our Board of Directors and have required us, and may continue to require us, to incur significant legal and advisory fees and expenses. Further, actions taken by Alden or other third parties as a result of the Unsolicited Proposal, including a proxy contest, could disrupt our business, distract us from efforts to improve our business, cause us to incur substantial additional expense, create perceived uncertainties among current and potential employees, customers, clients, suppliers, and other constituencies as to our future direction as a consequence thereof that may result in lost sales or other business arrangements and the loss of potential business opportunities, and make it more difficult to attract and retain qualified personnel and business partners. Actions that our Board of Directors has taken, and may take in the future, in response to any offer or other related actions by Alden, including the Unsolicited Proposal and Alden's purported notice of nominations in connection with our 2022 annual meeting of stockholders (which our Board of Directors determined was invalid under our by-laws for failing to comply with requirements of our by-laws), or any other offer or proposal may result in litigation against us. These lawsuits may be a significant distraction for our management and employees and may require us to incur significant costs. If determined adversely to us, these lawsuits could harm our business and have a material adverse effect on our results of operations. We also believe the future trading price of our Common Stock could be subject to wide price fluctuations based on uncertainty associated with the Unsolicited Proposal.

The stockholder rights plan adopted by our Board of Directors may impair a takeover attempt.

On November 24, 2021, our Board of Directors adopted a stockholder rights plan (the "Rights Agreement"). Pursuant to the Rights Agreement, on November 24, 2021, our Board of Directors declared a dividend of one preferred share purchase right (a "Right"), payable on December 6, 2021, for each share of our Common Stock outstanding to the stockholders of record on that date. Each Right entitles the registered holder to purchase from the Company one-thousandth of a share of Series B Participating Convertible Preferred Stock, without par value (the "Preferred Shares"), of the Company at a price of $120.00 per one one-thousandth of a Preferred Share represented by a Right, subject to adjustment.

The Rights will initially trade with our Common Stock and will generally become exercisable only if any person or group, other than certain exempt persons, acquires beneficial ownership of 10% (or 20% in the case of certain passive investors) or more of our Common Stock outstanding. In the event the Rights become exercisable, each holder of a Right, other than the triggering person(s), will be entitled to purchase additional shares of our Common Stock at a 50% discount or the Company may exchange each Right held by such holders for one share of our Common Stock. The Rights Agreement will continue in effect until November 23, 2022, or unless earlier redeemed or terminated by the Company, as provided in the Rights Agreement. The Rights have no voting or dividend privileges, and, unless and until they become exercisable, have no dilutive effect on the earnings of the Company.

The Rights Agreement applies equally to all current and future stockholders and is not intended to deter offers or preclude our Board of Directors from considering acquisition proposals that are fair and otherwise in the best interest of our stockholders. However, the overall effect of the Rights Agreement may render it more difficult or discourage a merger, tender offer, or other business combination involving us that is not supported by our Board of Directors.

Additional details about the Rights Agreement are contained in the Current Report on Form 8-K filed by the Company with the SEC on November 24, 2021.

Risks Related to our Acquisitions of BH Media and Buffalo News

On March 16, 2020, the Company completed the purchase of certain assets and the assumption of certain liabilities of the newspaper and related community publications business of BH Media and the purchase of all of the issued and outstanding capital stock of Buffalo News (collectively, the "Transactions"). Under the terms of the Asset and Stock Purchase Agreement, dated January 29, 2020, with Berkshire Hathaway, Inc. ("Berkshire"), and BH Media (the "Purchase Agreement"), the aggregate purchase price for the Transactions was $140 million, which excluded $12 million in cash at closing of the Transactions. BH Finance, LLC ("BH Finance"), an affiliate of Berkshire, financed the Purchase Agreement through the Credit Agreement, dated January 29, 2020 (the "Credit Agreement").

The Company borrowed $576 million from BH Finance under the Credit Agreement in order to finance the Transactions and refinance its outstanding indebtedness.

We may not achieve the intended benefits of the BH Media acquisition.

We completed the BH Media acquisition in March 2020, and there can be no assurance that we will be able to realize the expected benefits of the transaction.

There are many challenges associated with integrating a material acquisition, such as our acquisition of BH Media and Buffalo News, including the integration of executive and other employee teams with historically different cultures and priorities; the coordination of personnel located across multiple geographic locations; retaining key management and other employees; consolidating corporate and administrative infrastructures and eliminating duplicative operations; the diversion of management's attention from ongoing business concerns; retaining existing business and operational relationships, including customers, suppliers and other counterparties, and attracting new business and operational relationships; unanticipated issues in integrating information technology, communications and other systems; as well as unforeseen expenses associated with the acquisition. These and other challenges could result in unanticipated operational challenges and the failure to realize anticipated synergies in the expected timeframe or at all.

If we fail to realize anticipated synergies in the amount and within the timeframe expected, our actual financial condition and results of operations may differ materially from the illustrative financial information disclosed in connection with the acquisition, which was based on various assumptions and estimates that may prove to be incorrect. Such illustrative financial information did not constitute management's projections of future financial performance or results of operations; however, any material variance from such illustrative financial information could result in negative investor reactions that materially and adversely affect the market price of our Common Stock.

Our actual financial condition and results of operations may differ materially even if synergies are realized, due to macroeconomic factors or a variety of other risks to our business that are independent of the acquisition.

Our future results will suffer if we do not effectively manage our expanded operations.

With completion of the BH Media acquisition, the size of our business has increased significantly. Our continued success depends, in part, upon our ability to manage this expanded business, which poses substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. We cannot assure that we will be successful or that we will realize the expected operating efficiencies, cost savings, and other benefits from the combination that we currently anticipate.

Risks Related to Cybersecurity

Our business, operating results, and reputation may be negatively impacted, and we may be subject to legal and regulatory claims if there is a loss, destruction, disclosure, misappropriation, or alteration of or unauthorized access to data owned or maintained by us, or if we are the subject of a significant data breach or cyberattack.

We rely on our information technology and communications systems to manage our business data, including communications, news and advertising content, digital products, order entry, fulfillment and other business processes. These technologies and systems also help us manage many of our internal controls over financial reporting, disclosure controls and procedures and financial systems. Attempts to compromise information technology and communications systems occur regularly across many industries and sectors, and we may be vulnerable to security breaches resulting from accidental events (such as human error) or deliberate attacks. Moreover, the techniques used to attempt attacks and the perpetrators of such attacks are constantly expanding. We face threats both from use of malicious code (such as malware, viruses and ransomware), employee theft or misuse, advanced persistent threats, and phishing and denial-of-service attacks. The Company has complied with all applicable legal requirements relating to this activity. As cyberattacks become increasingly sophisticated, and as tools and resources become more readily available to malicious third parties, the Company will incur increased costs to secure its technology environment and there can be no guarantee that the Company’s and our third-party vendors’ actions, security measures and controls designed to prevent, detect or respond to security breaches, to limit access to data, to prevent destruction, alteration, or exfiltration of data, or to limit the negative impact from such attacks, can provide absolute security against compromise. As a result, our business data, communications, news and advertising content, digital products, order entry, fulfillment and other business processes may be lost, destroyed, disclosed, misappropriated, altered or accessed without consent and various controls, automated procedures and financial systems could be compromised.

A significant security breach or other successful attack could result in significant remediation costs, including repairing system damage, engaging third-party experts, deploying additional personnel or vendor support, training employees, and compensation or incentives offered to third parties whose data has been compromised. These incidents may also lead to lost revenues resulting from a loss in competitive advantage due to the unauthorized disclosure, alteration, destruction or use of business data, the failure to retain or attract customers, the disruption of critical business processes or systems, and the diversion of management’s attention and resources. Moreover, such incidents may result in adverse media coverage, which may harm our reputation. These incidents may also lead to legal claims or proceedings, including regulatory investigations and actions and private lawsuits, and related legal fees, as well as potential settlements, judgments and fines. We maintain insurance, but the coverage and limits of our insurance policies may not be adequate to reimburse us for losses caused by security breaches.

Our possession and use of personal information and the use of payment cards by our customers present risks and expenses that could harm our business. Unauthorized access to or disclosure or manipulation of such data, whether through breach of our network security or otherwise, could expose us to liabilities and costly litigation and damage our reputation.

Our online systems store and process confidential subscriber and other sensitive data, such as names, email addresses, addresses, and other personal information. Therefore, maintaining our network security is critical. Additionally, we depend on the security of our third-party service providers. Unauthorized use of or inappropriate access to our, or our third-party service providers' networks, computer systems and services could potentially jeopardize the security of confidential information, including payment card (credit or debit) information, of our customers. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we or our third-party service providers may be unable to anticipate these techniques or to implement adequate preventative measures. Non-technical means, for example, actions by an employee, can also result in a data breach. A party that is able to circumvent our security measures could misappropriate our proprietary information or the information of our customers or users, cause interruption in our operations, or damage our computers or those of our customers or users. As a result of any such breaches, customers or users may assert claims of liability against us and these activities may subject us to legal claims, adversely impact our reputation, and interfere with our ability to provide our products and services, all of which may have an adverse effect on our business, financial condition and results of operations. The coverage and limits of our insurance policies may not be adequate to reimburse us for losses caused by security breaches.

A significant number of our customers authorize us to bill their payment card accounts directly for all amounts charged by us. These customers provide payment card information and other personally identifiable information which, depending on the particular payment plan, may be maintained to facilitate future payment card transactions. Under payment card rules and our contracts with our card processors, if there is a breach of payment card information that we store, we could be liable to the banks that issue the payment cards for their related expenses and penalties. In addition, if we fail to follow payment card industry data security standards, even if there is no compromise of customer information, we could incur significant fines or lose our ability to give our customers the option of using payment cards. If we were unable to accept payment cards, our business would be seriously harmed.

There can be no assurance that any security measures we, or our third-party service providers, take will be effective in preventing a data breach. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. If an actual or perceived breach of our security occurs, the perception of the effectiveness of our security measures could be harmed and we could lose customers or users. Failure to protect confidential customer data or to provide customers with adequate notice of our privacy policies could also subject us to liabilities imposed by United States federal and state regulatory agencies or courts. We could also be subject to evolving state laws that impose data breach notification requirements, specific data security obligations, or other consumer privacy-related requirements. Our failure to comply with any of these laws or regulations may have an adverse effect on our business, financial condition and results of operations.

Risks Related to Catastrophic and Other External Events

The COVID-19 pandemic is affecting our business, financial condition and results of operations in many respects.

The impacts of the COVID-19 pandemic remain unpredictable and volatile. The COVID-19 pandemic continues to adversely impact portions of the United States economy as well as our employees, advertisers, customers, suppliers and other people and entities with whom and which we do business. There is considerable uncertainty regarding the extent to which COVID-19 will continue to spread and the extent and duration of measures to try to contain the virus, such as travel bans and restrictions, quarantines, the use of social distancing, masks and other safety measures, shelter-in-place orders and business and government shutdowns and vaccines. We are taking precautionary measures intended to help minimize the risk of the virus to our employees, including temporarily requiring some employees to work remotely.

Other factors and uncertainties include:

- the severity and duration of the pandemic, including whether there are future waves or spikes in the number of COVID-19 cases caused by future mutations or related variants of the virus;
- the long-term impact of the pandemic on our business, including customer behaviors;
- general economic uncertainty, unemployment rates, and recessionary pressures;
- unknown consequences on our business performance and initiatives stemming from the substantial investment of time and other resources to the pandemic response; and
- the pace of recovery when the pandemic subsides.

The persistence of the COVID-19 pandemic may have a material impact on our digital and print advertising and subscriptions for an unknown length of time.

We expect the COVID-19 pandemic to continue to have a negative impact in the near term. The long-term impact will depend on the length, severity, and reoccurrence of the pandemic, as well as changes in consumer behavior. The COVID-19 pandemic may accelerate, hasten or worsen the other Risk Factors described in this Item 1A.

Government-imposed COVID-19 vaccine mandates could have a material adverse impact on our business.

The United States Department of Labor's Occupational Safety and Health Administration recently issued an Emergency Temporary Standard ("ETS") requiring that most employers with at least 100 employees ensure their employees become fully vaccinated against COVID-19 or require those employees who do not become fully vaccinated to obtain a negative COVID-19 test weekly. While the ETS is currently subject to a judicial stay, because we have over 100 employees the ETS applies to us if and when it becomes enforceable. Mandating the vaccination or weekly testing of all of our employees could be logistically difficult and costly, both economically and operationally, including possible labor disruptions, employee attrition, and a reduced ability to replace departing employees. Such issues could have a material adverse effect on our business operations, potentially reducing revenues and increasing costs

Natural disasters, extreme weather conditions, public health emergencies or other catastrophic events could negatively affect our business, financial condition, and results of operations.

Natural disasters and extreme weather conditions, such as hurricanes, derecho windstorms, floods, earthquakes, wildfires; acts of terrorism or violence, including active-shooter situations; and public health issues, including pandemics and quarantines, could negatively affect our operations and financial performance. Such events could result in physical damage to our properties, disruptions to our IT systems, temporary or long-term disruption in the supply of products from our suppliers, and delays in the delivery of goods to our printing facilities. Public health issues, whether occurring in the U.S. or Canada, could disrupt our operations, the operations of suppliers, or have an adverse impact on consumer spending and confidence levels.

Risks Related to Competition

We compete with a large number of companies in the local media industry, including digital media businesses and, if we are unable to compete effectively, our advertising and subscription revenues may decline.

We compete for audiences and advertising revenue with newspapers and other media such as the internet, magazines, broadcast, cable and satellite television, radio, direct mail, outdoor billboards and yellow pages. As the use of the internet and mobile devices has increased, we have lost some classified advertising and subscribers to online advertising businesses and our free Internet sites that contain abbreviated versions of our publications. Some of our current and potential competitors have greater financial and other resources than we do. If we fail to compete effectively with competing newspapers and other media, our results of operations may be materially adversely affected.

Risks Related to Pension Liabilities

Sustained increases in funding requirements of our pension and postretirement obligations may reduce the cash available for our business.

Pension plans were in a net overfunded position of $13.4 million at September 26, 2021, compared to an underfunded position of $71.5 million at September 27, 2020.

Our pension and postretirement plans invest in a variety of equity and debt securities. Future volatility and disruption in the securities markets could cause declines in the asset values of our pension and postretirement plans. In addition, a decrease in the discount rates or changes to mortality estimates and other assumptions used to determine the liability could increase the benefit obligation of the plans. Unfavorable changes to the plan assets and/or the benefit obligations could increase the level of required contributions above what is currently estimated, which could reduce the cash available for our business and debt service.

We expect to be subject to additional withdrawal liabilities in connection with multiemployer pension plans, which may reduce the cash available for our business.

We contributed to various multiemployer defined benefit pension plans during 2021 under the terms of collective-bargaining agreements (“CBAs”). For plans that are in critical status, benefit reductions may apply/or we could be required to make additional contributions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices are located in leased facilities at 4600 E. 53rd Street, Davenport, Iowa. The initial lease term expires August 1, 2029.

We have 23 print sites which print most of our dailies with the exception of 14 that are printed at third party printers.

Our newspapers and other publications have formal or informal backup arrangements for printing in the event of a disruption in production capability.

ITEM 3. LEGAL PROCEEDINGS

We are involved in a variety of legal actions that arise in the normal course of business. Insurance coverage mitigates potential loss for certain of these matters. While we are unable to predict the ultimate outcome of these legal actions, it is our opinion that the disposition of these matters will not have a material adverse effect on our Consolidated Financial Statements, taken as a whole.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

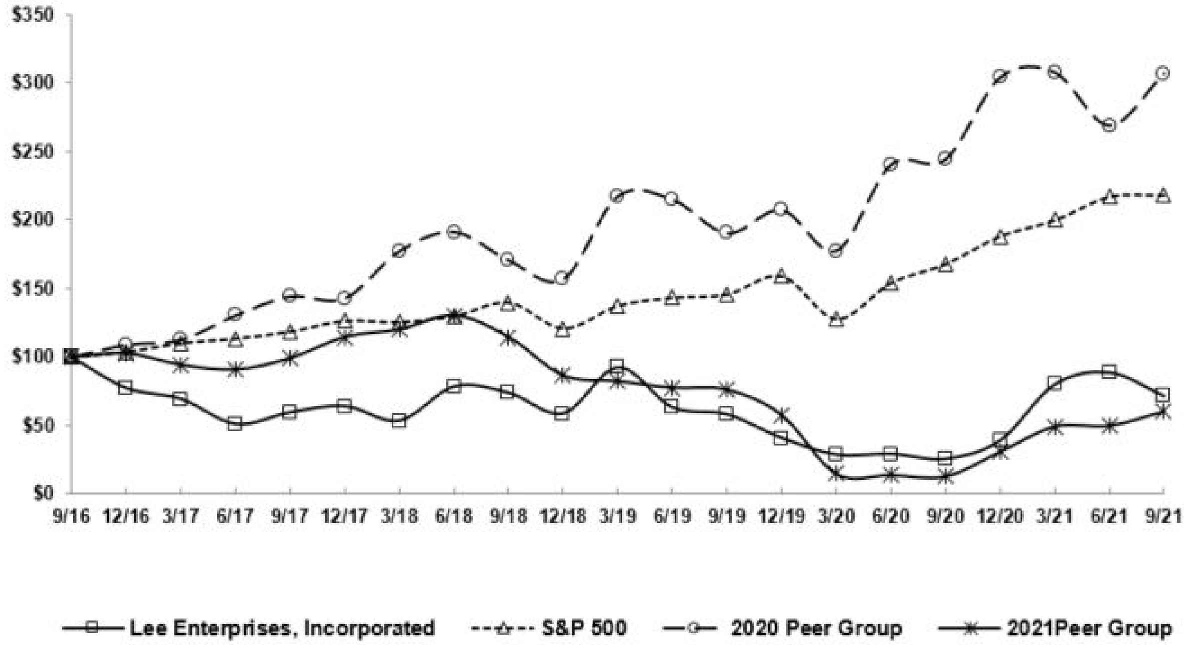
Our Common Stock is listed on the NASDAQ.

At November 30, 2021, we had 5,268 registered holders of record of our Common Stock.

Our Credit Agreement restricts us from paying dividends on our Common Stock. This restriction does not apply to dividends issued with the Company's Equity Interests or from the proceeds of a sale of the Company's Equity Interest. See Note 6 of the Notes to Consolidated Financial Statements, included herein.

PERFORMANCE PRESENTATION

The following graph compares the percentage change in the cumulative total return of the Company, the Standard & Poor's ("S&P") 500 Stock Index, and a peer group index, in each case for the five years ended September 26, 2021 (with September 25, 2016, as the measurement point). Total return is measured by dividing (a) the sum of (i) the cumulative amount of dividends declared for the measurement period, assuming dividend reinvestment and (ii) the difference between the issuer's share price at the end and the beginning of the measurement period, by (b) the share price at the beginning of the measurement period.



ITEM 6. SELECTED FINANCIAL DATA

The company has adopted the removal of the disclosure required by this item, as permitted by SEC rule changes effective February 10, 2021.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion includes comments and analysis relating to our results of operations and financial condition as of September 26, 2021 and for fiscal years 2020 and 2019. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes thereto, included herein.

NON-GAAP FINANCIAL MEASURES

We use non-GAAP financial performance measures to supplement the financial information presented on a GAAP basis. These non-GAAP financial measures should not be considered in isolation or as a substitute for the relevant GAAP measures and should be read in conjunction with information presented on a GAAP basis.

In this report, we present Adjusted EBITDA, cash costs and margin, which are non-GAAP financial performance measures that exclude from our reported GAAP results the impact of certain items consisting primarily of restructuring charges and non-cash charges. We believe such expenses, charges, and gains are not indicative of normal, ongoing operations, and their inclusion in results makes for more difficult comparisons between years and with peer group companies. In the future, however, we are likely to incur expenses, charges, and gains similar to the items for which the applicable GAAP financial measures have been adjusted and to report non-GAAP financial measures excluding such items. Accordingly, exclusion of those or similar items in our non-GAAP presentations should not be interpreted as implying the items are non-recurring, infrequent, or unusual.

We define our non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, as follows:

Adjusted EBITDA is a non-GAAP financial performance measure that enhances financial statement users overall understanding of the operating performance of the Company. The measure isolates unusual, infrequent or non-cash transactions from the operating performance of the business. This allows users to easily compare operating performance among various fiscal periods and how management measures the performance of the business. This measure also provides users with a benchmark that can be used when forecasting future operating performance of the Company that excludes unusual, nonrecurring or one time transactions. Adjusted EBITDA is also a component of the calculation used by stockholders and analysts to determine the value of our business when using the market approach, which applies a market multiple to financial metrics. It is also a measure used to calculate the leverage ratio of the Company, which is a key financial ratio monitored and used by the Company and its investors. Adjusted EBITDA is defined as net income (loss), plus non-operating expenses, income tax expense (benefit), depreciation and amortization, assets loss (gain) on sales, impairments and other, restructuring costs and other, stock compensation and our 50% share of EBITDA from TNI and MNI, minus equity in earnings of TNI and MNI and curtailment gains.

Cash Costs represent a non-GAAP financial performance measure of operating expenses which are measured on an accrual basis and settled in cash. This measure is useful to investors in understanding the components of the Company’s cash-settled operating costs. Cash Costs can be used by financial statement users to assess the Company's ability to manage and control its operating structure. Cash Costs are defined as compensation, newsprint and ink and other operating expenses. Depreciation and amortization, assets loss (gain) on sales, impairments and other, other non-cash operating expenses and other non-operating expenses are excluded. Cash Costs also exclude restructuring costs and other, which are typically settled in cash.

Total Operating Revenue Less Cash Costs, or “margin”, represents a non-GAAP financial performance measure of revenue less total cash costs, also a non-GAAP financial measure. This measure is useful to investors in understanding the profitability of the Company after direct cash costs related to the production and delivery of products are paid. Margin is also useful in developing opinions and expectations about the Company’s ability to manage and control its operating cost structure in relation to its peers.

A table reconciling Adjusted EBITDA to net income, the most directly comparable measure under GAAP, is set forth below under the caption "Reconciliation of Non-GAAP Financial Measures".

The subtotals of operating expenses representing cash costs and total operating revenue less cash costs can be found in tables in Item 7, included herein, under the caption “Continuing Operations”.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

The table below reconciles the non-GAAP financial performance measure of Adjusted EBITDA to net income, the most directly comparable GAAP measure:

(Thousands of Dollars)	2021	2020	2019
Net Income (loss)	24,832	(1,261)	15,909
Adjusted to exclude			
Income tax expense	7,215	4,104	7,931
Non-operating expenses, net	24,509	47,435	50,889
Equity in earnings of TNI and MNI	(6,412)	(3,403)	(7,121)
Assets loss (gain) on sales, impairments and other	8,214	(5,403)	2,464
Depreciation and amortization	42,841	36,133	29,332
Restructuring costs and other	7,182	13,751	11,635
Stock compensation	854	1,051	1,638
Add:			
Ownership share of TNI and MNI EBITDA (50%)	7,317	4,764	8,811
Adjusted EBITDA	116,552	97,171	121,488

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ significantly from those estimates. We believe the following discussion addresses our most critical accounting policies, which are those that are important to the presentation of our financial condition and results of operations and require management's most subjective and complex judgments.

Intangible Assets, Other Than Goodwill

Local mastheads (e.g., publishing periodical titles and web site domain names) are not subject to amortization. Non-amortized intangible assets are tested for impairment annually on the first day of the fourth fiscal quarter or more frequently if events or changes in circumstances suggest the asset might be impaired.

The quantitative impairment test consists of comparing the fair value of each masthead or domain name with its carrying amount. We use a relief from royalty approach which utilizes a discounted cash flow model to determine the fair value of each masthead, domain name, or trade name. Management's judgments and estimates of future operating results in determining the intangibles fair values are consistently applied to each underlying business in determining the fair value of each intangible asset. In 2021 and 2020, we recognized impairment charges of $787,000 and $972,000, respectively. No impairment was recorded in 2019. Of our various mastheads, several have fair values that have headroom under 20% over their carrying value and could experience impairment in the future if we do not achieve our revenue projections.

Our amortizable intangible assets consist mainly of customer relationships including subscriber lists and advertiser relationships. These asset values are amortized systematically over their estimated useful lives. Intangible assets subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The carrying amount of each asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of such asset group. In 2021, we recognized $190,000 of impairment on intangible assets subject to amortization. There were no indicators of impairment on intangible assets subject to amortization in 2020 or 2019.

Our quantitative impairment analysis includes several inputs that are considered estimates, these include royalty rates, discount rates, five-year revenue forecast, and long term growth rates. All of these estimates are subject to uncertainty as future results may or may not be achieved. The Company royalty rates utilized range from 1.0% to 1.5%, a 50 basis point decrease in royalty rates would result in an additional $9,816,000 of impairment. The Company’s discount rate utilized in the analysis has ranged from 9.50% to 11.50% in different years depending on market conditions. Increasing the discount rate by 100 basis points would result in an additional $1,075,000 of impairment. The Company has had various revenue forecast utilized in the analysis over different years. A one percent decrease in forecasted revenues would result in an additional $674,000 of impairment. Decreasing long term growth rates by 100 basis points results in an additional $26,000 of impairment.

Future decreases in our market value, or significant differences in revenue, expenses or cash flows from estimates used to determine fair value, could result in additional impairment charges in the future.

Pension, Postretirement and Postemployment Benefit Plans

We, along with our subsidiaries, have various defined benefit retirement plans, postretirement plans and postemployment plans, under which substantially all of the benefits have been frozen in previous years.

We account for our pension, postretirement and postemployment plans in accordance with the applicable accounting guidance, which requires us to include the funded status of our pension plans in our balance sheets and to recognize, as a component of other comprehensive income (loss), the gains or losses that arise during the period but are not recognized in pension expense. The service cost component of net period benefit cost is reported on the Consolidated Statements of Income and Comprehensive Income and included in Compensation while all other components are included in other non-operating income/expense.

The determination of pension and postretirement plan obligations and expense is based on a number of actuarial assumptions. Two critical assumptions are the discount rates applied to pension and postretirement plan obligations and the expected long-term rate of return on plan assets.

The discount rate assumption is based on investment yields available at year-end on corporate bonds rated AA and above with a maturity to match the expected benefit payment stream. To determine the expected long-term rate of return on pension plan assets, we consider the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets, input from the actuaries and investment consultants and long- term inflation assumptions. We used an assumption of 5.9% for 2021 for our expected return on pension plan assets and a 4.0% assumption for 2021 for our postretirement and postemployment benefits.

A 50 basis point change in discount rates would result in an increase to pension and postretirement and postemployment benefits liabilities of $25,400,000. A 50 basis point change in expected rate of return of assets results would result in an increase to pension and postretirement and postemployment benefits expense of $1,809,000.

Income Taxes

We are subject to income taxes in the U.S. and record our tax provision for the anticipated tax consequences in our reported results of operations. Tax laws are complex and subject to different interpretations by the taxpayer and respective government taxing authorities. Significant management judgment is required in determining our provision for income taxes, deferred tax assets and liabilities, and the valuation allowance recorded against our net deferred tax assets, if any.

Our current and deferred income tax provisions are calculated based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the subsequent year. These estimates are reviewed and adjusted, if needed, throughout the year. Adjustments between our estimates and the actual results of filed returns are recorded when identified.

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using currently enacted tax rates. Deferred income tax assets are recognized for deductible temporary differences and loss carryforwards and deferred income tax liabilities are recognized for taxable temporary differences. Temporary differences are the difference between the reported amounts of assets and liabilities and their tax basis. Deferred income tax assets are reduced by a valuation allowance when, in our opinion, it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We record interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Business Combinations

Accounting for business combinations requires us to make significant estimates and assumptions, especially at the acquisition date, with respect to tangible and intangible assets acquired and liabilities assumed. We use our best estimates and assumptions to accurately assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date as well as the useful lives of those acquired intangible assets. The Company prepares its initial estimates of the fair values of intangible assets utilizing the multi-period excess earnings method for customer-related intangible assets and the relief from royalty method for indefinite lived masthead assets. Examples of critical estimates in valuing certain of the intangible assets and goodwill we have acquired include but are not limited to:

- future expected cash flows from subscription, advertising and commercial print relationships and related assumptions about future revenue growth and customer retention;
- discount rates; and
- royalty rates used to value acquired mastheads.

Additional information regarding our accounting for business combinations can be found in Note 1.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2016, the Financial Accounting Standards Board ("FASB") issued a new standard to replace the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a wider array of reasonable and supportable information to inform and develop credit loss estimates. We are required to use a forward-looking expected credit loss model for both accounts receivable and other financial instruments. The new standard was adopted beginning September 28, 2020 using a modified retrospective approach. This change did not have a material impact on our Consolidated Financial Statements.

CERTAIN MATTERS AFFECTING CURRENT AND FUTURE OPERATING RESULTS

The following items affect period-over-period comparisons from 2021 to 2019 and will continue to affect period-over-period comparisons for future results.

Acquisitions and Divestitures

- In March 2020, we completed the acquisition of BH Media and Buffalo News for a purchase price of $140,000,000. The acquisition was funded by a 25-year term loan with BH Finance, in an aggregate principal amount of $576,000,000 at a 9% annual rate (referred to herein as "Credit Agreement" and "Term Loan"), as part of a broader comprehensive refinancing of all of our then outstanding debt.

- In the 13 weeks ended March 2020, we disposed of substantially all of the assets of certain of our smaller properties, including four daily newspapers and related print and digital publications, for an aggregate sales price of $3,950,000.

Impacts of COVID-19

The ongoing COVID-19 pandemic and related measures to contain its spread have resulted in significant volatility and economic uncertainty, which is expected to continue in the near term. The COVID-19 pandemic has had and the Company currently expects that it will continue to have a significant negative impact on the Company's business and operating results in the near term. While vaccines have become widely available in the United States, the long-term impact of the COVID-19 pandemic remains uncertain and unpredictable as it will depend on the pace of vaccine distribution, government responses to future outbreaks, the spread of variants, as well as changes in consumer behavior, all of which are highly uncertain. Despite the significant impacts on our operating results, we have operated uninterrupted in providing local news, information and advertising in our print and digital editions.

In combination with our acquisition integration, ongoing business transformation and addressing the continued effects of COVID-19 on our operating results, we continued to implement measures to solidify our relationship with our local advertisers, reduce our cost structure and preserve liquidity, and as a result expected to achieve $100 million in cost reductions from December 2019 through September 2021. Since the closing of the Transactions, we have realized $112 million in cost synergies, well ahead of our target set last year of $100 million.

OPERATIONS

Operating results, as reported in the Consolidated Financial Statements, are summarized below:

(Thousands of Dollars, Except Per Share Data)	2021	2020	Percent Change	2019	Percent Change
Advertising and marketing services revenue	369,283	289,655	27.5	265,933	8.9
Subscription	357,713	268,285	33.3	187,443	43.1
Other	67,653	60,064	12.6	56,478	6.3
Total operating revenue	794,649	618,004	28.6	509,854	21.2
Operating expenses:					
Compensation	330,896	243,023	36.2	182,869	32.9
Newsprint and ink	29,775	24,243	22.8	22,237	9.0
Other operating expenses	325,597	259,382	25.5	193,709	33.9
Cash Costs	686,268	526,648	30.3	398,815	32.1
Total Operating Revenue Less Cash Costs	108,381	91,356	18.6	111,039	(17.7)
Depreciation and amortization	42,841	36,133	18.6	29,332	23.2
Assets loss (gain) on sales, impairments and other	8,214	(5,403)	NM	2,464	NM
Restructuring costs and other	7,182	13,751	(47.8)	11,635	18.2
Operating expenses	744,505	571,129	30.4	442,246	29.1
Equity in earnings of associated companies	6,412	3,403	88.4	7,121	(52.2)
Operating income	56,556	50,278	12.5	74,729	(32.7)
Non-operating income (expense):					
Interest expense	(44,773)	(47,743)	(6.2)	(47,488)	0.5
Debt financing and administrative cost	—	(11,966)	NM	(7,214)	65.9
Curtailment gain	23,830	—	NM	—	-
Pension withdrawal cost	(12,862)	—	NM	—	-
Other, net	9,296	12,274	(24.3)	3,813	NM
Non-operating expenses, net	(24,509)	(47,435)	(48.3)	(50,889)	(6.8)
Income before income taxes	32,047	2,843	NM	23,840	(88.1)
Income tax expense	7,215	4,104	75.8	7,931	(48.3)
Net income (loss)	24,832	(1,261)	NM	15,909	NM
Net income attributable to non-controlling interests	(2,047)	(1,845)	10.9	(1,641)	12.4
Income (loss) attributable to Lee Enterprises, Incorporated	22,785	(3,106)	NM	14,268	NM
Other comprehensive income (loss), net of income taxes	62,237	9,064	NM	(17,368)	NM
Comprehensive income (loss) attributable to Lee Enterprises, Incorporated	85,022	5,958	NM	(3,100)	NM
Earnings per common share:					
Basic	3.99	(0.55)	NM	2.57	NM
Diluted	3.91	(0.55)	NM	2.51	NM

We acquired or disposed of certain properties in each of 2021, 2020 and 2019.

Prior period results have been adjusted to reflect the Reverse Stock Split, see Note 1.

OPERATING REVENUE

Revenue Comparison 2021-2020

Total operating revenue totaled $794,649,000 in 2021, up $176,645,000, or 28.6%, compared to 2020. Total operating revenue from the Transactions totaled $403,609,000 and $203,039,000, in 2021 and 2020, respectively. Total operating revenue on a pro forma basis was down 3.3% compared to 2020.

Advertising and marketing services revenue totaled $369,283,000 in 2021, up 27.5% compared to 2020. Advertising and marketing services revenue from the Transactions totaled $170,715,000 and $82,246,000, in 2021 and 2020, respectively. Total Advertising and marketing services revenue on a pro forma basis was down 6.0%.

Print advertising revenues were $230,546,000 in 2021, down $34,277,000, or 12.9% compared to 2020 on a pro forma basis. The decline is due to the secular downward trend in print advertising. Print advertising revenue from the Transactions totaled $130,795,000 and $65,402,000, in 2021 and 2020, respectively.

Digital advertising and marketing services totaled $138,734,000 in 2021, up 8.3% compared to 2020 on a pro forma basis. Digital advertising and marketing services represented 37.6% of 2021 total advertising and marketing services revenue compared to 36.8% in 2020. The increase in digital advertising is due to growth at Amplified, our full service digital marketing service. Revenue at at Amplified increased 42.6% in 2021 totaling $41,600,000.

Subscription revenue totaled $357,713,000 in 2021, or up 33.3%, compared to 2020. Subscription revenue from the Transactions totaled $203,119,000 and $106,491,000, in 2021 and 2020, respectively. Subscription revenue on a pro forma basis was up 0.5%. The growth in subscription revenue is due to growth in selective price increases on our full access subscriptions and in digital-only subscribers and digital-only revenue which were up 65% and 26%, respectively. The increases were partially offset by a decline in full access volume, consistent with historical and industry trends. As of September 2021, we had 402,000 digital-only subscribers compared to 244,000 in 2020.

Other revenue, which primarily consist of digital services revenue from TownNews, commercial printing revenue and until March 16, 2020, revenue from the Management Agreement, totaled $67,653,000, a 12.6% increase compared to 2020. Other revenue from the Transactions totaled $49,388,000 and $16,270,000 in 2021 and 2020, respectively. On a pro forma basis, other revenue was down 13.5% primarily caused by the end of the Management Agreement in 2020, which generated $5,425,000 prior to the Transactions in 2020. Digital services revenue totaled $18,999,000 in 2021, a 0.3% decrease compared to 2020. Commercial printing revenue totaled $25,070,000 in 2021, a 6.4% decrease on a pro forma basis.

Revenue at TownNews, including intercompany revenue, totaled $27,197,000, an increase of 8.6%, due to increased market share and increases in average revenue per user due to additional value added service offerings.

In total, digital revenue including digital advertising revenue, digital subscription revenue and digital services revenue totaled $253,528,000 in 2021, an increase of 54.3% over 2020, or 34% on a pro forma basis and represented 31.9% of our total operating revenue in 2021, compared to 26.6% in 2020.

Revenue Comparison 2020-2019

Total operating revenue was $618,004,000 in 2020, up $108,150,000, or 21.2%, compared to 2019. Total operating revenue increased primarily due to acquired revenue of $203,039,000.

Advertising and marketing services revenue was $289,655,000 in 2020, up 8.9% compared to the prior year, including $82,246,000 from acquired Advertising and marketing services revenue. Local and national retail advertising revenue was $211,701,000, up $6,677,000 from 2019. The increase is due to $56,863,000 of acquired local and national revenue. Classifieds revenue was $75,754,000, up $14,845,000 from 2019. The increase is due to acquired classified revenue of $25,267,000. Digital advertising and marketing services totaled $106,491,000 in 2020 and represented 36.8% of 2020 total advertising and marketing services revenue, partially offsetting print declines. The increase in all categories of advertising were partially offset by continued downward trend in print advertising demand and the impacts of COVID-19.

Subscription revenue totaled $268,285,000 in 2020, or up 43.1%. The increase is due to acquired revenue of $106,491,000, offset by lower paid print circulation units, consistent with industry trends and timing of price increases. As of September 2020, we had 244,000 digital-only subscribers, in which 92,000 were acquired as part of the Transactions.

Other revenue, which primarily consist of digital services from TownNews, commercial printing revenue and until March 16, 2020, revenue from the Management Agreement, totaled $60,064,000, a 6.3% increase compared to 2019. Other revenue in 2020 included $16,270,000 of acquired revenue, primarily from commercial printing. Investments in video and streaming technology expanded product offerings that helped gain market share in publishing and broadcast, and increase revenue.

Revenue at TownNews, including intercompany revenue, totaled $25,048,000, an increase of 10.7%. Investments in video and streaming technology increased product offerings that helped gain market share in publishing and broadcast.

In total, digital revenue including digital advertising revenue, digital subscription revenue and digital services revenue totaled $164,259,000 in 2020, an increase of 13.6% over 2019, and represented 26.6% of our total operating revenue in 2020. The increase was due to acquired digital revenue of $21,927,000.

OPERATING EXPENSES

Operating Expense Comparison 2021-2020

Total operating expenses were $744,505,000, a 30.4% increase compared to 2020. Total operating expenses from the Transactions totaled $347,823,000 and $193,805,000 in 2021 and 2020, respectively. Cash Costs were $686,268,000, a 30.3% increase compared to 2020. Cash Costs from the Transactions totaled $353,794,000 and $176,763,000, in 2021 and 2020, respectively. Cash Costs on a pro forma basis were down 2.7% compared to 2020.

Compensation expense increased $87,873,000 in 2021, or a 36.2% increase compared to 2020. Compensation expense from the Transactions totaled $165,391,000 and $86,121,000 in 2021 and 2020, respectively. Compensation was up 0.1% on a pro forma basis. The modest increase was due to a one time furlough and compensation reductions for all employees in 2020 in response to COVID-19 of approximately $10 million and investments in digital talent made throughout 2021 and the lack of incentive compensation in 2020. These increases were partially offset by a reduction in FTEs due to business transformation initiatives.

Newsprint and ink costs increased $5,532,000 in 2021, or a 22.8% increase compared to 2020. Newsprint and ink costs from the Transactions totaled $19,730,000 and $10,643,000, in 2021 and 2020, respectively. On a pro forma basis newsprint and ink expense decreased 19.8%. This decrease was attributable to declines in newsprint volume and outsourcing of our printing. See Item 7A, “Commodities”, included herein, for further discussion and analysis of the impact of newsprint on our business.

Other operating expenses increased $66,215,000 in 2021, or a 25.5% increase compared to 2020. Other operating expenses include all operating costs not considered to be compensation, newsprint and ink, depreciation and amortization, or restructuring costs and other. The largest components are costs associated with printing and distribution of our printed products, digital cost of goods sold and facility expenses. Other operating expenses from the Transactions totaled $188,286,000 and $79,948,000 in 2021 and 2020, respectively. On a pro forma basis, other operating expenses were down 3.5%. The decrease is attributable to lower delivery and other print-related costs due to lower volumes of our print editions, partially offset by increases in investments to fund our digital growth strategy.

Restructuring costs and other totaled $7,182,000 and $13,751,000 in 2021 and 2020, respectively. In 2020, restructuring costs and other include an estimate of costs related to withdrawals from certain of our multiemployer pension plans totaling $4,400,000. The remaining restructuring costs in 2021 and 2020 are predominately severance.

Depreciation expense increased $2,597,000, or 16.9%, in 2021. Amortization expense increased $4,111,000, or 19.8%, in 2021. Increases in both are due to the acquired assets from the Transactions.

Assets loss (gain) on sales, impairments and other was a net expense of $8,214,000 in 2021 compared to a net gain of $5,403,000 in 2020. Impairment in 2021 and 2020 totaled $977,000 and $972,000, respectively. Assets losses and gains are part the Company's ongoing real estate and non-core asset monetization.

Operating Expense Comparison 2020-2019

Total operating expenses were $571,129,000, a 29.1% increase compared to 2019, which included $193,805,000 in operating expenses from the Transactions. Cash Costs were $526,647,000, a 32.1% increase compared to 2019, which included $176,763,000 of acquired Cash Costs.

Compensation expense increased $60,154,000 in 2020, or a 32.9% increase compared to 2019. This increase was attributable to $86,121,000 of acquired compensation expense, partially offset by expense and FTE reductions tied to business transformation initiatives. In response to the COVID-19 outbreak, we issued furloughs or compensation reductions for all employees resulting in a temporary $10,000,000 reduction in operating expenses.

Newsprint and ink costs increased $2,006,000 in 2020, or a 9% increase compared to 2019. This increase is attributable to acquired newsprint and ink expenses of $10,643,000, offset by declines in newsprint volume and prices and outsourcing of our printing. See Item 7A, "Commodities", included herein, for further discussion and analysis of the impact of newsprint on our business.

Other operating expenses increased $65,673,000 in 2020, or a 33.9% increase compared to 2019. Other operating expenses include all operating costs not considered to be compensation, newsprint and ink, depreciation and amortization, or restructuring costs and other. The largest components are costs associated with printing and distribution of our printed products, digital cost of goods sold and facility expenses. The increase is attributable to $79,948,000 of acquired other operating and increases in digital investments, partially offset by lower delivery and other print-related costs due to lower volumes of our print editions.

Restructuring costs and other totaled $13,751,000 and $11,635,000 in 2020 and 2019, respectively. In 2020 and 2019, restructuring costs and other include an estimate of costs related to withdrawals from certain multiemployer plans totaling $4,400,000 and $3,836,000. The remaining restructuring costs in 2020 and 2019 are predominately severance.

Depreciation expense increased $2,890,000, or 23.1% in 2020. Amortization expense increased $3,911,000, or 23.2%, in 2020. Both increased due to the Transactions.

Assets loss (gain) on sales, impairments and other was a net gain of $5,403,000 in 2020 compared to net expense of $2,464,000 in 2019.

Equity In Equity Investments

Equity in earnings of TNI and MNI increased $ 3,009,000 in 2021, or 88.4%, compared to 2020. Equity in earnings of TNI and MNI decreased $3,718,000 in 2020.

NON-OPERATING INCOME AND EXPENSES

Non-operating Income and Expense Comparison 2021-2020

Interest expense decreased $2,970,000, or 6.2%, to $44,773,000 in 2021 due to lower debt balances. Our weighted average cost of debt, excluding amortization of debt financing cost, was 9.0% in 2021 and 2020. We recognized no debt financing and administrative costs in 2021 compared to $11,966,000 in 2020. Expenses in the prior year are due to writing off unamortized financing costs paid in conjunction with a prior refinancing.

Included in other non-operating income and expense is income related to our defined benefit pension plans and other post-employment benefit plans, which totaled $33,269,000 and $3,830,000 in 2021 and 2020, respectively. We recognized a non-cash curtailment gain of $23,830,000 and a reduction in our benefit obligation in 2021 by eliminating post-retirement medical coverage for certain employees. We recognized pension withdrawal costs in 2021 of $12,862,000 in connection with the withdrawal from pension plans that covered certain employees. The withdrawal liabilities will be paid over the next 20 years.

As more fully discussed in Note 6 of the Notes to the Consolidated Financial Statements, included herein, we recorded a liability for the Warrants, issued in connection with the Warrant Agreement. We re-measure the liability to fair value each reporting period, with changes reported in other non-operating income (expenses). Due to the fluctuation in the price of our Common Stock and changes in interest rates, the estimated fair value of the warrant liability can change each period. We recorded non-operating income of $292,000 and $832,000 in 2021 and 2020 respectively, due to the change in fair value of the Warrants.

Non-operating Income and Expense Comparison 2020-2019

Interest expense increased $255,000, or 0.5%, to $47,743,000 in 2020 due to additional debt related to the 2020 acquisition. Our weighted average cost of debt, excluding amortization of debt financing cost, was 9% in 2020 and 10% in 2019.

We recognized $11,966,000 of debt financing and administrative costs in 2020 compared to $7,214,000 in 2019. The majority of costs represent accelerated amortization of refinancing costs paid as part of the 2014 Refinancing.

Included in other non-operating income and expense is income related to our defined benefit pension plans and other post-retirement benefit plans, which totaled $3,830,000 and $2,847,000 in 2020 and 2019, respectively.

Other non-operating income/expense also includes a $7,600,000 realized gain on the sale of a private equity investment and a fair value adjustment related to the Warrants. As more fully discussed in Note 6 of the Notes to the Consolidated Financial Statements, included herein, we recorded a liability for the Warrants, issued in connection with the Warrant Agreement. We re-measure the liability to fair value each reporting period, with changes reported in other non-operating income (expense). Due to the fluctuation in the price of our Common Stock and changes in interest rates, the estimated fair value of the warrant liability can change each period. We recorded non-operating income of $832,000 and $612,000 in 2020 and 2019 respectively, due to the change in fair value of the Warrants.

INCOME TAX EXPENSES

In 2021, we recorded income tax expense of $7,215,000, or 22.5% of pretax income and in 2020, we recorded an income tax expense of $4,104,000, or 144.3% of pretax income. In 2019, we recorded an income tax expense of $7,931,000, or 33.3% of pre-tax income. See Note 13 of the Notes to the Consolidated Financial Statements, included herein, for a discussion of the difference between the expected federal income tax rate and the actual tax rates.

NET INCOME AND EARNINGS PER SHARE

Net income was $24,832,000 in 2021 compared to net loss of $1,261,000 in 2020. The increase in net income is predominately due to the curtailment gain and an increase in operating income, offset by the withdrawal liabilities discussed above. In 2019, net income was $15,909,000.

Diluted earnings per share was $3.91 per share in 2021 compared to diluted losses per share of $0.55 per share in 2020. In 2019, diluted earnings per share were $2.51 per share.

Prior period results have been adjusted to reflect the Reverse Stock Split, see Note 1

LIQUIDITY AND CAPITAL RESOURCES

Our operations have historically generated strong positive cash flow are expected to provide sufficient liquidity, together with cash on hand, to meet our requirements, primarily operating expenses, interest expense and capital expenditures. A summary of our cash flows is included in the narrative below.

Operating Activities

Cash provided by operating activities totaled $50,078,000 in 2021 compared to $49,869,000 in 2020, an increase of $209,000. The increase was primarily driven by an increase in operating results of $48,590,000 (defined as net income (loss) adjusted for non-working capital items) offset by a decrease in cash from working capital of $48,381,000, primarily related to unfavorable changes in accounts receivable and income taxes payable, partially offset by favorable changes in accounts payable and pension and postretirement obligations.

Cash provided by operating activities totaled $49,869,000 in 2020 compared to $57,676,000 in 2020 a decrease of $7,807,000. The decrease was primarily driven by a decrease in operating results of $32,101,000 offset by an increase in cash from working capital of $24,294,000, primarily related to favorable changes in accounts receivable and income taxes payable, partially offset by unfavorable changes in pension and postretirement obligations and accounts payable.

Investing Activities

Cash required for investing activities totaled $2,278,000 in 2021 and $118,176,000 in 2020. 2020 included $130,985,000 in spending related to the Transactions. Capital spending totaled $7,479,000 and $8,096,000 in 2021 and 2020, respectively. Proceeds from sales of assets totaled $4,596,000 and $21,710,000 in 2021 and 2020, respectively.

Cash required for investing activities totaled $118,176,000 in 2020 and $10,933,000 in 2019. Capital spending totaled $8,096,000 and $5,901,000 in 2020 and 2019, respectively. Proceeds from sales of assets totaled $21,710,000 in 2020 and $1,501,000 in 2019, respectively.

We anticipate that funds necessary for capital expenditures, which are expected to be $12,000,000 in 2022, and other requirements, will be available from internally generated funds.

Financing Activities

Cash required for financing activities totaled $55,421,000 in 2021 and $43,478,000 in 2019, while cash provided by financing activities totaled $93,395,000 in 2020. Debt reduction accounted for the majority of the usage of funds in 2021 and 2019, while proceeds from the Transactions accounted for the funds provided in the 2020 period.

Excluding payments required from the Company's future excess cash flow (as defined in Note 6), the only required principal payments include payments from net cash proceeds from asset sales (as defined in the Credit Agreement) and payments upon certain instances of change in control. Current maturities of long-term debt are from excess cash flows. There are no other scheduled mandatory principal payments required under the Credit Agreement.

Liquidity

Our liquidity, consisting of cash on the balance sheet, totals $26,112,000 at September 26, 2021. This liquidity amount excludes any future cash flows from operations. Including current maturities of long-term debt of $6,112,000, our liquidity is $20,000,000. We expect all interest and principal payments due in the next twelve months will be satisfied by existing cash and our cash flows, which will allow us to maintain an adequate level of liquidity.

The Warrants, as defined in Note 6, if and when exercised, would provide additional liquidity in an amount up to $25,140,000, which is not considered in the calculation of Excess Cash Flow.

At September 26, 2021, the principal amount of our outstanding debt totals $482,616,000. For the last twelve months ending September 26, 2021, the principal amount of our debt, net of cash, is 3.9 times our Adjusted EBITDA.

The 2020 Refinancing as defined in Note 6, significantly extended our debt maturity profile with final maturity of our debt in 2045.

In February 2020 our filing of a replacement Form S-3 registration statement ("Shelf") with the SEC was declared effective and expires February 2023. The Shelf registration gives us the flexibility to issue and publicly distribute various types of securities, including preferred stock, common stock, warrants, secured or unsecured debt securities, purchase contracts and units consisting of any combination of such securities, from time to time, in one or more offerings, up to an aggregate amount of $750,000,000. SEC issuer eligibility rules require us to have a public float of at least $75,000,000 in order to use the Shelf.

Other Matters

None

SEASONALITY

Our largest source of publishing revenue, retail advertising, is seasonal and tends to fluctuate with retail sales in markets served. Historically, retail advertising is higher in the December and June quarters. Advertising and marketing services revenue is lowest in the March quarter.

INFLATION

Price increases (or decreases) for our products are implemented when deemed appropriate by us. We continuously evaluate price increases, productivity improvements, sourcing efficiencies and other cost reductions to mitigate the impact of inflation.

CONTRACTUAL OBLIGATIONS

The following table summarizes our significant contractual obligations at September 26, 2021:

(Thousands of Dollars)		*Payments (or Commitments) Due (Years)*			
Nature of Obligation	Total	Less Than 1	1-3	3-5	More Than 5
Debt (Principal Amount) (1)	482,616	6,112	—	—	476,504
Interest expense (2)	1,050,760	42,954	128,656	128,656	750,494
Operating lease obligations	98,006	13,826	25,163	20,683	38,334
Withdrawal liabilities	28,627	1,320	3,128	3,128	21,051
Capital expenditure commitments	3,791	3,791	—	—	—
	1,663,800	68,003	156,947	152,467	1,286,383

(1) Maturities of long-term debt are limited to mandatory payments. See Note 6 of the Notes to the Consolidated Financial Statements, included herein.
(2) Interest expense includes an estimate of interest expense for the Term Note, until its maturity in March 2045. Interest expense under the Term Note is estimated using the 9.0% contractual rate applied to the outstanding balance as reduced by future contractual maturities of such debt. See Note 6 of the Notes to Consolidated Financial Statements, included herein.

The table above excludes future cash requirements for pension, postretirement and postemployment obligations. The periods in which these obligations will be settled in cash are not readily determinable and are subject to numerous future events and assumptions. See Notes 8 and 9 of the Notes to the Consolidated Financial Statements, included herein.

The contractual obligations above exclude unrecognized tax benefits to be recorded in accordance with FASB ASC Topic 740, *Income Taxes*. We are unable to reasonably estimate the ultimate amount or timing of cash settlements with the respective taxing authorities for such matters. A substantial amount of our deferred income tax liabilities will not result in future cash payments. See Note 13 of the Notes to the Consolidated Financial Statements, included herein.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk stemming from changes in interest rates and commodity prices. Changes in these factors could cause fluctuations in earnings and cash flows. In the normal course of business, exposure to certain of these market risks is managed as described below.

INTEREST RATES ON DEBT

Our debt structure is entirely fixed rate as of September 26, 2021.

COMMODITIES

Declining structural demand trends and the COVID-19 impact on our industry and advertising led North American newsprint producers' efforts to permanently reduce manufacturing capacity by approximately 60% of pre-pandemic levels. As a result producers are experiencing high capacity utilizations and increased backlogs which in turn led to numerous price increases during 2021.

Our long term supply strategy continues to align and concentrate the Company purchases with those cost effective suppliers most likely to continue producing and supply newsprint to the North American market. Where possible the Company will align supply with the lowest cost material.

A $10 per tonne price increase for 27.7 pound newsprint would result in an annualized reduction in income before taxes of approximately $452,000 based on anticipated consumption in 2022 excluding consumption of TNI and MNI and the impact of LIFO accounting.

SENSITIVITY TO CHANGES IN VALUE

Our fixed rate debt consists of $482,616,000 principal amount of the Term Loan recorded at carrying value. At September 26, 2021, based on market quotations, the fair value is approximately equal to carrying value.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information with respect to this Item is included herein under the caption “Consolidated Financial Statements”.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Information with respect to this Item is included in our Proxy Statement to be filed in January 2022, which is incorporated herein by reference, under the caption “Relationship with Independent Registered Public Accounting Firm”.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our senior management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of September 26, 2021, the end of the period covered by this Annual Report (the “Evaluation Date”). Based on this evaluation, our chief executive officer and chief financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to the Company, including our consolidated subsidiaries, required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) of the Exchange Act. Any internal control system, no matter how well designed, has inherent limitations and may not prevent or detect misstatements. Accordingly, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our senior management, including our chief executive officer and chief financial officer, we assessed the effectiveness of our internal control over financial reporting as of the Evaluation Date, using the criteria set forth in the *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that our internal control over financial reporting is effective as of the Evaluation Date.

Our independent registered public accounting firm, KPMG LLP, has issued a report on the Company's internal control over financial reporting. KPMG’s report on the audit of internal control over financial reporting appears in this Annual Report.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

On March 16, 2020, we concluded the Transactions. The internal controls related to the acquired businesses are now considered in our assessment over internal control over financial reporting following the completion of the 12-month period of evaluation as permitted by the SEC. Other than the Transactions, there have been no changes in our internal control over financial reporting that occurred during the 52 weeks ended September 26, 2021 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Lee Enterprises, Incorporated:

Opinion on Internal Control Over Financial Reporting

We have audited Lee Enterprises Incorporated and subsidiaries' (the Company) internal control over financial reporting as of September 26, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 26, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of September 26, 2021 and September 27, 2020, the related consolidated statements of income (loss) and comprehensive income (loss), stockholders' equity (deficit), and cash flows for each of the 52-week periods ended September 26, 2021, September 27, 2020, and September 29, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated December 10, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Chicago, Illinois
December 10, 2021

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information with respect to this Item, except for certain information related to our executive officers included under the caption “Executive Team” in Part I of this Annual Report, is included in our Proxy Statement to be filed in January 2022, which is incorporated herein by reference, under the captions “Proposal 1 - Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance”. Our executive officers are those elected officers whose names and certain information are set forth under the caption “Executive Team” in Part 1 of this Annual Report.

We have a Code of Business Conduct and Ethics ("Code") that applies to all of our employees, including our principal executive officer, and principal financial and accounting officer. The Code is monitored by the Audit Committee of our Board of Directors and is annually affirmed by our directors and executive officers. We maintain a corporate governance page on our website which includes the Code. The corporate governance page can be found at www.lee.net by clicking on “Governance” under the "About" tab. A copy of the Code will also be provided without charge to any stockholder who requests it. Any future amendment to, or waiver granted by us from, a provision of the Code will be posted on our website.

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to this Item is included in our Proxy Statement to be filed in January 2022, which is incorporated herein by reference, under the captions, “Compensation of Non-Employee Directors”, “Executive Compensation” and “Compensation Discussion and Analysis”; provided, however, that the subsection entitled “Executive Compensation - Executive Compensation Committee Report” shall not be deemed to be incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to this Item is included in our Proxy Statement to be filed in January 2022, which is incorporated herein by reference, under the captions “Voting Securities and Principal Holders Thereof” and “Equity Compensation Plan Information”.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information with respect to this Item is included in our Proxy Statement to be filed in January 2022, which is incorporated herein by reference, under the caption “Directors' Meetings and Committees of the Board of Directors”.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information with respect to this Item is included in our Proxy Statement to be filed in January 2022, which is incorporated herein by reference, under the caption “Relationship with Independent Registered Public Accounting Firm”.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Annual Report:

FINANCIAL STATEMENTS

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) - 52 weeks ended September 26, 2021, 52 weeks ended September 27, 2020 and 52 weeks ended September 29, 2019
Consolidated Balance Sheets - September 26, 2021 and September 27, 2020
Consolidated Statements of Stockholders' Equity (Deficit) - 52 weeks ended September 26, 2021, 52 weeks ended September 27, 2020 and 52 weeks ended September 29, 2019
Consolidated Statements of Cash Flows - 52 weeks ended September 26, 2021, 52 weeks ended September 27, 2020 and 52 weeks ended September 29, 2019
Notes to Consolidated Financial Statements
Report of Independent Registered Public Accounting Firm

FINANCIAL STATEMENT SCHEDULES

All schedules have been omitted as they are not required, not applicable, not deemed material or because the information is included in the Notes to Consolidated Financial Statements, included herein.

EXHIBITS

See Exhibit Index, included herein.

CONSOLIDATED FINANCIAL STATEMENTS	PAGE

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Thousands of Dollars, Except Per Common Share Data)	2021	2020	2019
Operating revenue:			
Advertising and marketing services	369,283	289,655	265,933
Subscription	357,713	268,285	187,443
Other	67,653	60,064	56,478
Total operating revenue	794,649	618,004	509,854
Operating expenses:			
Compensation	330,896	243,023	182,869
Newsprint and ink	29,775	24,243	22,237
Other operating expenses	325,597	259,382	193,709
Depreciation and amortization	42,841	36,133	29,332
Assets loss (gain) on sales, impairments and other	8,214	(5,403)	2,464
Restructuring costs and other	7,182	13,751	11,635
Total operating expenses	744,505	571,129	442,246
Equity in earnings of associated companies	6,412	3,403	7,121
Operating income	56,556	50,278	74,729
Non-operating income (expense):			
Interest expense	(44,773)	(47,743)	(47,488)
Debt financing and administrative costs	—	(11,966)	(7,214)
Curtailment gain	23,830	—	—
Pension withdrawal cost	(12,862)	—	—
Other, net	9,296	12,274	3,813
Total non-operating expense, net	(24,509)	(47,435)	(50,889)
Income before income taxes	32,047	2,843	23,840
Income tax expense	7,215	4,104	7,931
Net income (loss)	24,832	(1,261)	15,909
Net income attributable to non-controlling interests	(2,047)	(1,845)	(1,641)
Income (loss) attributable to Lee Enterprises, Incorporated	22,785	(3,106)	14,268
Other comprehensive income (loss), net of income taxes	62,237	9,064	(17,368)
Comprehensive income (loss) attributable to Lee Enterprises, Incorporated	85,022	5,958	(3,100)
Earnings per common share:			
Basic:	3.99	(0.55)	2.57
Diluted:	3.91	(0.55)	2.51

The accompanying Notes are an integral part of the Consolidated Financial Statements.

Prior period results have been adjusted to reflect the Reverse Stock Split.

CONSOLIDATED BALANCE SHEETS

(Thousands of Dollars)	September 26 2021	September 27 2020
ASSETS		
Current assets:		
Cash and cash equivalents	26,112	33,733
Accounts receivable, less allowance for credit losses: 2021 $6,574; 2020 $13,431	65,070	52,598
Inventories	6,297	7,534
Prepaids and other	11,320	14,888
Total current assets	108,799	108,753
Investments:		
Associated companies	26,682	27,624
Other	6,065	6,255
Total investments	32,747	33,879
Property and equipment:		
Land and improvements	16,576	18,711
Buildings and improvements	106,890	128,475
Equipment	228,817	245,117
Construction in process	2,813	2,323
	355,096	394,626
Less accumulated depreciation	271,830	289,017
Property and equipment, net	83,266	105,609
Operating lease right-of-use assets	65,682	70,933
Goodwill	330,204	328,445
Other intangible assets, net	156,671	182,680
Pension plan assets, net	35,855	4,147
Medical plan assets, net	16,695	15,912
Other	13,632	13,699
Total assets	843,551	864,057

The accompanying Notes are an integral part of the Consolidated Financial Statements.

(Thousands of Dollars and Shares, Except Per Share Data)	September 26 2021	September 27 2020
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current portion of lease liabilities	8,612	8,577
Current maturities of long-term debt	6,112	13,733
Accounts payable	20,420	17,163
Compensation and other accrued liabilities	45,076	44,278
Unearned revenue	61,404	60,271
Total current liabilities	141,624	144,022
Long-term debt, net of current maturities	476,504	524,557
Operating lease liabilities	57,683	62,374
Pension obligations	22,444	75,656
Postretirement and postemployment benefit obligations	11,008	39,543
Deferred income taxes	40,295	15,208
Income taxes payable	9,174	18,048
Warrants and other	28,121	14,282
Total liabilities	786,853	893,690
Equity (deficit):		
Stockholders' equity (deficit):		
Serial convertible preferred stock, no par value; authorized 500 shares; none issued	—	—
Common Stock, authorized 12,000 shares; issued and outstanding:	59	58
September 26, 2021; 5,889 shares; $0.01 par value		
September 27, 2020; 5,835 shares; $0.01 par value		
Class B Common Stock, $2 par value; authorized 3,000 shares; none issued	—	—
Additional paid-in capital	258,063	256,957
Accumulated deficit	(245,744)	(268,529)
Accumulated other comprehensive income (loss)	42,187	(20,050)
Total stockholders' equity (deficit)	54,565	(31,564)
Non-controlling interests	2,133	1,931
Total Equity (deficit)	56,698	(29,633)
Total liabilities and equity (deficit)	843,551	864,057

The accompanying Notes are an integral part of the Consolidated Financial Statements.

Prior period results have been adjusted to reflect the Reverse Stock Split.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Amount			Shares		
(Thousands of Dollars and Shares)	2021	2020	2019	2021	2020	2019
Common Stock:						
Balance, beginning of year	58	58	57	5,835	5,765	5,714
Shares issued	1	—	1	54	70	51
Balance, end of year	59	58	58	5,889	5,835	5,765
Additional paid-in capital:						
Balance, beginning of year	256,957	256,002	254,037			
Stock compensation	854	1,042	2,040			
Shares issued (redeemed)	252	(87)	(75)			
Balance, end of year	258,063	256,957	256,002			
Accumulated deficit:						
Balance, beginning of year	(268,529)	(265,423)	(279,691)			
Net income (loss)	24,832	(1,261)	15,909			
Net income attributable to non-controlling interests	(2,047)	(1,845)	(1,641)			
Balance, end of year	(245,744)	(268,529)	(265,423)			
Accumulated other comprehensive income (loss):						
Balance, beginning of year	(20,050)	(29,114)	(11,746)			
Change in pension and postretirement benefits	82,204	11,464	(24,667)			
Deferred income taxes, net	(19,967)	(2,400)	7,299			
Balance, end of year	42,187	(20,050)	(29,114)			
Total stockholders' equity (deficit)	54,565	(31,564)	(38,477)	5,889	5,835	5,765

The accompanying Notes are an integral part of the Consolidated Financial Statements.

Prior period results have been adjusted to reflect the Reverse Stock Split.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of Dollars)	2021	2020	2019
Cash provided by operating activities:			
Net Income (loss)	24,832	(1,261)	15,909
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation and amortization	42,841	36,133	29,332
Curtailment gain	(23,830)	—	—
Pension withdrawal cost	12,862	—	—
Stock compensation expense	854	1,294	1,638
Asset loss (gain) on sales, impairments and other, net	8,214	(5,403)	2,464
Deferred income taxes	5,120	(3,560)	(2,003)
Debt financing and administrative costs	—	11,966	7,214
Pension contributions	(965)	(6,215)	(650)
Return of collateral on (Payments to collateralize) letters of credit	1,686	(11,502)	—
Other, net	(1,253)	319	(32)
Changes in operating assets and liabilities:			
(Increase) Decrease in receivables and contract sales	(12,472)	26,908	1,697
Decrease in inventories and other	1,237	2,724	2,759
Increase (Decrease) in accounts payable and other accrued liabilities	4,731	(8,341)	(3,676)
(Decrease) increase in pension, postretirement and postemployment benefit obligations	(2,667)	(2,950)	1,900
Change in income taxes payable	(8,418)	7,123	1,495
Other, including warrants	(2,694)	2,634	(371)
Net cash provided by operating activities	50,078	49,869	57,676
Cash required for investing activities:			
Purchases of property and equipment	(7,479)	(8,096)	(5,901)
Proceeds from sales of assets	4,616	21,710	1,502
Acquisitions, net of cash acquired	—	(130,985)	(6,543)
Distributions greater (less) than earnings of TNI and MNI	1,038	(329)	9
Other, net	(453)	(476)	—
Net cash required for investing activities	(2,278)	(118,176)	(10,933)
Cash provided by (required for) financing activities:			
Proceeds from long-term debt	—	576,000	600
Payments on long-term debt	—	(443,627)	(41,832)
Principal payments on long-term borrowings	(55,674)	(37,710)	—
Debt financing and administrative costs paid	—	(684)	(1,773)
Sale (purchases) of common stock transactions	253	(584)	(473)
Net cash provided by (required) for financing activities	(55,421)	93,395	(43,478)
Net increase (decrease) in cash and cash equivalents	(7,621)	25,088	3,265
Cash and cash equivalents:			
Beginning of year	33,733	8,645	5,380
End of year	26,112	33,733	8,645

The accompanying Notes are an integral part of the Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

References to "we", "our", "us" and the like throughout the Consolidated Financial Statements refer to Lee Enterprises, Incorporated and subsidiaries (the "Company"). References to "2021", "2020", "2019" and the like refer to the fiscal years ended the last Sunday in September. Fiscal
years 2021, 2020, and 2019 include 52 weeks of operations.

Lee Enterprises, Incorporated is a leading provider of high quality, trusted, local news and information, and a major platform for advertising in the markets we serve. We operate 77 principally mid-sized local media operations (including TNI Partners ("TNI") and Madison Newspapers, Inc. ("MNI")) across 26 states.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Consolidated Financial Statements include our accounts and those of our subsidiaries, all of which are wholly-owned, except for our 50% interest in TNI, 50% interest in MNI and 82.5% interest in TownNews. TNI and MNI are accounted for under the equity method. Results of TownNews are consolidated.

Certain amounts in prior period Consolidated Financial Statements have been reclassified to conform to the current year presentation. Pursuant to our acquisition of BH Media and Buffalo News, we realigned the presentation of certain home delivery print revenue and certain other Subscription revenue from other revenue to subscription revenue on the Consolidated Statements of Income (loss) and Comprehensive Income (loss). As a result of this updated presentation, subscription revenue increased and other revenue decreased by $828,000 in 2021, by $2,346,000 in 2020, and by $752,000 in 2019. Operating revenues, net income (loss), accumulated deficit, and earnings per share remain unchanged.

On February 25, 2021, our Board of Directors declared a one-for-ten split of the Company's common stock (the "Reverse Stock Split"). Effective March 15, 2021 the Company's shares began trading on a post reverse split basis. Prior period results have been adjusted to reflect the Reverse Stock Split in March 2021. The split did not change the Company's Common Stock Par value but changed opening Common Stock and Additional Paid in Capital balances by offsetting amounts.

During the 52 weeks ended September 26, 2021 we identified an error related to pension contributions recorded incorrectly in the 52 weeks ended September 27, 2020. The error was due to a directional issue whereby pension contributions were reported as operating cash inflows in the statement of cash flows instead of operating cash inflows. Recording this out of period adjustment has no impact to the Consolidated Statements of Income (loss) and Comprehensive Income (loss) for the 52 weeks ended September 27, 2020 and has no impact on the Consolidated Balance Sheet. The correction impacted the Consolidated Statement of Cash Flows. Pension contributions have been corrected to a cash outflow of $6,215,000 and the change in pension, postretirement and postemployment benefit obligations have been corrected to a decrease of $2,950,000. Net cash provided by operating activities did not change. We do not believe the impact of the adjustment is material to our consolidated financial statements for any previously issued financial statements taken as a whole.

Fiscal Year

All of our enterprises use period accounting with the fiscal year ending on the last Sunday in September.

Subsequent Events (Unaudited)

As noted above in Item 1A, “Risk Factors”, on November 24, 2021, our Board of Directors adopted the Rights Agreement and declared a dividend of one Right, payable on December 6, 2021, for each share of our Common Stock outstanding to the stockholders of record on that date. Each Right entitles the registered holder to purchase from the Company one-thousandth of a Preferred Share, of the Company at a price of $120.00 per one one-thousandth of a Preferred Share represented by a Right, subject to adjustment. The Rights will initially trade with our Common Stock and will generally become exercisable only if any person or group, other than certain exempt persons, acquires beneficial ownership of 10% (or 20% in the case of certain passive investors) or more of our Common Stock outstanding. In the event the Rights become exercisable, each holder of a Right, other than the triggering person(s), will be entitled to purchase additional shares of our Common Stock at a 50% discount or the Company may exchange each Right held by such holders for one share of our Common Stock. The Rights Agreement will continue in effect until November 23, 2022, or unless earlier redeemed or terminated by the Company, as provided in the Rights Agreement. The Rights have no voting or dividend privileges, and, unless and until they become exercisable, have no dilutive effect on the earnings of the Company.

Subsequent to September 26, 2021 we have completed the sale of three buildings and received net proceeds of $14,480,000. As required in our Credit Agreement such proceeds, net of estimated taxes, are used to pay down the outstanding principal balance. As such, we made additional principal payments of $10,430,000 in the first quarter of 2022.

We are in the process of negotiating changes to the defined benefit plans. These changes include merging the plans, freezing benefit accruals, and in some cases benefit increases. The changes are expected to take place at the end of the calendar year.

Management evaluated subsequent events through the issuance date of our consolidated financial statements. Other than those described above, there were no other material events or transactions that would require recognition on the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an on-going basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Principles of Consolidation

All significant intercompany transactions and balances have been eliminated.

Investments in TNI and MNI are accounted for using the equity method and are reported at cost, plus our share of undistributed earnings since acquisition less, for TNI, amortization of, and reductions in the value of, intangible assets.

Cash and Cash Equivalents

We consider all highly liquid debt instruments purchased with an original maturity of three months or less at date of acquisition to be cash equivalents.

Accounts Receivable

We evaluate our allowance for credit losses based on historical credit experience, payment trends and other economic factors. Accounts considered to be uncollectible are written off.

Inventories

Newsprint inventories and other inventories are priced at the lower of cost or net realizable value. LIFO newsprint inventories at September 26, 2021 and September 27, 2020 are less than replacement cost by $988,000 and $942,000, respectively.

The components of inventory by cost method are as follows:

(Thousands of Dollars)	September 26, 2021	September 27, 2020
Newsprint - FIFO method	409	564
Newsprint - LIFO method	903	1,222
Other inventory - FIFO method	2,870	2,794
Specific identification	2,115	2,954
	6,297	7,534

Other Investments

Other investments primarily consist of marketable securities held in trust under a deferred compensation arrangement and investments for which no established market exists. Marketable securities are classified as trading securities and carried at fair value with gains and losses reported in earnings. Non-marketable securities are carried at cost.

Property and Equipment

Property and equipment are carried at cost. Equipment and all other assets are depreciated using the straight line method. The estimated useful lives are as follows:

	Years
Buildings and improvements	5 - 40
Printing presses and insertion equipment	5 - 25
Leasehold improvements	3 - 10
Other	3 - 15

We recognize the fair value of a liability for a legal obligation to perform an asset retirement activity when such activity is a condition of a future event and the fair value of the liability can be estimated. The cost of asset retirements and related accruals was not material in 2021, 2020 or 2019.

Goodwill and Other Intangible Assets

Intangible assets include customer lists, newspaper subscriber lists and mastheads. Intangible assets subject to amortization are being amortized using the straight-line method except for intangible assets acquired in the Transactions which are being amortized in an accelerated manner consistent with the expected economic benefit.

	Years
Customer lists	10 - 20
Newspaper subscriber lists	10 - 20

We review goodwill for impairment on an annual basis by performing a qualitative and quantitative assessment. Companies with reporting units with zero or negative carrying value are required to disclose the amount of goodwill for those reporting units.

The Company's goodwill is all attributable to a single reporting unit entity. In 2021 and 2020, the Company had $330,204,000 and $328,445,000 of goodwill in the Consolidated Balance Sheets, respectively. The annual assessment is made as of the first day of our fourth fiscal quarter, or more frequently if events or changes in circumstances indicate that an asset may be impaired.

We review non-amortizing intangibles for impairment on an annual basis. Should we determine that a non-amortized intangible asset impairment is more likely than not, we make a determination of the individual asset's fair value. Fair value is determined using the relief from royalty method, which estimates fair value based upon appropriate royalties of future revenue discounted to their present value. The impairment amount, if any, is calculated based on the excess of the carrying amount over the fair value of such asset.

We analyze goodwill and other non-amortized intangible assets for impairment more frequently if impairment indicators are present. Such indicators of impairment include, but are not limited to, changes in business climate and operating or cash flow losses related to such assets.

We review our amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount might be impaired. We assess recoverability of these assets by comparing the estimated undiscounted cash flows associated with the asset group with their carrying amount. The impairment amount, if any, is calculated based on the excess of the carrying amount over the fair value of those asset groups.

The required valuation methodology and underlying financial information that are used to determine fair value require significant judgments to be made by us and represent a Level 3 fair value measurement. These judgments include, but are not limited to, long term projections of future financial performance and the selection of appropriate discount rates used to determine the present value of future cash flows. Changes in such estimates or the application of alternative assumptions could produce significantly different results.

We also periodically evaluate the useful lives of amortizable intangible assets. Any resulting changes in the useful lives of such intangible assets will not impact our cash flows. However, a decrease in the useful lives of such intangible assets would increase future amortization expense and decrease future reported operating results and earnings per common share.

Our quantitative impairment analysis for non-amortizable intangible assets includes several inputs that are considered estimates, these include royalty rates, discount rates, and a five-year revenue forecast. All of these estimates are subject to uncertainty as future results may or may not be achieved. The Company royalty rates utilized range from 1.0% to 1.5%, a 50 basis point decrease in royalty rates would result in an additional $9,816,000 of impairment. The Company's discount rate utilized in the analysis has ranged from 9.50% to 11.50% in different years depending on market conditions. Increasing the discount rate by 100 basis points would result in an additional $1,075,000 of impairment. The Company has had various revenue forecast utilized in the analysis over different years. A one percent decrease in forecasted revenues would result in an additional $674,000 of impairment. Decreasing long term growth rates by 100 basis points results in an additional $26,000 of impairment.

Business Combinations

The Company accounts for acquisitions in accordance with the provisions of FASB Accounting Standards Codification ("ASC") Topic 805 "Business Combinations", which provides guidance for recognition and measurement of identifiable assets and goodwill acquired, liabilities assumed, and any non-controlling interest in the acquiree at fair value. In a business combination, the assets acquired, liabilities assumed and non-controlling interest in the acquiree are recorded as of the date of acquisition at their respective fair values with limited exceptions. Any excess of the purchase price (consideration transferred) over the estimated fair values of net assets acquired is recorded as goodwill. Transaction costs are expensed as incurred. The operating results of the acquired business are reflected in the Company's Consolidated Financial Statements from the date of acquisition.

Non-controlling Interest

Non-controlling interest in earnings of TownNews is recognized in the Consolidated Financial Statements.

Revenue Recognition

On October 1, 2018, we adopted ASC Topic 606 *Revenue from Contract with Customers,* using the modified retrospective method applied to those contracts which were not completed as of that date. Results for reporting period beginning after October 1, 2018 are presented under the new guidance while prior period amounts are not adjusted and continue to be reported in accordance with legacy accounting under the old guidance. We did not record any adjustments to beginning retained earnings at October 1, 2018 as a result of adopting the new guidance.

Recognition principles: Revenue is recognized when a performance obligation is satisfied by the transfer of control of the contracted goods or services to our customers, in an amount that reflects the consideration we expect to receive in exchange for those goods or services.

Advertising and marketing services revenue: Advertising and marketing services revenue includes amounts charged to customers for retail, national, or classified advertising space purchased in our newspapers, advertisements placed on our digital platforms, and other print advertising products such as preprint inserts and direct mail. Advertising and marketing services revenue also include amounts charged to customers for digital marketing services which include: audience extension, Search Engine Optimization, Search Engine Marketing, web and mobile production, social media services and reputation monitoring and management. The following define the timing of revenue recognition for each general revenue category:

- Print advertising revenue is recognized at the point in time the associated publication has been delivered.
- Digital advertising revenue is recognized at the point in time that impressions are delivered.
- Digital marketing services revenue is recognized over the period of time which the service is performed.

Advertising and marketing services contract transaction prices consist of fixed consideration. We recognize revenue when control of the related performance obligation transfers to the customer.

Payments for advertising revenue is due upon completion of our performance obligations at previously agreed upon rates. In instances where the timing of revenue recognition differs from the timing of invoicing, such timing differences are not large. As a result, we have determined that our contracts do not include a significant financing component.

Subscription revenue: Subscription revenue includes revenue for content delivered to consumers via print and digital products purchased by readers or distributors. Single copy revenue is also included in subscription revenue. Subscription revenue from single-copy and home delivery subscriptions is recognized at the point in time the publications are delivered. Digital subscription revenue is recognized over time as performance obligations are met via on-demand availability of online content made available to customers throughout the contract term. Payments for subscription revenue is typically collected in advance, are for contract periods of one year or less and result in an unearned revenue liability that is reduced when revenue is recognized.

Other revenue: Other revenue primarily consists of digital services, Management Agreement revenue in 2020, commercial printing and delivery of third party products. Management Agreement revenue consists of fixed and variable fees collected from our Management Agreement. Fixed fee revenue from the Management Agreement is recognized over time and paid quarterly and variable fees are paid annually. Variable fees are recognized when the fees are deemed earned and it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Management Agreement expired in 2020 upon the completion of the Transactions. Commercial printing and delivery revenue is recognized when the product is delivered to the customer.

Digital services revenues, which are primarily delivered through TownNews, are primarily comprised of contractual agreements to provide webhosting and content management services. As such, digital services revenue is recognized over the contract period. Prices for digital services are agreed upon in advance of the contract beginning and are typically billed in arrears on a monthly basis, with the exception of implementation fees which are recognized as deferred revenue and amortized over the contract period.

Arrangements with multiple performance obligations: We have various advertising and subscription agreements which include both print and digital performance obligations. Revenue from sales agreements that contain multiple performance obligations are allocated to each obligation based on the relative standalone selling price. We determine standalone selling prices based on observable prices charged to customers. See Note 3.

Advertising Costs

A substantial amount of our advertising and promotion consists of advertising placed in our own publications and digital platforms, using available space. The incremental cost of such advertising is not significant and is not measured separately by us. External advertising costs are not significant and are expensed as incurred.

Restructuring Costs and Other

We incur severance related costs on an ongoing basis in response to overall industry trends. We accrue for severance related items generally as part of planned business transformation efforts when the impacted employees can be identified and the amounts are estimable. We did not have a significant severance liability as of September 26, 2021 or September 27, 2020.

Prior to 2021, other costs included in Restructuring Costs and Other include estimated impacts of withdrawals from our multiemployer plans. Multiemployer plans are discussed in Note 9.

Pension, Postretirement and Postemployment Benefit Plans

We evaluate our liabilities for pension, postretirement and postemployment benefit plans based upon computations made by consulting actuaries, incorporating estimates and actuarial assumptions of future plan service costs, future interest costs on projected benefit obligations, rates of compensation increases, when applicable, employee turnover rates, anticipated mortality rates, expected investment returns on plan assets, asset allocation assumptions of plan assets and other factors.

We use a fiscal year end measurement date for all our pension and postretirement obligations in accordance with ASC Topic 715, *Retirement Plans*. We use the alternative spot rate approach which utilizes a full yield curve to estimate the interest cost component of benefit cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows.

Income Taxes

Deferred income tax assets are recognized for deductible temporary differences and loss carryforwards and deferred income tax liabilities are recognized for taxable temporary differences which are the difference between the reported amounts of assets and liabilities and their tax basis. Deferred income tax assets are reduced by a valuation allowance when, in our opinion, it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We record interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Fair Value of Financial Instruments

We utilize ASC Topic 820, *Fair Value Measurements and Disclosures*, to measure and report fair value. ASC Topic 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC Topic 820 establishes a three-level hierarchy of fair value measurements based on whether the inputs to those measurements are observable or unobservable, which consists of the following levels:

Level 1 - Quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

Investments measured at net asset value, as a practical expedient for fair value, are excluded from the fair value hierarchy.

Valuation methodologies used for pension and postretirement assets measured at fair value are as follows:

*Cash and cash equivalents c*onsist of short term deposits valued based on quoted prices in active markets. Such investments are classified as Level 1.

Treasury Inflation-Protected Securities ("TIPS") consist of low yield mutual funds and are valued by quoted market prices. Such investments are classified as Level 1.

Equity securities are valued based on the closing market price in an active market and are classified as Level 1. Certain investments in commingled funds are valued at the end of the period based upon the value of the underlying investments as determined by quoted market prices. Such investments are classified as Level 2.

Debt securities consist of government securities that are valued based upon quoted market prices in an active market. Such investments are classified as Level 1. Corporate bonds that are valued based on quoted market prices in an inactive market are classified as Level 2. Certain investments in commingled funds are valued at the net asset value of units held at the end of the period based upon the value of the underlying investments as determined by quoted market prices. Such investments are excluded from the fair value hierarchy.

Hedge funds consist of a long/short equity funds and a diversified fund of funds. These funds are valued at the net asset value of units held at the end of the period based upon the value of the underlying investments, which is determined using multiple approaches including by quoted market prices and by private market quotations. Such investments are excluded from the fair value hierarchy.

Stock Compensation and Warrants

We have several active stock-based compensation plans. We account for grants under those plans under the fair value expense recognition provisions of ASC Topic 718, *Compensation-Stock Compensation*. We determine the fair value of stock options using the Black-Scholes option pricing formula. Key inputs to this formula include expected term, expected volatility and the risk-free interest rate.

The expected term represents the period that our stock-based awards are expected to be outstanding, and is determined based on historical experience of similar awards, giving consideration to contractual terms of the awards, vesting schedules and expectations of future employee behavior. The volatility factor is calculated using historical market data for our Common Stock. The time frame used is equal to the expected term. We base the risk-free interest rate on the yield to maturity at the time of the stock option grant on zero-coupon U.S. government bonds having a remaining term equal to the option's expected term. When estimating forfeitures, we consider voluntary termination behavior as well as actual option forfeitures.

We amortize as compensation expense the value of stock options and restricted Common Stock using the straight-line method over the vesting or restriction period, which is generally one to four years.

We also have 600,000 warrants outstanding to purchase shares of our Common Stock. Warrants are recorded at fair value determined using the Black-Scholes option pricing formula. See Notes 6, 11 and 14.

Uninsured Risks

We are self-insured for health care, workers compensation and certain long-term disability costs of our employees, subject to stop loss insurance, which limits our losses in the event of large claims. We accrue our estimated health care costs in the period in which such costs are incurred, including an estimate of incurred but not reported claims. Other risks are insured and carry deductible losses of varying amounts. We have posted cash collateral totaling $4,711,000 at September 26, 2021 in support of our insurance program, recorded under Other on the consolidated balance sheets.

Our accrued reserves for health care and workers compensation claims are based upon estimates of the remaining liability for retained losses made by consulting actuaries. The amount of workers compensation reserve has been determined based upon historical patterns of incurred and paid loss development factors from the insurance industry.

Recently Issued Accounting Standards - Standards Adopted in 2021

In June 2016, the FASB issued a new standard ASC Topic 326 *Financial Instruments - Credit Losses* to replace the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a wider array of reasonable and supportable information to inform and develop credit loss estimates. We are required to use a forward-looking expected credit loss model for both accounts receivables and other financial instruments. The new standard was adopted on September 28, 2020, using a modified retrospective approach. This standard did not have a material impact on our Consolidated Financial Statements.

In August 2018, the FASB issued Accounting Standards Update ("ASU") 2018-13 *Fair Value Measurements* that changes disclosure requirements related to fair value measurements as part of the disclosure framework project. The disclosure framework project aims to improve effectiveness of disclosures in the notes to the financial statements by focusing on requirements that clearly communicate the most important information to users of the financial statements. The new guidance was adopted on September 28, 2020, and did not have a material impact on our Consolidated Financial Statements.

In December 2019, the FASB issued new guidance that simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in ASC Topic 740 *Income Taxes* related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition for deferred tax liabilities for outside basis differences. The standard also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. This new guidance was adopted September 28, 2020, and did not have a material impact on our Consolidated Financial Statements.

In August 2018, FASB issued ASU 2018-14 *Compensation - Retirement Benefits - Defined Benefit Plans* to amend disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The new standard was adopted in 2021 using a retrospective approach, and did not have a material impact on our Consolidated Financial Statements.

Recently Issued Accounting Standards - Standards Adopted in 2020

The Company elected to change its method of accounting for leases as of September 30, 2019 due to the adoption of Accounting Standard Update (ASU) No. 2016-02, Leases, and related updates, which established ASC Topic 842, Leases. The new standard is based on the principle that entities should recognize assets and liabilities arising from leases. The new standard's primary change is the requirement for entities to recognize a lease liability for payments and a right-of-use ("ROU") asset representing the right to use the leased asset during the term on most operating lease arrangements. We adopted the standard effective September 30, 2019, the first day of fiscal year 2020.

We elected the package of practical expedients which permits the Company to not reassess under the new standard the prior conclusions about lease identification, lease classification, or initial direct costs. In addition, we did reassess whether existing land easements which were previously not accounted for as leases are or contain leases under the new guidance. We have elected to combine non-lease and lease components when accounting for leases. The Company has made a policy election to exclude short-term leases, those with an original term of less than twelve months, from recognition and measurement under ASC 842. As such, we have not recognized an ROU asset or lease liability for these leases. Additional information and disclosures required by this new standard are contained in Note 18.

We adopted ASC 842 using the modified retrospective method as of the adoption date. As a result of electing the modified retrospective approach, we have not restated prior year financial statements to conform to the new guidance. Our operating lease portfolio primarily includes real estate, office equipment, and vehicles.

As a result of adoption of ASC 842, we recorded operating lease right-of-use assets of $10,709,000, current portion of lease liability of $2,281,000, and operating lease liabilities of $8,353,000.

2 ACQUISITIONS

On March 16, 2020, the Company completed the Purchase Agreement. As part of the Purchase Agreement, the Company agreed to purchase certain assets and assume certain liabilities of BH Media's newspapers and related publications business ("BH Media Newspaper Business"), excluding real estate and fixtures such as production equipment, and all of the issued and outstanding capital stock of Buffalo News for a combined purchase price of $140,000,000. BH Media includes 30 daily newspapers and digital operations, in addition to 49 paid weekly newspapers with websites and 32 other print products. Buffalo News is a provider of local print and digital news to the Buffalo, NY area. The rationale for the acquisition was primarily the attractive nature of the various publications, businesses, and digital platforms as well as the revenue growth and operating expense synergy opportunities.

The Transactions were funded pursuant to a Credit Agreement dated as of January 29, 2020, between the Company and BH Finance LLC, a Nebraska limited liability company affiliated with Berkshire (the "Credit Agreement"), as described further in Note 6.

Between July 2, 2018 and March 16, 2020, the Company managed the BH Media Newspaper Business pursuant to a Management Agreement between BH Media and the Company dated June 26, 2018 ("Management Agreement"). In connection with the Transactions, the Management Agreement terminated on March 16, 2020. As part of the settlement of the preexisting relationship, the Company received $5,425,000 at closing. This amount represents $1,245,000 in fixed fees pro-rated under the contract and $4,180,000 in variable fees based upon the pro-rated annual target. The amount we received settled our existing contract asset balance, which totaled $3,589,000 as of December 29, 2019, and the remaining amount was reflected in Other Revenue for the 13 weeks ended March 29, 2020. The amount of variable fees was estimated based on BH Media financial performance through March 16, 2020. Actual financial performance through March 16, 2020 did not vary materially from the estimated amount. As such, the Company did not recognize a gain or loss as a result of the settlement of this preexisting relationship.

In connection with the Transactions, the Company entered into a lease agreement between BH Media, as Landlord, and the Company, as Tenant, providing for the leasing of 68 properties and related fixtures (including production equipment) used in the BH Media Newspaper Business ("BH Lease"). The BH Lease commenced on March 16, 2020. The BH Lease requires the Company to pay annual rent of $8,000,000, payable in equal payments, as well as all operating costs relating to the properties (including maintenance, repairs, property taxes and insurance). Rent payments are subject to a Rent Credit (as defined in the Lease) equal to 8.00% of the net consideration for any leased real estate sold by BH Media during the term of the Lease. As of September 26, 2021, the Company has earned monthly rent credits of $40,000, making current annual rent of $7,522,000. In connection with the BH Lease, the Company recognized $56,226,000 and $56,226,000 in ROU assets and offsetting lease liabilities as of March 16, 2020.

The allocation of the purchase price is final. As part of the Transactions, the Company also entered into the Credit Agreement and the BH Lease, as described above. The Company concluded that these agreements were not separate from the Transactions and evaluated these agreements for off-market terms and no such terms were identified. As such, the consideration for the acquisitions was limited to cash consideration, as shown below.

The following table summarizes the final determination of fair values of the assets and liabilities for the Transactions.

(Thousands of Dollars)	**Estimated fair value as previously reported (a)**	**Measurement period adjustments**	**Fair value as adjusted**
Cash and cash equivalents	22,293	—	22,293
Current assets	52,559	(855)	51,704
Other assets	12,167	4,343	16,510
Property and equipment	42,952	33	42,985
Operating lease assets	7,445	101	7,546
Advertiser relationships	38,780	(11,160)	27,620
Subscriber relationships	36,060	(8,210)	27,850
Commercial print relationships	17,130	2,430	19,560
Mastheads	21,680	(1,290)	20,390
Goodwill	63,559	16,337	79,896
Total assets	314,625	1,729	316,354
Current liabilities assumed	(73,451)	1,074	(72,377)
Operating lease liabilities	(6.625)	(921)	(7,546)
Other liabilities assumed	(2,246)	(1,882)	(4,128)
Pension obligations	(43,503)	—	(43,503)
Postemployment benefit obligations	(36,800)	—	(36,800)
Total liabilities	(162,625)	(1,729)	(164,354)
Net assets	152,000	—	152,000
Less: acquired cash	(22,293)	—	(22,293)
Total consideration less acquired cash	129,707	—	129,707

(a) As previously reported in the Company's Quarterly Report on Form 10-Q for the period ended March 29, 2020.

The Company had various measurement period adjustments due to additional knowledge gained since March 29, 2020. The significant adjustments included $11,160,000 decrease to Advertiser relationships, $8,210,000 decrease to Subscriber relationships, and $2,430,000 increase to Commercial print relationships due to updates in assumptions related to the forecast and attrition rates, and changes were offset in Goodwill. Other adjustments included adjustments to accrued liabilities of $634,000, uncertain tax position allowance of $138,000, and a $3,600,000 reclassification involving working compensation and medical reserves that was identified during management's review.

Pro Forma Information (Unaudited)

The following table sets forth unaudited pro forma results of operations assuming the Transactions, along with the credit arrangements necessary to finance the Transactions, occurred on the first day of fiscal year 2020 and 2019.

	Unaudited	Unaudited
(Thousands of Dollars, Except Per Share Data)	September 27, 2020	September 29, 2019
Total revenues	821,793	973,143
Income attributable to Lee Enterprises, Incorporated	17,632	20,715
Earnings per share - diluted	3.10	3.60

Prior period results have been adjusted to reflect the Reverse Stock Split.

This pro forma financial information is based on historical results of operations, adjusted for the allocation of the purchase price and other acquisition accounting adjustments. This pro forma information is not necessarily indicative of what our results would have been had we operated the businesses since the beginning of the periods presented. The pro forma adjustments reflect the income statement effects of depreciation expense and amortization of intangibles related to the fair value adjustments of the assets acquired, acquisition-related costs, incremental interest expense related to the financing of the Transactions and 2020 Refinancing, the BH Lease entered into as part of the Transactions, the elimination of certain intercompany activity and the related tax effects of the adjustments.

The only material, nonrecurring adjustments relate to the write-off of previously unamortized debt-issuance costs as of October 1, 2018, related to the refinanced debt resulted in a $7,693,000 decrease to net income for 2019 and a $8,973,000 increase to net income for 2020. No other periods were affected by the adjustments.

3 REVENUE

The following table presents our revenue disaggregated by source:

(Thousands of Dollars)	September 26, 2021	September 27, 2020	September 29, 2019
Advertising and marketing services revenue	369,283	289,655	265,933
Subscription Revenue	357,713	268,285	187,443
TownNews and other digital services revenue	18,999	18,132	18,885
Other revenue	48,654	41,932	37,593
Total operating revenue	794,649	618,004	509,854

Of our Advertising and marketing services revenue $138,734,000, $106,491,000, and $100,007,000 is digital advertising in 2021, 2020, and 2019, respectively. Of our Subscription revenue, $95,794,000, $37,336,000, and $25,002,000 is digital subscription revenue in 2021, 2020, and 2019, respectively.

Recognition principles: Revenue is recognized when a performance obligation is satisfied by the transfer of control of the contracted goods or services to our customers, in an amount that reflects the consideration we expect to receive in exchange for those goods or services.

Arrangements with multiple performance obligations: We have various advertising and subscription agreements which include both print and digital performance obligations. Revenue from sales agreements that contain multiple performance obligations are allocated to each obligation based on the relative standalone selling price. We determine standalone selling prices based on observable prices charged to customers.

Contract Assets and Liabilities: The Company's primary source of unearned revenue is from subscriptions paid in advance of the service provided. The Company expects to recognize the revenue related to unsatisfied performance obligations over the next twelve months in accordance with the terms of the subscriptions and other contracts with customers. The unearned revenue balances described herein are the Company's only contract liability. Unearned revenue was $61,404,000 as of September 26, 2021 and $60,271,000 as of September 27, 2020. Revenue recognized in 2021 that was included in the contract liability as of September 27, 2020 was $56,139,000.

Contract asset balances related to our Management Agreement revenue was $1,107,000 as of September 29, 2019 and consisted solely of the variable portion of the contract. As a result of the Transactions, we had no contract balances as of September 26, 2021 or September 27, 2020. In conjunction with the execution of the Purchase Agreement, the previously recorded contract asset balance was collected on March 16, 2020. Accounts receivable, excluding allowance for credit losses and contract assets, was $71,644,000 and $66,029,000 as of September 26, 2021 and September 27, 2020 respectively. Allowance for credit losses was $6,574,000 and $13,431,000 as of September 26, 2021 and September 27, 2020, respectively.

Practical expedients: Sales commissions are expensed as incurred as the associated contractual periods are one year or less. These costs are recorded within compensation. The vast majority of our contracts have original expected lengths of one year or less and revenue is earned at a rate and amount that corresponds directly with the value to the customer.

4 INVESTMENTS IN ASSOCIATED COMPANIES

TNI Partners

In Tucson, Arizona, TNI, acting as agent for our subsidiary, Star Publishing Company ("Star Publishing") and Citizen Publishing Company ("Citizen"), a subsidiary of Gannett Co. Inc., is responsible for printing, delivery, advertising and subscription activities of the *Arizona Daily Star,* as well as the related digital platforms and specialty publications. TNI collects all receipts and records income and pays substantially all operating expenses incident to the partnership's operations and publication of the newspaper and other media. Income or loss of TNI is allocated equally to Star Publishing and Citizen.

Summarized financial information of TNI is as follows:

(Thousands of Dollars)	September 26 2021	September 27 2020
ASSETS		
Current assets	2,238	2,643
Investments and other assets	1,693	998
Total assets	3,931	3,641
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities	5,027	4,663
Members' equity	(1,096)	(1,022)
Total liabilities and members' equity	3,931	3,641

Summarized results of TNI are as follows:

(Thousands of Dollars)	2021	2020	2019
Operating revenue	34,782	37,101	43,532
Operating expenses	25,320	29,673	34,224
Net income	9,462	7,428	9,308
Company's 50% share	4,731	3,714	4,654
Less amortization of intangible assets	—	209	418
Equity in earnings of TNI	4,731	3,505	4,236

TNI makes periodic distributions of its earnings. We received $5,150,000, $3,176,000, and $4,245,000 in distributions in 2021, 2020 and 2019, respectively.

At September 26, 2021, the carrying value of the Company's 50% investment in TNI is $14,702,000. The difference between our carrying value and our 50% share of the members' equity of TNI relates principally to goodwill of $12,366,000 and other identified intangible assets of $2,336,000, certain of which are being amortized over their estimated useful lives through 2020. See Note 5.

Madison Newspapers, Inc.

We have a 50% ownership interest in MNI, which publishes daily and Sunday newspapers, and other publications in Madison, Wisconsin, and other Wisconsin locations, and related digital sites. Net income or loss of MNI (after income taxes) is allocated equally to us and The Capital Times Company ("TCT"). MNI conducts its business under the trade name Capital Newspapers.

Summarized financial information of MNI is as follows:

(Thousands of Dollars)	September 26 2021	September 27 2020
ASSETS		
Current assets	6,930	10,113
Investments and other assets	30,422	29,952
Total assets	37,352	40,065
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities	6,921	8,540
Other liabilities	6,470	5,862
Stockholders' equity	23,961	25,663
Total liabilities and stockholders' equity	37,352	40,065

Summarized results of MNI are as follows:

(Thousands of Dollars)	2021	2020	2019
Operating revenue	46,015	48,056	56,790
Operating expenses, excluding restructuring costs, depreciation and amortization	35,583	46,845	48,121
Restructuring costs	107	274	355
Depreciation and amortization	711	697	1,018
Operating income	9,614	240	7,296
Net income (loss)	3,362	(204)	5,770
Equity in earnings of MNI	1,681	(102)	2,885

MNI makes periodic distributions of its earnings. We received $2,300,000, $1,300,000, and $3,350,000 in distributions in 2021, 2020 and 2019, respectively.

We provide editorial services to MNI. Editorial service fees are included in other revenue in the Consolidated Statements of Income and Comprehensive Income and totaled $5,562,000, $6,152,000, and $6,636,000 in 2021, 2020 and 2019, respectively.

At September 26, 2021, the carrying value of the Company's 50% investment in MNI is $11,980,000.

5 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill related to continuing operations are as follows:

(Thousands of Dollars)	2021	2020
Goodwill, gross amount	1,617,174	1,539,038
Accumulated impairment losses	(1,288,729)	(1,288,729)
Goodwill, beginning of year	328,445	250,309
Goodwill acquired in business combinations	—	78,136
Measurement period adjustments	1,759	—
Goodwill, end of year	330,204	328,445

Identified intangible assets related to continuing operations consist of the following:

(Thousands of Dollars)	September 26 2021	September 27 2020
Non-amortized intangible assets:		
Mastheads	39,672	40,459
Amortizable intangible assets:		
Customer and newspaper subscriber lists	774,242	774,604
Less accumulated amortization	(657,243)	(632,457)
	116,999	142,147
Non-compete and consulting agreements	28,656	28,656
Less accumulated amortization	(28,656)	(28,582)
	—	74
	156,671	182,680

The Company reviews goodwill for impairment in accordance with ASC Topic 350 - *Goodwill and Other.* For companies that have reporting units with zero or negative carrying value, the new standard requires disclosure of the amount of goodwill for those reporting units.

All of the Company’s goodwill is attributed to the single reporting unit. The Company performed its annual assessment on the first day of our fourth fiscal quarter, and determined the fair value of our single reporting unit was in excess of carrying value and as such, there was no impairment in 2021 and 2020.

In 2021 and 2020, due to continuing revenue declines, cost of debt, and debt to equity weighting, we recorded non-cash charges to reduce the carrying value of non-amortized intangible assets. No such charges occurred in 2019. Such charges are recorded in assets loss (gain) on sales, impairments and other in the Consolidated Statements of Income (loss) and Comprehensive Income (loss). We recorded deferred income tax benefits related to these charges.

A summary of the pretax impairment charges is included in the table below:

(Thousands of Dollars)	2021	2020	2019
Non-amortized intangible assets	787	972	—
Property, equipment and other assets	190	—	—
	977	972	0

The Company recognized $27,620,000 of advertiser relationships, $27,850,000 of subscriber relationships, $19,560,000 of commercial print relationships, and $20,390,000 of indefinite-lived masthead assets as part of the Transactions.

Annual amortization of intangible assets for the years ending September 2022 to September 2026 is estimated to be $21,226,000, $19,793,000, $17,096,000, $11,091,000, and $6,992,000, respectively. The weighted average amortization period for those amortizable assets acquired as part of the Transactions is 13.5 years.

The Company recognized $79,896,000 of Goodwill as part of the Transactions. The value of the acquired Goodwill is primarily related to an assembled workforce and expected synergies from combining operations. For tax, purposes, the amount of Goodwill that is expected to be deductible is $42,442,000. Refer to Note 2 for more information regarding the final purchasing accounting for the Transactions.

6 DEBT

On March 16, 2020 concurrent with closing the Transactions, the Company completed a comprehensive refinancing of its debt (the "2020 Refinancing"). The 2020 Refinancing consists of the Credit Agreement and Term Loan. The proceeds of the Term Loan were used, along with cash on hand, to refinance the Company's $431,502,000 it incurred in 2014 (the "2014 Refinancing") as well as to fund the acquisition of BH Media Newspaper Business assets and the stock of Buffalo News for $140,000,000 in cash. With the closing of this transaction, BH Finance became Lee's sole lender. Proceeds of the Term Loan were used to finance the Transactions and refinance all of the Company's outstanding debt at par.

As of September 26, 2021, the Company has $482,616,000 in aggregate principle outstanding under the Term Loan. The weighted average cost of debt at September 26, 2021 is 9.0%.

For the fourth quarter excess cash flow (as defined below) totaled $6,112,000 and was used to pay debt in the following quarter. This balance was recognized in current maturities of long-term debt as of September 26, 2021 in the Consolidated Balance Sheets. Future payments are contingent on the Company's ability to generate future excess cash flow.

The Credit Agreement contains certain customary representations and warranties, certain affirmative and negative covenants and certain conditions, including restrictions on incurring additional indebtedness, creating certain liens, making certain investments or acquisitions, issuing dividends, repurchasing shares of stock of the Company and certain other capital transactions. Certain existing and future direct and indirect material domestic subsidiaries of the Company are guarantors of the Company's obligations under the Credit Agreement.

The Credit Agreement restricts us from paying dividends on our Common Stock. This restriction does not apply to dividends issued with the Company's Equity Interests or from the proceeds of a sale of the Company's Equity Interests. Further, the Credit Agreement restricts or limits, among other things, subject to certain exceptions, the ability of the Company and its subsidiaries to: (i) incur additional indebtedness, (ii) make certain investments, (iii) enter into mergers, acquisitions and asset sales, (iv) incur or create liens and (v) enter into transactions with certain affiliates. The Credit Agreement contains various representations and warranties by the Company and may be terminated upon the occurrence of certain events of default, including non-payment. The Credit Agreement also contains cross-default provisions tied to other agreements with BH Finance entered into by the Company and its subsidiaries in connection with the 2020 Refinancing.

Principal Payments

Voluntary pre-payments under the Credit Agreement are not subject to call premiums and are payable at par.

Excluding the Excess Cash Flow payments described below, there are no scheduled mandatory principal payments required under the Credit Agreement. The Company is required to make mandatory pre-payments of the Term Loan as follows:

- The Company must prepay the Term Loan in an aggregate amount equal to 100% of any Net Cash Proceeds received by the Company or any Subsidiary from a sale, transfer, license, or other disposition of any property of the Company or any subsidiary in excess of $500,000 in any ninety (90) day period.

- The Company is required to prepay the Term Loan with excess cash flow, defined as cash on the balance sheet at quarter end in excess of $20,000,000 ("Excess Cash Flow"). Excess Cash Flow is used to prepay the Term Loan, at par, and is due within 50-days of quarter end.

- If there is a Change of Control (as defined in the Credit Agreement), BH Finance has the option to require the Company to prepay the Term Loan in cash equal to 105% of the unpaid principal balance, plus accrued and unpaid interest.

The Company may, upon notice to BH Finance, at any time or from time to time, voluntarily prepay the Term Loan in whole or in part, at par, provided that any voluntary prepayment of the Term Loan shall be accompanied by payment of all accrued interest on the amount of principal prepaid to the date of prepayment.

Warrants

In connection with the 2nd Lien Term Loan entered into in the 2014 Refinancing, we entered into a Warrant Agreement dated as of March 31, 2014 (the "Warrant Agreement"). Under the Warrant Agreement, certain affiliates or designees of the 2nd Lien Lenders received on March 31, 2014 their pro rata share of warrants to purchase, in cash, an initial aggregate of 600,000 shares of Common Stock, subject to adjustment pursuant to anti-dilution provisions (the "Warrants"). The Warrants represent, when fully exercised, approximately 10.1% of shares of Common Stock outstanding at March 30, 2014 on a fully diluted basis. The exercise price of the Warrants is $41.90 per share. The Warrants are set to expire in March 2022. Shares and exercise price have been adjusted to reflect the Reverse Stock Split.

The Warrant Agreement contains provisions requiring the Warrants to be measured at fair value and included in warrants and other liabilities in our Consolidated Balance Sheets. We re-measure the fair value of the liability each reporting period, with changes reported in other, net non-operating income (expense). The initial fair value of the Warrants was $16,930,000. See Note 14.

In connection with the issuance of the Warrants, we entered into a Registration Rights Agreement dated as of March 14, 2014 (the "Registration Rights Agreement"). The Registration Rights Agreement requires, among other matters, that we use our commercially reasonable efforts to maintain the effectiveness for certain specified periods of a shelf registration statements related to the shares of Common Stock to be issues upon exercise of the Warrants.

Other

In connection with the 2014 Refinancing, we capitalized $37,819,000 of debt financing costs. Amortization of debt financing costs totaled $0, $11,282,000 and $5,773,000 in 2021, 2020 and 2019, respectively. In connection with the Transactions, we accelerated recognition of the unamortized debt financing costs of $9,583,000 in 2020.

Liquidity

Pursuant to the terms of the Credit Agreement, our debt does not include a revolver.

Our liquidity, consisting of cash on the balance sheet, totals $26,112,000 at September 26, 2021. This liquidity amount excludes any future cash flows. Including current maturities of long-term debt of $6,112,00, our liquidity, consisting of cash on the balance sheet is $20,000,000. We expect all interest and principal payments due in the next twelve months will be satisfied by existing cash and our cash flows, which will allow us to maintain an adequate level of liquidity. The Warrants, if and when exercised, would provide additional liquidity in an amount up to $25,140,000, which is not considered in the calculation of Excess Cash Flow.

There are numerous potential consequences under the Term Loan if an event of default, as defined, occurs and is not remedied. Many of those consequences are beyond our control. The occurrence of one or more events of default would give rise to the right of BH Finance to exercise their remedies under the Credit Agreement including, without limitation, the right to accelerate all outstanding debt and take actions authorized in such circumstances under applicable collateral security documents.

Our ability to operate as a going concern is dependent on our ability to remain in compliance with debt covenants and to repay, refinance or amend our debt agreements as they become due. The Credit Agreement (as defined above) has only limited affirmative covenants with which we are required to maintain compliance and there are no leverage or financial performance covenants. We are in compliance with our debt covenants at September 26, 2021.

7 LEASES

We lease certain real estate, vehicles, and equipment. Our leases have remaining lease terms of 1 to 40 years, some of which may include options to extend the leases, and some of which may include options to terminate the leases. The exercise of lease renewal options is at our sole discretion. The depreciable lives of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

Total lease expense consists of the following:

(Thousands of Dollars)	September 26, 2021	September 27, 2020
Operating lease costs	14,846	10,148
Variable lease costs	92	1,911
Short-term lease costs	—	426
Total Operating Lease Expense	14,938	12,485

Supplemental cash flow information related to our operating leases was as follows:

(Thousands of Dollars)	September 26, 2021	September 27, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflow from operating leases	14,789	10,003
Right-of-use assets obtained in exchange for operating lease liabilities	932	1,630

As of September 26, 2021, maturities of lease liabilities were as follows:

(Thousands of Dollars)	September 26, 2021
2022	13,826
2023	13,089
2024	12,074
2025	10,928
2026	9,755
Thereafter	38,334
Total lease payments	98,006
Less: interest	(31,711)
Present value of lease liabilities	66,295

Our lease contracts are discounted using the incremental borrowing rate for the Company. We determined the incremental borrowing rate based on a senior secured collateral adjusted yield curve for the Company. This yield curve reflects the estimated rate that would have been paid by the Company to borrow on a collateralized basis over a similar term in a similar economic environment. The weighted average revolving lease terms and discount rates for all of our operating leases were as follows.

	September 26, 2021
Weighted average remaining lease term (years)	7.98
Weighted Average discount rate	8.03%

8 PENSION PLANS

We have several non-contributory defined benefit pension plans that together cover selected employees. Benefits under the plans were generally based on salary and years of service. Our liability and related expense for benefits under the plans are recorded over the service period of employees based upon annual actuarial calculations. Plan funding strategies are influenced by government regulations. Plan assets consist primarily of domestic and foreign corporate equity securities, government and corporate bonds, hedge fund investments, and cash.

The net periodic cost (benefit) components of our pension plans are as follows:

(Thousands of Dollars)	2021	2020	2019
Service cost for benefits earned during the year	2,529	1,361	36
Interest cost on projected benefit obligation	7,147	7,577	6,563
Expected return on plan assets	(18,688)	(12,986)	(8,073)
Amortization of net loss	4,018	3,166	1,135
Amortization of prior service benefit	(6)	(6)	(100)
Net periodic pension cost (benefit)	(5,000)	(888)	(439)

Changes in benefit obligations and plan assets are as follows:

(Thousands of Dollars)	2021	2020
Benefit obligation, beginning of year	401,381	192,369
Business combination	—	195,834
Service cost	2,529	1,361
Interest cost	7,147	7,577
Actuarial loss (gain)	(5,413)	20,525
Benefits paid	(21,182)	(16,246)
Administrative expenses paid	(275)	(39)
Benefit obligation, end of year	384,187	401,381
Fair value of plan assets, beginning of year:	331,354	146,999
Business combination	—	152,331
Actual return on plan assets	89,892	44,933
Benefits paid	(21,182)	(16,246)
Administrative expenses paid	(2,599)	(2,794)
Employer contributions	965	6,131
Fair value of plan assets, end of year	398,430	331,354
Funded status	14,243	(70,027)

Disaggregated amounts recognized in the Consolidated Balance Sheets are as follows:

(Thousands of Dollars)	September 26 2021	September 27 2020
Pension obligations	14,243	(70,027)
Accumulated other comprehensive income (loss) (before income taxes)	36,965	(41,344)

Amounts recognized in accumulated other comprehensive income (loss) are as follows:

(Thousands of Dollars)	September 26 2021	September 27 2020
Unrecognized net actuarial gain (loss)	36,965	(41,344)
Unrecognized prior service benefit	—	—
	36,965	(41,344)

We expect to recognize $5,035,000 of unrecognized net actuarial gain, in net periodic pension cost in 2022.

The accumulated benefit obligation for the plans total $384,187,000 at September 26, 2021 and $401,381,000 at September 27, 2020. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets are $384,187,000, $384,187,000 and $176,214,000, respectively, at September 26, 2021.

Assumptions

Weighted-average assumptions used to determine benefit obligations are as follows:

(Percent)	September 26 2021	September 27 2020
Discount rate	2.7	2.8
Interest crediting rate	2.5	2.5

Weighted-average assumptions used to determine net periodic benefit cost are as follows:

(Percent)	2021	2020	2019
Discount rate - service cost	3.0	3.3	4.2
Discount rate - interest cost	1.9	2.6	3.9
Expected long-term return on plan assets	5.9	6.0	5.5

For 2021, the expected long-term return on plan assets is 5.9%. The assumptions related to the expected long-term return on plan assets are developed through an analysis of historical market returns, current market conditions and composition of plan assets.

For the year ended September 26, 2021, the most significant driver of the decrease in benefit obligations for the plans was the higher actuarial gains experienced by all plans. The pension plans recognized actuarial gains due to small increases in bond yields that resulted in increases to the discount rates and actual return on assets exceeding expected returns for the year improving the funded status of the plans. For the year ended September 27, 2020, the most significant driver of the increase in benefit obligations were the plans acquired in the Transactions, effectively doubling the company's obligation, and higher actuarial losses experienced by all plans. The pension plans incurred actuarial losses due to a fall in bond yields that resulted in decreases to the discount rates.

Plan Assets

The primary objective of our investment strategy is to satisfy our pension obligations at a reasonable cost. Assets are actively invested to balance real growth of capital through appreciation, reinvestment of dividend and interest income, and safety of invested funds.

Our investment policy outlines the governance structure for decision making, sets investment objectives and restrictions and establishes criteria for selecting and evaluating investment managers. The use of derivatives is prohibited, except on a case-by-case basis where the manager has a proven capability, and only to hedge quantifiable risks such as exposure to foreign currencies. An investment committee, consisting of certain of our executives and supported by independent consultants, is responsible for monitoring compliance with the investment policy. Assets are periodically redistributed to maintain the appropriate policy allocation.

The weighted-average asset allocation of our pension assets excluding Buffalo News, is as follows:

(Percent)	Policy Allocation	Actual Allocation	
Asset Class	September 26 2021	September 26 2021	September 27 2020
Equity securities	50	50	48
Debt securities	35	34	33
TIPS	5	4	5
Hedge fund investments	10	11	10
Cash and cash equivalents	—	1	4

The weighted-average asset allocation of Buffalo News pension assets is as follows:

(Percent)	Policy Allocation	Actual Allocation	
Asset Class	September 26 2021	September 26 2021	September 27 2020
Equity securities	30	31	92
Debt securities	70	68	2
TIPS	—	—	—
Hedge fund investments	—	—	—
Cash and cash equivalents	—	1	6

Plan assets include no Company securities. Assets include cash and cash equivalents and receivables from time to time due to the need to reallocate assets within policy guidelines. As of September 26, 2021 and September 27, 2020, Buffalo News had a different policy for asset allocation than the Company's other plans.

Fair Value Measurements

The fair value hierarchy of pension assets at September 26, 2021 is as follows:

(Thousands of Dollars)	NAV	Level 1	Level 2	Level 3
Cash and cash equivalents	—	4,447	—	—
Domestic equity securities	7,236	78,577	42,448	—
International equity securities	—	9,485	9,505	—
Emerging equity securities	—	8,077	—	—
TIPS	—	7,280	—	—
Debt securities	—	181,908	32,781	—
Hedge fund investments	18,758	—	—	—

The fair value hierarchy of pension assets at September 27, 2020 was as follows:

(Thousands of Dollars)	NAV	Level 1	Level 2	Level 3
Cash and cash equivalents	—	17,287	—	—
Domestic equity securities	5,500	151,584	60,333	—
International equity securities	—	6,893	7,396	—
Emerging equity securities	—	7,225	—	—
TIPS	—	6,967	—	—
Debt securities	—	22,253	32,167	—
Hedge fund investments	15,977	—	—	—

There were no purchases, sales or transfers of assets classified as Level 3 in 2021 or 2020. Pension assets included in the fair value hierarchy at net asset value, or "NAV", include three investments:

- U.S. small cap value equity common/collective fund for which fund prices are not publicly available. The balance of this investment is $7,236,000 and $5,500,000 as of September 26, 2021 and September 27, 2020, respectively. We can redeem this fund on a monthly basis.
- Global equity long/short common/collective hedge fund-of-funds for which fund prices are established on a monthly basis. The balance of this investment is $8,371,000 and $7,096,000 as of September 26, 2021 and September 27, 2020, respectively. We can redeem up to 90% of our investment in this fund within 90-120 days of notice with the remaining distributed following completion of the audit of the Fund's financial statements for the year.
- Global equity long/short common/collective hedge fund-of-funds for which fund prices are established on a monthly basis. The balance of this investment is $10,387,000 and $8,881,000 as of September 26, 2021 and September 27, 2020, respectively. We can redeem up to 50% of our investment in this fund twice per year.

The activity within Other comprehensive income (loss) for both pension plans and postretirement plans was as follows:

(Thousands of Dollars)	2021	2020	2019
Comprehensive income (loss), net of taxes:			
Change in unrecognized benefit plan gain (loss) arising during the period, net of taxes $19,148, $4,095, and $7,137, respectively	59,663	10,329	(16,880)
Amortization of items to periodic pension and other post-employment benefit costs during the period, net of taxes $819, $542, and $162, respectively	2,574	(1,265)	(488)
Other comprehensive income (loss) recognized in operations, net of taxes	62,237	9,064	(17,368)

Cash Flows

Based on our forecast at September 26, 2021, we expect to make contributions of $254,000 to our pension trust in 2022.

We anticipate future benefit payments to be paid from the pension trust as follows:

(Thousands of Dollars)	
2022	23,161
2023	22,596
2024	22,648
2025	22,552
2026	22,435
2027-2031	108,510

Other Plans

We are obligated under an unfunded plan to provide fixed retirement payments to certain former employees. The plan is frozen and no additional benefits are being accrued. The accrued liability under the plan is $996,000 and $1,483,000 at September 26, 2021 and September 27, 2020, respectively.

9 POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS

We provide retiree medical and life insurance benefits under postretirement plans at several of our operating locations. The level and adjustment of participant contributions vary depending on the specific plan. Our liability and related expense for benefits under the postretirement plans are recorded over the service period of active employees based upon annual actuarial calculations. We accrue postemployment disability benefits when it becomes probable that such benefits will be paid and when sufficient information exists to make reasonable estimates of the amounts to be paid.

The net periodic postretirement benefit cost (benefit) components for our postretirement plans are as follows:

(Thousands of Dollars)	2021	2020	2019
Service cost for benefits earned during the year	207	500	—
Interest cost on projected benefit obligation	429	869	412
Expected return on plan assets	(1,007)	(1,060)	(1,082)
Amortization of net actuarial gain	(685)	(743)	(976)
Amortization of prior service benefit	(647)	(647)	(723)
Curtailment gains	(23,830)	—	—
Net periodic postretirement benefit	(25,533)	(1,081)	(2,369)

Changes in benefit obligations and plan assets are as follows:

(Thousands of Dollars)	2021	2020
Benefit obligation, beginning of year	47,637	11,752
Business combination	—	36,800
Service cost	207	500
Interest cost	429	869
Liability (gain) loss due to Curtailment	(23,830)	—
Actuarial loss (gain)	(4,285)	(982)
Benefits paid, net of premiums received	(1,678)	(1,374)
Medicare Part D subsidies	58	72
Benefit obligation, end of year	18,538	47,637
Fair value of plan assets, beginning of year	25,706	24,135
Business combination	—	—
Actual return on plan assets	1,534	1,594
Employer contributions	1,293	646
Benefits paid, net of premiums and Medicare Part D subsidies received	(1,795)	(1,077)
Benefits paid for active employees	64	(438)
One time asset transfer	—	846
Fair value of plan assets at measurement date	26,802	25,706
Funded status	8,264	(21,931)

Disaggregated amounts recognized in the Consolidated Balance Sheets are as follows:

(Thousands of Dollars)	September 26 2021	September 27 2020
Non-current assets	17,664	15,241
Postretirement benefit obligations	(9,859)	(37,172)
Accumulated other comprehensive income (before income tax benefit)	17,747	14,269

Amounts recognized in accumulated other comprehensive income are as follows:

(Thousands of Dollars)	September 26 2021	September 27 2020
Unrecognized net actuarial gain	14,071	4,826
Unrecognized prior service benefit	3,676	9,443
	17,747	14,269

We expect to recognize $995,000 and $647,000 of unrecognized net actuarial gain and unrecognized prior service benefit, respectively, in net periodic postretirement benefit in 2022.

Assumptions

Weighted-average assumptions used to determine postretirement benefit obligations are as follows:

(Percent)	September 26 2021	September 27 2020
Discount rate	2.6	2.7
Expected long-term return on plan assets	4.0	4.5

The assumptions related to the expected long-term return on plan assets are developed through an analysis of historical market returns, current market conditions and composition of plan assets.

Weighted-average assumptions used to determine net periodic benefit cost are as follows:

(Percent)	2021	2020	2019
Discount rate - service cost	2.5	3.4	4.0
Discount rate - interest cost	1.9	2.8	3.7
Expected long-term return on plan assets	4.0	4.5	4.5

For 2021, the expected long-term return on plan assets is 4.0%. The assumptions related to the expected long-term return on plan assets are developed through an analysis of historical market returns, current market conditions and composition of plan assets.

Assumed health care cost trend rates are as follows:

(Percent)	September 26 2021	September 27 2020
Health care cost trend rates	6.2	6.4
Rate to which the cost trend rate is assumed to decline (the “Ultimate Trend Rate”)	4.5	4.5
Year in which the rate reaches the Ultimate Trend Rate	2030	2030

Administrative costs related to indemnity plans are assumed to increase at the health care cost trend rates noted above.

In 2021, we notified certain participants in one of our postemployment medical plans of changes to their plan, including elimination of coverage for certain participants. These changes resulted in a non-cash curtailment gain of $23,830,000 in 2021. The curtailment gain is recorded in Curtailment gain in the Consolidated Statements of Income (loss) and Comprehensive Income (loss). These charges also reduced the postemployment benefit obligation by $23,830,000 in 2021.

For the year ended September 26, 2021, the most significant driver of the decrease in benefit obligations for the plans was the higher actuarial gains experienced by all plans. The plans recognized actuarial gains due to small increases in bond yields that resulted in increases to the discount rates, actual return on assets exceeding expected returns for the year, and updated expected future claims costs. For the year ended September 27, 2020, the most significant driver of the increase in benefit obligations were the plans acquired in the Transactions, more than doubling the company's obligation and higher actuarial losses experienced by all plans. The plans incurred actuarial losses due to a fall in bond yields that resulted in decreases to the discount rates.

Plan Assets

Assets of the retiree medical plan are invested in a master trust. The master trust also pays benefits of active employee medical plans for the same union employees. The fair value of master trust assets allocated to the active employee medical plans at September 26, 2021 and September 27, 2020 is $631,000 and $671,000, respectively, which are included within the tables below.

The primary objective of our investment strategy is to satisfy our postretirement obligations at a reasonable cost. Assets are actively invested to balance real growth of capital through appreciation and reinvestment of dividend and interest income and safety of invested funds.

Our investment policy outlines the governance structure for decision making, sets investment objectives and restrictions, and establishes criteria for selecting and evaluating investment managers. The use of derivatives is strictly prohibited, except on a case-by-case basis where the manager has a proven capability, and only to hedge quantifiable risks such as exposure to foreign currencies. An investment committee, consisting of certain of our executives and supported by independent consultants, is responsible for monitoring compliance with the investment policy. Assets are periodically redistributed to maintain the appropriate policy allocation.

The weighted-average asset allocation of our postretirement assets is as follows:

(Percent)	Policy Allocation	Actual Allocation	
Asset Class	September 26 2021	September 26 2021	September 27 2020
Equity securities	20	20	20
Debt securities	70	68	70
Hedge fund investment	10	12	10
Cash and cash equivalents	—	—	—

Plan assets include no Company securities. Assets include cash and cash equivalents and receivables from time to time due to the need to reallocate assets within policy guidelines.

Fair Value Measurements

The fair value hierarchy of postretirement assets at September 26, 2021 is as follows:

(Thousands of Dollars)	NAV	Level 1	Level 2	Level 3
Cash and cash equivalents	—	25	—	—
Domestic equity securities	904	2,643	—	—
Emerging equity securities	—	603	—	—
International equity securities	—	747	660	—
Debt securities	—	18,363	—	—
Hedge fund investment	3,235	—	—	—

The fair value hierarchy of postretirement assets at September 27, 2020 is as follows:

(Thousands of Dollars)	NAV	Level 1	Level 2	Level 3
Cash and cash equivalents	—	59	—	—
Domestic equity securities	590	2,868	—	—
Emerging equity securities	—	539	—	—
International equity securities	—	579	759	—
Debt securities	—	18,229	—	—
Hedge fund investment	2,754	—	—	—

There were no purchases, sales or transfers of assets classified as Level 3 in 2021 or 2020. Postretirement assets included in the fair value hierarchy at NAV, include two investments:

- U.S. small cap value equity common/collective fund for which fund prices are not publicly available. The balance of this investment is $904,000 and $590,000 as of 9/26/2021 and 9/27/2020, respectively. We can redeem this fund on a monthly basis.
- Global equity long/short common/collective hedge fund-of-funds for which fund prices are established on a monthly basis. The balance of this investment is $3,235,000 and $2,754,000 as of 9/26/2021 and 9/27/2020, respectively. We can redeem up to 90% of our investment in this fund within 90-120 days of notice with the remaining distributed following completion of the audit of the Fund's financial statements for the year.

Cash Flows

Based on our forecast at September 26, 2021, we do not expect to contribute to our postretirement plans in 2022.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Modernization Act”) introduced a prescription drug benefit under Medicare (“Medicare Part D”) and a federal subsidy to sponsors of retiree health care benefit plans (“Subsidy”) that provide a benefit at least actuarially equivalent (as that term is defined in the Modernization Act) to Medicare Part D. We concluded we qualify for the Subsidy under the Modernization Act since the prescription drug benefits provided under our postretirement health care plans generally require lower premiums from covered retirees and have lower deductibles than the benefits provided in Medicare Part D and, accordingly, are actuarially equivalent to or better than, the benefits provided under the Modernization Act.

We anticipate future benefit payments to be paid either with future contributions to the plan or directly from plan assets, as follows:

(Thousands of Dollars)	Gross Payments	Less Medicare Part D Subsidy	Net Payments
2022	1,479	(58)	1,421
2023	1,424	(55)	1,369
2024	1,383	(51)	1,332
2025	1,326	(47)	1,279
2026	1,277	(43)	1,234
2027-2031	5,439	(158)	5,281

Postemployment Plan

Our postemployment benefit obligation, which represents certain disability benefits, is $2,233,000 at September 26, 2021 and $2,371,000 at September 27, 2020.

10 OTHER RETIREMENT PLANS

Substantially all of our employees are eligible to participate in a qualified defined contribution retirement plan. We also have a non-qualified plan for employees whose incomes exceed qualified plan limits.

The defined contribution retirement plan costs were $3,403,000 in 2021, $2,666,000 in 2020 and $1,683,000 in 2019.

Multiemployer Pension Plans

We contributed to five multiemployer defined benefit pension plans under the terms of CBAs. The risks of participating in these multiemployer plans are different from our company-sponsored plans in the following aspects:

- We do not manage the plan investments or any other aspect of plan administration;
- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers;
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and
- If we choose to stop participating in one or more multiemployer plans, we may be required to fund over time an amount based on the unfunded status of the plan at the time of withdrawal, referred to as "withdrawal liability".

Information related to these plans is outlined in the table below:

(Thousands of Dollars)	Zone Status September 30		Funding Improvement Plan/Rehabilitation Plan Status	Contributions				
Pension Plan	2021	2020	Status	2021	2020	2019	Surcharge Imposed	Expiration Dates of CBAs
GCIU- Employer Retirement Fund	Red	Red	Implemented	10	87	98	No	3/24/2022
District No. 9, International Association of Machinists and Aerospace Workers Pension Trust	Red	Green	N/A	15	31	30	N/A	2/28/2023
CWA/ITU negotiated Pension Plan	Red	Red	N/A	81	456	—	No	6/10/2022 1/13/2022
IAM National Pension Fund	Red	Green	N/A	67	86	—	N/A	1/1/2024 2/31/22
Operating Engineers Central Pension Fund of the International Union of Operating Engineers and Participating Employers	Green	Green	N/A	49	52	—	N/A	6/16/2022

The Company has effectuated withdrawals from several multiemployer plans. We record estimates of withdrawal liabilities as of the time the contracts agreeing to withdraw from those plans are ratified. As of September 26, 2021 and September 27, 2020, we had $23,471,000 and $11,473,000 withdrawal liabilities recorded in Warrants and Other Liabilities in our Consolidated Balance Sheets. The liabilities reflect the estimated net present value of payments to the fund, payable over 20-years.

In 2021, we withdrew from two multiemployer pension plan and recorded a $12,862,000 liability reflecting an estimate of the withdrawal from the funds. The withdrawal liabilities are recorded in Warrants and other and the expense is included within Pension withdrawal cost. The liabilities will be paid over 20 years.

Several multiemployer plans have CBAs that expire in the next twelve months. It is reasonably possible that if the Company is unable to renegotiate these agreements employees could go on strike which could disrupt the normal operations of the Company. Of our employees in CBA's, approximately 97% have CBA's that expire in the next 12 months.

11 COMMON STOCK AND CLASS B COMMON STOCK

Warrant Agreement

In connection with the previous 2nd Lien Term Loan entered into as part of the 2014 Refinancing, we entered into the Warrant Agreement. Under the Warrant Agreement, certain affiliates or designees of the 2nd Lien Lenders received on March 31, 2014, their pro rata share of Warrants to purchase, in cash, 600,000 shares of Common Stock, subject to adjustment pursuant to anti-dilution provisions. The Warrants represent, when fully exercised, approximately 10.1% of shares of Common Stock outstanding at March 30, 2014, on a fully diluted basis. The exercise price of the Warrants is $41.90 per share. Shares and exercise price have been adjusted to reflect the Reverse Stock Split.

The Warrant Agreement contains a cash settlement provision in the event of a change of control prior to March 31, 2018, as well as other provisions requiring the Warrants be measured at fair value and classified as warrants and other liabilities in our Consolidated Balance Sheets. We re-measure the liability to fair value each reporting period, with changes reported in other non-operating income (expense). The initial fair value of the Warrants was $16,930,000. At September 26, 2021, the fair value of the Warrants is $71,000.

In connection with the issuance of the Warrants, we entered into the Registration Rights Agreement. The Registration Rights Agreement requires, among other matters, that we use our commercially reasonable efforts to file and maintain the effectiveness for certain specified periods of a shelf registration statement covering the shares of Common Stock upon exercise of the Warrants.

12 STOCK OWNERSHIP PLANS

Total non-cash stock compensation expense is $854,000, $1,042,000 and $1,638,000, in 2021, 2020 and 2019, respectively.

At September 26, 2021, we have reserved 368,095 shares of Common Stock for issuance to employees under an incentive and non-statutory stock option and restricted stock plan approved by stockholders of which 332,360 shares are available for granting of non-qualified stock options or issuance of restricted Common Stock.

Stock Options

Options are granted at a price equal to the fair market value on the date of the grant and are exercisable, upon vesting, over a ten-year period.

A summary of stock option activity is as follows:

(Thousands of Shares)	2021	2020	2019
Under option, beginning of year	41	81	110
Exercised	(2)	—	(9)
Canceled	(3)	(40)	(20)
Under option, end of year	36	41	81
Exercisable, end of year	36	41	81

Weighted average prices of stock options are as follows:

(Dollars)	2021	2020	2019
Exercised	11.3	—	20.6
Cancelled	11.3	25.3	20.8
Under option, end of year	11.4	11.4	18.2

Prior period results have been adjusted to reflect the Reverse Stock Split.

A summary of stock options outstanding at September 26, 2021 is as follows:

(Dollars)		Options Outstanding			Options Exercisable
Range of	*Number Outstanding (Thousands)*	*Weighted Average Remaining Contractual Life (Years)*	Weighted Average Exercise Price	*Number Exercisable (Thousands)*	Weighted Average Exercise Price
11 - 12	36	0.7	11.4	36	11.4

There is no unrecognized compensation expense for unvested stock options at September 26, 2021.

The stock options outstanding have $402,000 in aggregate intrinsic value at September 26, 2021

Restricted Common Stock

A summary of restricted Common Stock activity follows:

(Thousands of Shares)	2021	2020	2019
Outstanding, beginning of year	155	148	206
Granted	46	72	79
Vested	(45)	(61)	(134)
Forfeited	(2)	(4)	(3)
Outstanding, end of year	154	155	148

Weighted average grant date fair values of restricted Common Stock are as follows:

(Dollars)	2021	2020	2019
Outstanding, beginning of year	21.5	24.9	23.1
Granted	11.2	16.2	21.8
Vested	27.3	23.4	20.3
Forfeited	16.1	24.4	21.3
Outstanding, end of year	16.7	21.5	24.9

Prior period results have been adjusted to reflect the Reverse Stock Split.

Total unrecognized compensation expense for unvested restricted Common Stock at September 26, 2021 is $901,000, which will be recognized over a weighted average period of 1.2 years.

In December 2021, we expect to issue shares of 96,000 restricted Common Stock to employees. All restrictions with respect to these shares lapse in December 2024.

Stock Purchase Plans

We have 27,000 shares of Common Stock available for issuance pursuant to our Employee Stock Purchase Plan. We also have 870 shares of Common Stock available for issuance under our Supplemental Employee Stock Purchase Plan. There has been no activity under these plans in 2021, 2020, or 2019.

13 INCOME TAXES

Income tax expense (benefit) consists of the following:

(Thousands of Dollars)	2021	2020	2019
Current:			
Federal	(2,431)	8,779	8,763
State	3,642	(10)	1,171
Deferred	6,004	(4,665)	(2,003)
	7,215	4,104	7,931

Income tax expense (benefit) related to continuing operations differs from the amounts computed by applying the U.S. federal income tax rate to income (loss) before income taxes. The reasons for these differences are as follows:

(Percent of Income (Loss) Before Income Taxes)	2021	2020	2019
Computed “expected” income tax expense	21.0	21.0	21.0
State income tax benefit, net of federal tax benefit	5.6	21.7	1.3
Net income of associated companies	(1.8)	(18.3)	(3.9)
Resolution of tax matters	3.2	(30.5)	1.7
Remeasurement due to rate changes	—	24.0	—
Non-deductible expenses	0.9	19.4	3.4
Valuation allowance	(6.0)	110.0	10.8
Warrant valuation	(0.4)	(7.3)	(0.6)
Other	—	4.4	(0.4)
	22.5	144.4	33.3

Net deferred income tax liabilities consist of the following components:

(Thousands of Dollars)	September 26 2021	September 27 2020
Deferred income tax liabilities:		
Property and equipment	(13,284)	(18,646)
Identified intangible assets	(14,032)	(16,765)
ASC 842 - Leases DTL	(15,813)	(18,669)
Pension and postretirement benefits	(6,346)	—
Investments	(14,275)	(6,154)
	(63,750)	(60,234)
Deferred income tax assets:		
Allowance for credit losses	237	1,733
Pension and postretirement benefits	—	7,075
Long-term debt	716	350
Interest deduction limitation	—	5,383
Operating loss carryforwards	26,999	28,240
ASC 842 - Leases DTA	15,840	18,675
Accrued compensation	6,630	13,142
Accrued expenses	443	1,673
Other	812	430
	51,677	76,701
Valuation allowance	(28,222)	(31,675)
Net deferred income tax liabilities	(40,295)	(15,208)

All deferred taxes are categorized as non-current.

A reconciliation of 2021 and 2020 changes in gross unrecognized tax benefits is as follows:

(Thousands of Dollars)	2021	2020
Balance, beginning of year	27,008	18,252
Changes in tax positions for prior years	1,008	(331)
Increases (decrease) in tax positions for the current year	(8,940)	9,825
Lapse in statute of limitations	(797)	(738)
Balance, end of year	18,279	27,008

Approximately $10,984,000 and $10,319,000 of the gross unrecognized tax benefit balances for 2021 and 2020, respectively, relate to state net operating losses which are netted against deferred taxes on our balance sheet. The total amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was $1,033,000 at September 26, 2021. The company does not expect that unrecognized tax benefits will fluctuate significantly in the next twelve months. We recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense. The amount of accrued interest related to unrecognized tax benefits was, net of tax, $1,393,000 at September 26, 2021 and $1,000,000 at September 27, 2020. There were no amounts provided for penalties at September 26, 2021 or September 27, 2020.

At September 26, 2021 and September 27, 2020, we had a deferred tax asset of $0 and $5,383,000, respectively, related to disallowed interest expense.

No significant income tax audits are currently in progress. Certain of the Company's state income tax returns for the year ended September 28, 2015, are open for examination. The Federal and remaining state returns are open beginning with the September 26, 2016, year.

At September 26, 2021, we have state tax benefits of approximately $45,160,000 in net operating loss ("NOL") carryforwards that expire between 2022 and 2040. These NOL carryforwards result in a deferred income tax asset of $35,676,000 at September 26, 2021, a portion of which is offset by a valuation allowance.

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate value.

The carrying amounts of cash equivalents, accounts receivable and accounts payable approximate fair value because of the short maturity of those instruments. Investments totaling $4,226,000, including our 16.7% ownership of the non-voting common stock and 0.7% of the voting common stock of TCT, which represents 8.7% of total TCT stock, and a private equity investment, are carried at cost.

At September 26, 2021, we had no floating rate debt. Our fixed rate debt consists of $482,616,000 principal amount of the Term Note. At September 26, 2021, based on market quotations, the fair value approximates carrying value. This represents a Level 2 fair value measurement.

As discussed more fully in Notes 6 and 12, we recorded a liability for the Warrants issued in connection with the Warrant Agreement. The liability was initially measured at its fair value and we re-measure the liability to fair value each reporting period, with changes reported in other non-operating income (expense). The initial fair value of the Warrants was $16,930,000. The fair value of the Warrants at September 26, 2021, September 27, 2020, and September 29, 2019 is $71,000, $363,000 and $1,195,000, respectively. In other, net non-operating income (expense) in the Consolidated Statements of Income (loss) and Comprehensive Income (loss), we recognized income of $292,000 in 2021, $832,000 in 2020, and of $612,000 in 2019, for adjustments in the fair value of the Warrants.

The following assumptions were used to estimate the fair value of the Warrants:

	2021	2020	2019
Volatility (Percent)	43	84	48
Risk-free interest rate (Percent)	0.05	0.12	1.58
Expected term (Years)	0.5	1.5	2.5
Estimated fair value (Dollars)	0.12	0.06	0.2

15 EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

(Thousands of Dollars and Shares, Except Per Common Share Data)	2021	2020	2019
Income (loss) attributable to Lee Enterprises, Incorporated:	22,785	(3,106)	14,268
Weighted average Common Stock	5,873	5,811	5,765
Less non-vested restricted Common Stock	(156)	(154)	(208)
Basic average Common Stock	5,717	5,657	5,557
Dilutive stock options and restricted Common Stock	109	37	131
Diluted average Common Stock	5,826	5,694	5,688
Earnings per common share:			
Basic:	3.99	(0.55)	2.57
Diluted	3.91	(0.55)	2.51

For 2021 and 2019 we had 600,000 and 638,400 weighted average shares, respectively, not considered in the computation of diluted earnings per share because the exercise prices of the related stock options and Warrants were in excess of the fair market value of our Common Stock. For 2020 we had 600,000 weighted average shares not considered in the computation of diluted earnings per share because the Company recorded net losses.

Prior period results have been adjusted to reflect the Reverse Stock Split.

16 ALLOWANCE FOR CREDIT LOSSES

Valuation and qualifying account information related to the allowance for credit losses related to continuing operations is as follows:

(Thousands of Dollars)	2021	2020	2019
Balance, beginning of year	13,431	6,434	4,806
Additions charged to expense	1,505	8,607	2,751
Deductions from reserves	(8,362)	(1,610)	(1,123)
Balance, end of year	6,574	13,431	6,434

17 OTHER INFORMATION

Compensation and other accrued liabilities consist of the following:

(Thousands of Dollars)	September 26 2021	September 27 2020
Compensation	20,849	16,915
Retirement plans	554	2,317
Other	23,673	25,046
	45,076	44,278

Supplemental cash flow information includes the following cash payments:

(Thousands of Dollars)	2021	2020	2019
Interest	45,214	49,518	47,555
Debt financing and reorganization costs	—	707	1,773
Income tax payments, net	7,604	446	8,439

Accumulated other comprehensive income (loss), net of deferred income taxes at September 26, 2021, and September 27, 2020, is related to pension and postretirement benefits.

18 COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditures

At September 27, 2021, we had construction and equipment purchase commitments totaling approximately $3,791,000.

Income Taxes

Commitments exclude unrecognized tax benefits to be recorded in accordance with ASC Topic 740, *Income Taxes*. We are unable to reasonably estimate the ultimate amount or timing of cash settlements with the respective taxing authorities for such matters. See Note 13.

We file income tax returns with the Internal Revenue Service and various state tax jurisdictions. From time to time, we are subject to routine audits by those agencies, and those audits may result in proposed adjustments. We have considered the alternative interpretations that may be assumed by the various taxing agencies, believe our positions taken regarding our filings are valid, and that adequate tax liabilities have been recorded to resolve such matters. However, the actual outcome cannot be determined with certainty and the difference could be material, either positively or negatively, to the Consolidated Statements of Income and Comprehensive Income (Loss) in the periods in which such matters are ultimately determined. We do not believe the final resolution of such matters will be material to our consolidated financial position or cash flows.

We have various income tax examinations ongoing and at various stages of completion, but generally our income tax returns have been audited or closed to audit through 2014.

Legal Proceedings

We are involved in a variety of legal actions that arise in the normal course of business. Insurance coverage mitigates potential loss for certain of these matters. While we are unable to predict the ultimate outcome of these legal actions, it is our opinion that the disposition of these matters will not have a material adverse effect on our Consolidated Financial Statements, taken as a whole.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Lee Enterprises, Incorporated:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Lee Enterprises, Incorporated and subsidiaries (the Company) as of September 26, 2021 and September 27, 2020, the related consolidated statements of income (loss) and comprehensive income (loss), stockholders' equity (deficit), and cash flows for each of the 52-week periods ended September 26, 2021, September 27, 2020, and September 29, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 26, 2021 and September 27, 2020, and the results of its operations and its cash flows for each of the 52-week periods ended September 26, 2021, September 27, 2020, and September 29, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 26, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated December 10, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for credit losses on financial instruments as of September 28, 2020 due to the adoption of Accounting Standard Codification Topic 326, *Financial Instruments – Credit Losses*, and its method of accounting for leases as of September 30, 2019 due to the adoption of Accounting Standard Update (ASU) No. 2016-02, *Leases*, and related updates, which established Accounting Standard Codification Topic 842, *Leases*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of indefinite-lived mastheads

As discussed in Notes 1 and 5 to the consolidated financial statements, the Company reviews indefinite-lived mastheads for impairment on an annual basis or more frequently if events or changes in circumstances indicate the asset might be impaired. The impairment test consists of comparing the fair value of each masthead with its carrying amount. The Company determines fair value using the relief from royalty method, which utilizes a discounted cash flow model to determine the fair value of each masthead. The significant assumptions used to determine the fair value of indefinite-lived mastheads include revenue growth rates, the discount rate, and royalty rates. As of September 26, 2021, the Company's indefinite-lived mastheads were $39,672,000. During the year ended September 26, 2021, the Company recognized impairments of $787,000.

We identified the valuation of indefinite-lived mastheads as a critical audit matter. The assessment of the significant assumptions involved a high degree of subjective auditor judgment due to their significant estimation uncertainty. In addition, minor changes in these assumptions could have a significant impact on the fair values of the mastheads, and the evaluation of the discount rate and royalty rates required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's masthead impairment assessment process, including controls related to the determination of the significant assumptions. We evaluated the revenue growth rates for a selection of mastheads by comparing them to current industry and economic trends and to the historical performance of each publication. We compared the Company's historical revenue growth rate assumptions to actual results to assess the Company's ability to accurately forecast. In addition, we performed sensitivity analyses over the revenue growth rates to assess the impact of changes in those assumptions on the Company's determination of fair value. We involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the discount rate by independently developing a range of rates using independently obtained market rate data of guideline public companies and comparing the independent ranges to the rate used by the Company
- evaluating the royalty rates by (i) performing a profit-split analysis to develop an independent estimate of the royalty rates and comparing them to the rates determined by management, and (ii) comparing them to publicly available rates, to the extent available, obtained from comparable royalty-based transactions.

/s/ KPMG LLP

We have served as the Company's auditor since 2008.

Chicago, Illinois
December 10, 2021

EXHIBIT INDEX

Exhibits marked with an asterisk (*) are incorporated by reference to documents previously filed by us with the SEC, as indicated. Exhibits marked with a plus (+) are management contracts or compensatory plan contracts or arrangements filed pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K. All other documents listed are filed with this Annual Report on Form 10-K.

Number	Description
3.1 *	Amended and Restated Certificate of Incorporation of Lee Enterprises, Incorporated effective as of January 30, 2012 (Exhibit 3.1 to Form 8-K filed on February 3, 2012)
3.2 *	Second Amended and Restated By-Laws of Lee Enterprises, Incorporated effective as of June 26, 2019 (Exhibit 3.1 to Form 8-K filed June 27, 2019)
4.1 *	Form of Indenture of Lee Enterprises, Incorporated (Exhibit 4.3 to Form S-3 Registration Statement filed on February 10, 2020)
4.2 *	Warrant Agreement dated as of March 31, 2014 between Lee Enterprises, Incorporated and Equiniti Trust Company (formerly Wells Fargo Bank, National Association) (Exhibit 4.2 to Form 8-K filed on April 4, 2014)
4.3 *	Registration Rights Agreement dated as of March 31, 2014 among Lee Enterprises, Incorporated, Mudrick Capital Management, LP, Hawkeye Capital Management, LLC, Cohanzick Management, LLC, Aristeia Capital, L.L.C., CVC Credit Partners, LLC, Franklin Mutual Advisors, LLC and Wingspan Master Fund, LP (Exhibit 4.3 to Form 8-K filed on April 4, 2014)
4.4 *	Rights Agreement dated as of November 24, 2021, between Lee Enterprises, Incorporated and Equiniti Trust Company, as Rights Agent (Exhibit 4.1 to Current Report on Form 8-K filed on November 24, 2021)
10.1 *	Asset and Stock Purchase Agreement dated January 29, 2020 by and among Lee Enterprises, Incorporated, Berkshire Hathaway Inc. and BH Media Group, Inc. (Exhibit 10.1 to Form 8-K filed on January 29, 2020)
10.2 *	Credit Agreement dated January 29, 2020 by and between Lee Enterprises, Incorporated and BH Finance LLC (Exhibit 10.2 to Form 8-K filed on January 29, 2020)
10.3 *	Form of Lease Agreement by and between Lee Enterprises, Incorporated and BH Media Group, Inc. (Exhibit 10.3 to Form 8-K filed on January 29, 2020)
10.4 *	Operating Agreement of St. Louis Post-Dispatch LLC, dated as of May 1, 2000, as amended by Amendment No. 1 to Operating Agreement of St. Louis Post-Dispatch LLC, dated as of June 1, 2001 (Exhibit 10.5 to Form 10-Q for the Fiscal Quarter Ended June 30, 2005)
10.5 *	Amendment Number Two to Operating Agreement of St. Louis Post-Dispatch LLC, effective February 18, 2009, between Pulitzer Inc. and Pulitzer Technologies, Inc. (Exhibit 10.13 to Form 10-Q for the Fiscal Quarter Ended March 29, 2009)
10.6 *	Amended and Restated Joint Operating Agreement, dated December 22, 1988, between Star Publishing Company and Citizen Publishing Company (Exhibit 10.2 to Form 10-Q for the Fiscal Quarter Ended June 30, 2005)
10.7 *	Amended and Restated Partnership Agreement, dated as of November 30, 2009, between Star Publishing Company and Citizen Publishing Company (Exhibit 10.2 to Form 10-Q for the Fiscal Quarter Ended December 27, 2009)
10.8 *	Amended and Restated Management Agreement, dated as of November 30, 2009, between Star Publishing Company and Citizen Publishing Company (Exhibit 10.1 to Form 10-Q for the Fiscal Quarter Ended December 27, 2009)
10.9 *	License Agreement (Star), as amended and restated November 30, 2009, between Star Publishing Company and TNI Partners (Exhibit 10.3 to Form 10-Q for the Fiscal Quarter Ended December 27, 2009)
10.10 *	License Agreement (Citizen), as amended and restated November 30, 2009, between Citizen Publishing Company and TNI Partners (Exhibit 10.4 to Form 10-Q for the Fiscal Quarter Ended December 27, 2009)
10.11 *	License Agreement, dated as of May 1, 2000, by and between Pulitzer Inc. and St. Louis Post-Dispatch LLC (Exhibit 10.7 to Form 10-Q for the Fiscal Quarter Ended June 30, 2005)

Number	Description
10.12 *	Non-Confidentiality Agreement, dated as of May 1, 2000 (Exhibit 10.10 to Form 10-Q for the Fiscal Quarter Ended June 30, 2005)
10.13.1+ *	Lee Enterprises, Incorporated 2020 Long-Term Incentive Plan (effective February 19, 2020) (Exhibit 4.2 to Registration Statement on Form S-8 (Reference No. 333-237605) filed on April 8, 2020)
10.13.2+*	Form of Restricted Stock Agreement related to Lee Enterprises, Incorporated 2020 Long-Term Incentive Plan (Effective February 19, 2020) (Exhibit 10.2 to Form 8-K filed on February 23, 2016)
10.13.3+ *	Form of Incentive Stock Option Agreement related to Lee Enterprises, Incorporated 2020 Long-Term Incentive Plan (Effective February 19, 2020) (Exhibit 10.3 to Form 8-K filed on February 23, 2016)
10.13.4+ *	Form of Non-Qualified Stock Option Agreement related to Lee Enterprises, Incorporated 2020 Long-Term Incentive Plan (Effective February 19, 2020) (Exhibit 10.4 to Form 8-K filed on February 23, 2016)
10.14 +*	Lee Enterprises, Incorporated Supplementary Benefit Plan, Amended and Restated as of January 1, 2008 (Exhibit 10.25 to Form 10-K for the Fiscal Year Ended September 28, 2008)
10.15+ *	Lee Enterprises, Incorporated Outside Directors Deferral Plan, Amended and Restated as of January 1, 2008 (Exhibit 10.26 to Form 10-K for the Fiscal Year Ended September 28, 2008)
10.16.1+*	Form of Amended and Restated Employment Agreement between Lee Enterprises, Incorporated and its President and Chief Executive Officer (Exhibit 10.31.2 to Form 10-K for the Fiscal Year Ended September 30, 2018)
10.16.2+*	Form of Employment Agreement between Lee Enterprises, Incorporated and Certain of its Senior Executive Officers (Exhibit 10.31.3 to Form 10-K for the Fiscal Year Ended September 30, 2018)
10.17+*	Form of Indemnification Agreement for Lee Enterprises, Incorporated Directors and Executive Officers Group (Exhibit 10.32 to Form 10-K for the Fiscal Year Ended September 30, 2018)
10.18+*	Lee Enterprises, Incorporated Amended and Restated Incentive Compensation Program (Effective February 22, 2017) (Appendix B to Schedule 14A Definitive Proxy Statement for 2017)
21	Subsidiaries and associated companies
23	Consent of KPMG LLP, Independent Registered Public Accounting Firm
24	Power of Attorney
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on the 10th day of December 2021.

LEE ENTERPRISES, INCORPORATED

/s/ Kevin D. Mowbray	/s/ Timothy R. Millage
Kevin D. Mowbray	Timothy R. Millage
President and Chief Executive Officer	Vice President, Chief Financial Officer and Treasurer
(Principal Executive Officer)	(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in their respective capacities on the 10th day of December 2021.

Signature	
/s/ Steven C. Fletcher Steven C. Fletcher	Director
/s/ Margaret R. Liberman Margaret R. Liberman	Director
/s/ Mary E. Junck Mary E. Junck	Director
/s/ Brent M. Magid Brent Magid	Director
/s/ Herbert W. Moloney III Herbert W. Moloney III	Director
/s/ David T. Pearson David T. Pearson	Director
/s/ Kevin D. Mowbray Kevin D. Mowbray	President and Chief Executive Officer, and Director
/s/ Gregory P. Schermer Gregory P. Schermer	Director
/s/ Timothy R. Millage Timothy R. Millage	Vice President, Chief Financial Officer and Treasurer

EXHIBIT 21

LEE ENTERPRISES, INCORPORATED
AND SUBSIDIARIES

SUBSIDIARIES AND ASSOCIATED COMPANIES

	State of Organization	Percentage of Voting Securities Owned
Lee Enterprises, Incorporated	Delaware	Parent
Lee Publications, Inc.	Delaware	100%
Lee Procurement Solutions Co.	Iowa	100%
Lee Consolidated Holdings Co.	South Dakota	100%
Lee Foundation	Iowa	100%
Accudata, Inc.	Iowa	100%
Amplified Digital, LLC	Delaware	100%
Fairgrove LLC	Delaware	100%
Flagstaff Publishing Co.	Washington	100%
Hanford Sentinel, Inc.	Washington	100%
Journal-Star Printing Co.	Nebraska	100%
Napa Valley Publishing Co.	Washington	100%
Pantagraph Publishing Co.	Delaware	100%
Pulitzer Inc.	Delaware	100%
Pulitzer Missouri Newspapers, Inc.	Delaware	100%
Pulitzer Newspapers, Inc.	Delaware	100%
Pulitzer Network Systems LLC	Delaware	100%
Pulitzer Technologies, Inc.	Delaware	100%
Santa Maria Times, Inc.	Nevada	100%
Sioux City Newspapers, Inc.	Iowa	100%
Southwestern Oregon Publishing Co.	Oregon	100%
St. Louis Post-Dispatch LLC	Delaware	100%
Star Publishing Company	Arizona	100%
Suburban Journals of Greater St. Louis LLC	Delaware	100%
Ynez Corporation	California	100%
INN Partners, L.C. d/b/a TownNews.com	Iowa	82.5%
Madison Newspapers, Inc. d/b/a Capital Newspapers	Wisconsin	50%
TNI Partners	Arizona	50%
BH Media Group, Inc.	Nebraska	100%
The Buffalo News, Inc.	New York	100%

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Lee Enterprises, Incorporated:

We consent to the incorporation by reference in the registration statements (No. 333-06435, No. 333-132768, and No. 333-237605) on Form S-8 and (No. 333-236356) on Form S-3 of Lee Enterprises, Incorporated and subsidiaries of our reports dated December 10, 2021, with respect to the consolidated balance sheets of Lee Enterprises, Incorporated as of September 26, 2021 and September 27, 2020, and the related consolidated statements of income (loss) and comprehensive income (loss), stockholders' equity (deficit), and cash flows for the 52-week period ended September 26, 2021, the 52-week period ended September 27, 2020 and the 52-week period ended September 39, 2019, and the related notes, and the effectiveness of internal control over financial reporting as of September 26, 2021, which reports appear in the September 26, 2021 annual report on Form 10-K of Lee Enterprises, Incorporated.

/s/ KPMG LLP
Chicago, Illinois
December 10, 2021

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned directors of Lee Enterprises, Incorporated, a Delaware corporation (the “Company”), hereby severally constitute and appoint each of Kevin D. Mowbray and Timothy R. Millage, and each of them, to be our true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Company’s Annual Report on Form 10-K for the fiscal year ended September 26, 2021 (and any amendments thereto); granting unto such attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents, or his or her substitute or substitutes, shall lawfully do or cause to be done by virtue hereof.

Dated: December 10, 2021

/s/ Kevin D. Mowbray
Kevin D. Mowbray
President and Chief Executive Officer
(Principal Executive Officer)
Director

/s/ Timothy R. Millage
Timothy R. Millage
Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

/s/ Richard R. Cole
Richard R. Cole
Director

/s/ Steven C. Fletcher
Steve C. Fletcher
Director

/s/ Mary E. Junck
Mary E. Junck
Director

/s/ Margaret R. Liberman
Margaret R. Liberman
Director

/s/ Brent M. Magid
Brent M. Magid
Director

/s/ William E. Mayer
William E. Mayer
Director

/s/ Herbert W. Moloney III
Herbert W. Moloney III
Director

/s/ David T. Pearson
David T. Pearson
Director

/s/ Gregory P. Schermer
Gregory P. Schermer
Director

Exhibit 31.1

CERTIFICATION

I, Kevin D. Mowbray, certify that:

1 I have reviewed this Annual report on Form 10-K ("Annual Report") of Lee Enterprises, Incorporated ("Registrant");

2 Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3 Based on my knowledge, the Consolidated Financial Statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Annual Report;

4 The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this Annual Report based on such evaluation; and

d) disclosed in this Annual Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an Annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5 The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit Committee of Registrant's Board of Directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: December 10, 2021

/s/ Kevin D. Mowbray
Kevin D. Mowbray
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Timothy R. Millage, certify that:

1 I have reviewed this Annual report on Form 10-K ("Annual Report") of Lee Enterprises, Incorporated ("Registrant");

2 Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

3 Based on my knowledge, the Consolidated Financial Statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Annual Report;

4 The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this Annual Report based on such evaluation; and

d) disclosed in this Annual Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an Annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5 The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit Committee of Registrant's Board of Directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: December 10, 2021

/s/ Timothy R. Millage
Timothy R. Millage
Vice President, Chief Financial Officer and Treasurer

Exhibit 32

The following statement is being furnished to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), which carries with it certain criminal penalties in the event of a knowing or willful misrepresentation.

Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: Lee Enterprises, Incorporated

Ladies and Gentlemen:

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), each of the undersigned hereby certifies that to our knowledge:

(i) this Annual report on Form 10-K for the period ended September 26, 2021 ("Annual Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of Lee Enterprises, Incorporated for the periods presented in the Annual Report.

Date: December 10, 2021

/s/ Kevin D. Mowbray	/s/ Timothy R. Millage
Kevin D. Mowbray	Timothy R. Millage
President and Chief Executive Officer	Vice President, Chief Financial Officer and Treasurer

A signed original of this written statement required by Section 906 has been provided to Lee Enterprises, Incorporated and will be retained by Lee Enterprises, Incorporated and furnished to the Securities and Exchange Commission upon request.