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

FORM 10-Q

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

For The Quarterly Period Ended March 30, 2008

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 (State or other jurisdiction of incorporation or organization)	42-0823980 (I.R.S. Employer Identification No.)

201 N. Harrison Street, Suite 600, Davenport, Iowa 52801
(Address of principal executive offices)

(563) 383-2100
(Registrant’s telephone number, including area code)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

As of March 30, 2008, 38,828,846 shares of Common Stock and 6,069,022 shares of Class B Common Stock of the Registrant were outstanding.

TABLE OF CONTENTS			PAGE

Table of Contents

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a "Safe Harbor" for forward-looking statements. This report contains information that may be deemed forward-looking that is based largely on the current expectations of Lee Enterprises, Incorporated and subsidiaries (the Company), 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 are changes in advertising demand, newsprint prices, energy costs, interest rates, labor costs, legislative and regulatory rulings and other results of operations or financial conditions, difficulties in integration of acquired businesses or maintaining employee and customer relationships, increased capital and other costs and other risks detailed from time to time in the Company's publicly filed documents including the Company's Annual Report on Form 10-K for the year ended September 30, 2007. The words "may," "will," "would," "could," "believes," "expects," "anticipates," "intends," "plans," "projects," "considers" and similar expressions generally identify 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 report. The Company does not undertake to publicly update or revise its forward-looking statements.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

LEE ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(Thousands, Except Per Common Share Data)	13 Weeks Ended March 30, 2008	Three Months Ended March 31, 2007	26 Weeks Ended March 30, 2008	Six Months Ended March 31, 2007
Operating revenue:				
Advertising	$ 186,133	$197,365	$ 403,703	$429,954
Circulation	49,087	49,912	98,892	101,948
Other	12,505	12,690	24,986	26,554
Total operating revenue	247,725	259,967	527,581	558,456
Operating expenses:				
Compensation	105,574	108,938	213,768	221,129
Newsprint and ink	24,349	27,086	49,452	58,011
Other operating expenses	73,250	69,658	147,376	144,581
Depreciation	8,817	8,591	16,976	16,839
Amortization of intangible assets	14,868	14,933	29,740	29,888
Impairment of goodwill and other intangible assets	841,005	-	841,005	-
Curtailment gains	-	(3,731)	-	(3,731)
Workforce adjustments	411	-	411	-
Total operating expenses	1,068,274	225,475	1,298,728	466,717
Equity in earnings of associated companies	1,808	5,305	6,109	11,810
Reduction of investment in TNI	90,384	-	90,384	-
Operating income (loss)	(909,125)	39,797	(855,422)	103,549
Non-operating income (expense):				
Financial income	1,520	1,522	3,316	3,031
Financial expense	(18,824)	(22,544)	(39,674)	(45,979)
Other, net	24	-	24	-
Total non-operating expense, net	(17,280)	(21,022)	(36,334)	(42,948)
Income (loss) before income taxes	(926,405)	18,775	(891,756)	60,601
Income tax expense (benefit)	(220,841)	6,627	(208,587)	21,426
Minority interest	(11)	300	596	804
Income (loss) from continuing operations	(705,553)	11,848	(683,765)	38,371
Discontinued operations, net	(1)	43	337	171
Net income (loss)	(705,554)	11,891	(683,428)	38,542
Increase in redeemable minority interest	(7,483)	-	(7,483)	-
Net income (loss) available to common stockholders	(713,037)	11,891	(690,911)	38,542
Other comprehensive loss, net	(3,337)	(689)	(5,792)	(837)
Comprehensive income (loss) available to common stockholders	$(716,374)	$ 11,202	$(696,703)	$ 37,705
Earnings (loss) per common share:				
Basic:				
Continuing operations	$(15.90)	$0.26	$(15.25)	$0.84
Discontinued operations	-	-	0.01	-
	$(15.90)	$0.26	$(15.24)	$0.85
Diluted:				
Continuing operations	$(15.90)	$0.26	$(15.25)	$0.84
Discontinued operations	-	-	0.01	-
	$(15.90)	$0.26	$(15.24)	$0.84
Dividends per common share	$ 0.19	$0.18	$ 0.38	$0.36

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

Table of Contents

LEE ENTERPRISES, INCORPORATED
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands, Except Per Share Data)	March 30, 2008	September 30, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,478	$ -
Accounts receivable, net	108,073	118,723
Receivable from associated companies	-	1,563
Inventories	19,006	14,153
Assets of discontinued operations	-	18,820
Other	12,868	13,624
Total current assets	142,425	166,883
Investments	117,346	212,724
Restricted cash and investments	118,560	111,060
Property and equipment, net	318,441	324,655
Goodwill	839,099	1,505,460
Other intangible assets, net	765,484	914,232
Other	26,237	25,949
Total assets	$2,327,592	$3,260,963
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 118,750	$ 62,250
Accounts payable	38,048	39,288
Compensation and other accrued liabilities	76,587	96,036
Income taxes payable	17,643	7,971
Dividends payable	8,571	6,703
Unearned revenue	40,894	38,513
Liabilities of discontinued operations	-	3,943
Total current liabilities	300,493	254,704
Long-term debt, net of current maturities	1,256,437	1,346,630
Pension obligations	2,217	2,302
Postretirement and postemployment benefit obligations	74,775	72,236
Deferred income taxes	245,817	478,418
Other	22,493	13,078
Redeemable minority interest	70,783	7,153
Total liabilities	1,973,015	2,174,521
Stockholders' equity:		
Serial convertible preferred stock, no par value; authorized 500 shares; none issued	-	-
Common Stock, $2 par value; authorized 120,000 shares; issued and outstanding:	77,658	79,958
March 30, 2008: 38,829 shares;		
September 30, 2007: 39,979 shares		
Class B Common Stock, $2 par value; authorized 30,000 shares; issued and outstanding:	12,138	12,416
March 30, 2008: 6,069 shares;		
September 30, 2007: 6,208 shares		
Additional paid-in capital	134,048	132,090
Retained earnings	94,333	819,786
Accumulated other comprehensive income	36,400	42,192
Total stockholders' equity	354,577	1,086,442
Total liabilities and stockholders' equity	$2,327,592	$3,260,963

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

Table of Contents

LEE ENTERPRISES, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Thousands)	26 Weeks Ended March 30, 2008	Six Months Ended March 31, 2007
Cash provided by (required for) operating activities:		
Net income (loss)	$(683,428)	$ 38,542
Results of discontinued operations	337	171
Income (loss) from continuing operations	(683,765)	38,371
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	46,716	46,727
Impairment of goodwill and other intangible assets	841,005	-
Stock compensation expense	3,124	3,959
Accretion of debt fair value adjustment	(3,943)	(3,740)
Distributions greater than current earnings of associated companies	1,774	315
Reduction of investment in TNI	90,384	-
Decrease in deferred income taxes	(219,831)	(4,166)
Changes in operating assets and liabilities, net of acquisitions:		
Decrease in receivables	12,433	8,089
Decrease (increase) in inventories and other	(4,097)	8,431
Decrease in accounts payable, accrued expenses and unearned revenue	(14,438)	(5,174)
Change in income taxes receivable or payable	(1,075)	(14,289)
Other, net	947	(3,882)
Net cash provided by operating activities of continuing operations	69,234	74,641
Cash provided by (required for) investing activities of continuing operations:		
Purchases of property and equipment	(13,742)	(12,648)
Purchases of marketable securities	(70,250)	(56,983)
Sales or maturities of marketable securities	49,895	43,752
Increase in restricted cash	15,134	6,562
Acquisitions	(1,224)	(118)
Other, net	2,855	3,689
Net cash required for investing activities of continuing operations	(17,332)	(15,746)
Cash provided by (required for) financing activities of continuing operations:		
Proceeds from long-term debt	66,400	42,000
Payments on long-term debt	(96,150)	(103,625)
Common stock transactions, net	(19,222)	(763)
Cash dividends paid	(15,468)	(16,474)
Net cash required for financing activities of continuing operations	(64,440)	(78,862)
Net cash provided by (required for) discontinued operations:		
Operating activities	(8,895)	42
Investing activities	23,911	22,108
Net increase in cash and cash equivalents	2,478	2,183
Cash and cash equivalents:		
Beginning of period	-	8,638
End of period	$ 2,478	$ 10,821

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

Table of Contents

LEE ENTERPRISES, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1 BASIS OF PRESENTATION

The Consolidated Financial Statements included herein are unaudited. In the opinion of management, these financial statements contain all adjustments (consisting of only normal recurring items) necessary to present fairly the financial position of Lee Enterprises, Incorporated and subsidiaries (the Company) as of March 30, 2008 and its results of operations and cash flows for the periods presented. These Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's 2007 Annual Report on Form 10-K.

Because of acquisitions, divestitures, seasonal and other factors, the results of operations for the 13 weeks and 26 weeks ended March 30, 2008 are not necessarily indicative of the results to be expected for the full year.

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries, all of which are wholly owned, except for its 95% interest in St. Louis Post-Dispatch LLC (PD LLC) and STL Distribution Services LLC (DS LLC), 50% interest in TNI Partners (TNI), 50% interest in Madison Newspapers, Inc. (MNI), and 82.5% interest in INN Partners, L.C. (INN).

Certain amounts as previously reported have been reclassified to conform with the current period presentation. See Note 2.

References to 2008, 2007, 2006 and the like mean the fiscal year ended in September.

The Company's 2008 fiscal year ends on the last Sunday in September. Beginning in 2008, all of the Company's enterprises use period accounting. The Company and its enterprises owned before the Pulitzer Inc. (Pulitzer) acquisition, which accounted for approximately 64% of revenue in the 13 weeks ended March 30, 2008, used calendar accounting in 2007, with a September 30 fiscal year end. The former Pulitzer operations used period accounting in 2007. The table below summarizes business days in both years:

	Enterprises Owned Prior to Pulitzer Acquisition		Former Pulitzer Enterprises		TNI	
(Business Days)	2008	2007	2008	2007	2008	2007
Period Ending:						
December	91	92	91	91	91	98
March	91	90	91	91	91	91
June	91	91	91	91	91	91
September	91	92	91	98	91	91
	364	365	364	371	364	371

2 ACQUISITIONS AND DIVESTITURES

All acquisitions are accounted for as purchases and, accordingly, the results of operations since the respective dates of acquisition are included in the Consolidated Financial Statements.

Acquisitions

In 2008, the Company purchased a newspaper distribution business at a cost of $240,000 and made final cash payments totaling $984,000 related to newspaper distribution businesses purchased in 2007.

In 2007, the Company purchased a minority interest in an online employment application from PowerOne Media, LLC (PowerOne), in which the Company and MNI owned minority interests, at a cost of $118,000. In 2007, PowerOne was dissolved. In 2007, the Company also purchased several newspaper distribution businesses at a cost of $1,911,000, of which $984,000 was included in accounts payable at September 30, 2007. In 2007, the Company also purchased a specialty publication at a cost of $20,000.

These acquisitions did not have a material effect on the Consolidated Financial Statements.

Divestitures

In December 2007, the Company sold its daily newspaper in DeKalb, Illinois for $24,000,000. The transaction resulted in an after tax gain of $255,000, which is recorded in discontinued operations. Results of DeKalb have been classified as discontinued operations for all periods presented.

In 2006, the Company sold several stand-alone publishing and commercial printing operations in Seattle and Spokane, Washington, and Portland, Oregon, a twice weekly newspaper in Oregon, and a daily newspaper in Rhinelander, Wisconsin. The Company received $33,198,000 in 2006 and recorded a receivable of $20,700,000, which was collected in 2007. In 2007, the Company sold a weekly newspaper in Oregon. The transactions resulted in an after tax loss of $5,204,000, which was recorded in discontinued operations in 2006.

Results of discontinued operations consist of the following:

(Thousands)	13 Weeks Ended March 30, 2008	Three Months Ended March 31, 2007	26 Weeks Ended March 30, 2008	Six Months Ended March 31, 2007
Operating revenue	$ -	$1,693	$1,376	$3,809
Income from discontinued operations	-	149	128	391
Gain (loss) on sale of discontinued operations, before income taxes	(1)	(81)	5,866	(126)
Income tax expense	-	25	5,657	94
	$(1)	$ 43	$ 337	$ 171

Tax expense of $3,382,000 recorded in results of discontinued operations in 2008 is related to goodwill basis differences recognized as a result of the sale of DeKalb operations.

3 INVESTMENTS IN ASSOCIATED COMPANIES

TNI Partners

In Tucson, Arizona, TNI, acting as agent for the Company's subsidiary, Star Publishing Company (Star Publishing), and Citizen Publishing Company (Citizen), a subsidiary of Gannett Co. Inc., is responsible for printing, delivery, advertising, and circulation of the *Arizona Daily Star* and *Tucson Citizen* as well as their related online operations and specialty publications. TNI collects all receipts and income and pays substantially all operating expenses incident to the partnership's operations and publication of the newspapers and other media.

Each newspaper is solely responsible for its own news and editorial content. Income or loss of TNI (before income taxes) is allocated equally to Star Publishing and Citizen.

The Company's preliminary impairment analysis as of March 30, 2008 resulted in a pretax reduction in the carrying value of TNI of $90,384,000. See Note 4.

Summarized results of TNI are as follows:

(Thousands)	13 Weeks Ended March 30, 2008	Three Months Ended March 31, 2007	26 Weeks Ended March 30, 2008	Six Months Ended March 31, 2007
Operating revenue	$ 25,406	$29,804	$53,175	$62,911
Operating expenses, excluding curtailment gain, workforce adjustments, depreciation and amortization	19,794	20,782	39,322	42,895
Curtailment gain	-	(2,074)	-	(2,074)
Workforce adjustments	-	-	247	-
Operating income	$ 5,612	$11,096	$13,606	$22,090
Company's 50% share of operating income	$ 2,806	$ 5,548	$ 6,803	$11,045
Less amortization of intangible assets	1,585	1,585	3,170	3,170
Equity in earnings of TNI	$ 1,221	$ 3,963	$ 3,633	$ 7,875

Star Publishing's 50% share of TNI depreciation and certain general and administrative expenses associated with its share of the operation and administration of TNI are reported as operating expenses in the Company's Consolidated Statements of Operations and Comprehensive Income (Loss). These amounts totaled $267,000 and $337,000 in the 13 weeks ended March 30, 2008 and three months ended March 31, 2007, respectively, and $488,000 and $812,000 in the 26 weeks ended March 30, 2008 and six months ended March 31, 2007, respectively.

Annual amortization of intangible assets is estimated to be $2,652,000 in each of the 52 week periods ending March 2013.

In January 2007 defined pension benefits for certain TNI employees were frozen at the current levels. As a result, TNI recognized a curtailment gain of $2,074,000. See Note 7.

Madison Newspapers, Inc.

The Company has a 50% ownership interest in MNI, which publishes daily and Sunday newspapers, and other publications in Madison, Wisconsin, and other Wisconsin locations, as well as their related online operations. Net income or loss of MNI (after income taxes) is allocated equally to the Company and The Capital Times Company. MNI conducts its business under the trade name Capital Newspapers.

Summarized results of MNI are as follows:

(Thousands)	13 Weeks Ended March 30, 2008	Three Months Ended March 31, 2007	26 Weeks Ended March 30, 2008	Six Months Ended March 31, 2007
Operating revenue	$24,797	$26,217	$52,657	$56,536
Operating expenses, excluding transition costs, depreciation and amortization	20,698	20,882	41,448	41,699
Transition costs	1,345	-	1,345	-
Depreciation and amortization	1,084	1,137	2,185	2,276
Operating income	1,670	4,198	7,679	12,561
Net income	1,174	2,684	4,952	7,870
Company's 50% share of net income	$ 587	$ 1,342	$ 2,476	$ 3,935

Debt of MNI totaled $3,639,000 and $2,642,000 at March 30, 2008 and September 30, 2007, respectively.

In April 2008, one of MNI's daily newspapers, *The Capital Times*, decreased print publication from six days per week to one day. The change will result in severance and other transition costs of approximately $2,000,000 to $2,500,000. Of that amount, $1,345,000 was recognized in the 13 weeks ended March 30, 2008.

4 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying value of goodwill are as follows:

(Thousands)	26 Weeks Ended March 30, 2008
Goodwill, beginning of period, as previously reported	$1,514,357
Goodwill included in assets of discontinued operations	(8,897)
Goodwill, beginning of period, as reclassified	1,505,460
Goodwill related to redeemable minority interest	55,594
Goodwill related to acquisitions	44
Goodwill impairment	(721,999)
Goodwill, end of period	$ 839,099

Identified intangible assets consist of the following:

(Thousands)	March 30, 2008	September 30, 2007
Nonamortized intangible assets:		
Mastheads	$ 70,071	$ 73,105
Amortizable intangible assets:		
Customer and newspaper subscriber lists	950,217	1,066,189
Less accumulated amortization	254,852	225,130
	695,365	841,059
Noncompete and consulting agreements	28,658	28,658
Less accumulated amortization	28,610	28,590
	48	68
	$ 765,484	$ 914,232

In assessing the recoverability of its goodwill and other nonamortized intangible assets, the Company makes a determination of the fair value of its business. Fair value is determined using a combination of an income approach, which estimates fair value based upon future revenue, expenses and cash flows discounted to their present value, and a market approach, which estimates fair value using market multiples of various financial measures compared to a set of comparable public companies in the publishing industry. An impairment loss will generally be recognized when the carrying amount of the net assets of the business exceeds its estimated fair value.

The required two-step valuation methodology and underlying financial information that are used to determine fair value require significant judgments to be made by management. 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.

Under step one of the process, the Company analyzes its goodwill and other nonamortized intangible assets for impairment on an annual basis at the end of its fiscal year, or 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. Due primarily to the continuing, and increasing difference between its stock price and the per share carrying value of its net assets, the Company analyzed the carrying value of its net assets as of March 30, 2008. Recent deterioration in the Company’s revenue and the overall recessionary operating environment for the Company and other publishing companies were also factors in the timing of the analysis. The Company concluded the fair value of its business did not exceed the carrying value of its net assets as of March 30, 2008.

As a result, the Company recorded a preliminary, pretax, non-cash charge in the 13 weeks ended March 30, 2008 to reduce the carrying value of goodwill by $721,999,000. The Company also recorded preliminary, pretax, non-cash charges of $3,034,000 and $115,972,000 to reduce the carrying value of nonamortized and amortizable intangible assets, respectively. $90,384,000 of additional pretax charges were recorded as a reduction in the carrying value of the Company’s investment in TNI.

Because of the timing and complexity of the calculations required under step two of the process, the Company has not yet completed the required determination of fair value. Accordingly, the final determination of reductions in the amounts of goodwill and other intangible assets included in the March 30, 2008 Consolidated Balance Sheet could change significantly. Such changes would not impact the Company's cash flows.

The Company also periodically evaluates its determination of the useful lives of amortizable intangible assets. Any resulting changes in the useful lives of such intangible assets will not impact the cash flows of the Company. 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. The Company also tested such assets for impairment as of March 30, 2008, as noted above, and preliminarily concluded no adjustments to the useful lives of such assets were required.

Annual amortization of intangible assets for each of the 52 week periods ending March 2013 is estimated to be $51,714,000, $51,424,000, $51,088,000, $50,310,000 and $46,323,000, respectively.

5 DEBT

Credit Agreement

In 2006, the Company entered into an amended and restated credit agreement (Credit Agreement) with a syndicate of financial institutions. The Credit Agreement provides for aggregate borrowings of up to $1,435,000,000 and consists of a $950,000,000 A Term Loan, $35,000,000 B Term Loan and $450,000,000 revolving credit facility.

The Credit Agreement also provides the Company with the right, with the consent of the administrative agent, to request at certain times prior to June 2012 that one or more lenders provide incremental term loan commitments of up to $500,000,000, subject to certain requirements being satisfied at the time of the request. The Credit Agreement matures in June 2012 and amends and replaces a $1,550,000,000 credit agreement (the Old Credit Agreement) consummated in 2005. Interest rate margins under the Credit Agreement are generally lower than under the Old Credit Agreement. Other conditions of the Credit Agreement are substantially the same as the Old Credit Agreement.

The Credit Agreement is fully and unconditionally guaranteed on a joint and several basis by substantially all of the Company's existing and future, direct and indirect subsidiaries in which the Company holds a direct or indirect interest of more than 50%; provided however, that Pulitzer, a wholly-owned subsidiary of the Company, and its subsidiaries will not be required to enter into such guaranty for so long as their doing so would violate the terms of the Pulitzer Notes described more fully below. The Credit Agreement is secured by first priority security interests in the stock and other equity interests owned by the Company and each guarantor in their respective subsidiaries. Both the guaranties and the collateral that secures them will be released in their entirety at such time as the Company achieves a total leverage ratio of 4.25:1 for two consecutive quarterly periods.

Debt under the A Term Loan and revolving credit facility bear interest, at the Company's option, at either a base rate or an adjusted Eurodollar Rate (LIBOR), plus an applicable margin. The base rate for the facility is the greater of the prime lending rate of Deutsche Bank Trust Company Americas at such time and 0.5% in excess of the overnight federal funds rate at such time. The margin applicable is a percentage determined according to the following: For revolving loans and A Term Loans, maintained as base rate loans: 0%, and maintained as Eurodollar loans, 0.625% to 1% (0.75% at March 30, 2008) depending, in each instance, upon the Company's total leverage ratio at such time. All loans at March 30, 2008 are Eurodollar-based.

The Company may voluntarily prepay principal amounts outstanding or reduce commitments under the Credit Agreement at any time, in whole or in part, without premium or penalty, upon proper notice and subject to certain limitations as to minimum amounts of prepayments. The Company is required to repay principal amounts, on a quarterly basis until maturity, under the A Term Loan. In addition to the scheduled payments, the Company is required to make mandatory prepayments under the A Term Loan under certain other conditions. The Company repaid the B Term Loan in full in 2006.

The Credit Agreement requires the Company to apply the net proceeds from asset sales to repayment of the A Term Loan to the extent such proceeds exceed the amount used to purchase assets (other than inventory and working capital) within one year of the asset sales. The Company expects to purchase assets with the net sales proceeds related to its 2008 transactions. As a result, additional A Term Loan repayments will not be required.

The Credit Agreement contains customary affirmative and negative covenants for financing of its type. These financial covenants include a maximum total leverage ratio (5.25:1 at March 30, 2008). The total leverage ratio is based primarily on the principal amount of debt, net of cash, which equaled $1,244,837,000 at March 30, 2008, divided by a measure of trailing 12 month operating results which includes several factors, including distributions from TNI and MNI. The Company's total leverage ratio at March 30, 2008 was 4.46:1. The Credit Agreement also includes a minimum interest expense coverage ratio of 2.5:1. The Company's interest expense coverage ratio at March 30, 2008 was 3.7:1. None of the covenants included in the Credit Agreement is considered by the Company to be restrictive to normal operations or historical amounts of stockholder dividends. At March 30, 2008, the Company is in compliance with such covenants. The Company's business generates substantial cash flows with which to facilitate debt repayment. In addition, at March 30, 2008 the Company has approximately $250,000,000 of availability under its revolving credit facility with which to effect payment of required maturities of debt.

Pulitzer Notes

In conjunction with its formation, PD LLC borrowed $306,000,000 (Pulitzer Notes) from a group of institutional lenders (the Lenders). The aggregate principal amount of the Pulitzer Notes is payable in April 2009 and bears interest at an annual rate of 8.05%. The Pulitzer Notes are guaranteed by Pulitzer pursuant to a Guaranty Agreement dated May 1, 2000 (the Guaranty Agreement) with the Lenders. In turn, pursuant to an Indemnity Agreement dated May 1, 2000 (the Indemnity Agreement) between The Herald Company, Inc. (Herald Inc.) and Pulitzer, Herald Inc. agreed to indemnify Pulitzer for any payments that Pulitzer may make under the Guaranty Agreement. In December 2006, Herald Inc. assigned its assets and liabilities to The Herald Publishing Company LLC (Herald).

The terms of the Pulitzer Notes, as amended, contain certain covenants and conditions including the maintenance, by Pulitzer, of EBITDA, as defined in the Guaranty Agreement, minimum net worth and limitations on the incurrence of other debt. In addition, the Pulitzer Notes and the Operating Agreement with Herald (Operating Agreement) require that PD LLC maintain a minimum reserve balance (the Reserve) consisting of cash and investments in U.S. government securities, totaling $118,560,000 at March 30, 2008. The Pulitzer Notes and the Operating Agreement provide for a $3,750,000 quarterly increase in the Reserve balance through May 1, 2010, when the amount will total $150,000,000. See Note 11.

The purchase price allocation of Pulitzer resulted in an increase in the value of the Pulitzer Notes in the amount of $31,512,000, which is recorded as debt in the Consolidated Balance Sheets. This amount will be accreted over the remaining life of the Pulitzer Notes, until April 2009, as a reduction in interest expense using the interest method. This accretion will not increase the principal amount due, or reduce the amount of interest to be paid, to the Lenders.

The Company expects that the Pulitzer Notes will be refinanced in 2009 with a new debt facility of a comparable amount, at market interest rates in effect at the time.

Debt consists of the following:

(Thousands)	March 30, 2008	September 30, 2007	Interest Rate(s) March 30, 2008
Credit Agreement:			
A Term Loan	$ 866,875	$ 881,625	3.35-5.15%
Revolving credit facility	193,000	208,000	3.35-3.88
Pulitzer Notes:			
Principal amount	306,000	306,000	8.05
Unaccreted fair value adjustment	9,312	13,255	
	1,375,187	1,408,880	
Less current maturities	118,750	62,250	
	$1,256,437	$1,346,630	

At March 30, 2008, the Company's weighted average cost of debt (including the effect of interest rate swaps and collars) was 4.78%.

Aggregate maturities of debt during the five years ending March 2013 are $118,750,000, $448,500,000, $213,750,000, $308,750,000 and $276,125,000, respectively.

6 INTEREST RATE EXCHANGE AGREEMENTS

In 2005, the Company executed interest rate swaps in the notional amount of $350,000,000 with a forward starting date of November 30, 2005. The interest rate swaps have terms of two to five years, carry interest rates from 4.2% to 4.4% (plus the applicable LIBOR margin) and effectively fix the Company's interest rate on debt in the amounts, and for the time periods, of such instruments. In November 2007, interest rate swaps with a notional amount of $150,000,000 expired.

In 2008, the Company executed interest rate collars in the notional amount of $150,000,000 with a forward starting date of November 30, 2007. The collars have a two year term and limit LIBOR to an average floor of 3.57% and a cap of 5.0%. Such collars effectively limit the range of the Company's exposure to interest rates to LIBOR greater than the floor and less than the cap (in either case plus the applicable LIBOR margin) for the time period of such instruments.

At March 30, 2008 and September 30, 2007, the Company recorded a liability of $8,178,000 and an asset of $1,438,000, respectively, related to the fair value of such instruments. The change in this fair value is recorded in other comprehensive income (loss), net of income taxes.

At March 30, 2008, after consideration of the interest rate swaps described above, approximately 63% of the principal amount of the Company's debt is subject to floating interest rates. The interest rate collars described above limit the Company's exposure to interest rates on an additional 11% of the principal amount of its debt.

7 PENSION, POSTRETIREMENT AND POSTEMPLOYMENT DEFINED BENEFIT PLANS

The Company and its subsidiaries have several noncontributory defined benefit pension plans that together cover a significant number of *St. Louis Post-Dispatch* and selected other employees. Benefits under the plans are generally based on salary and years of service. The Company's liability and related expense for benefits under the plans are recorded over the service period of active employees based upon annual actuarial calculations. Plan funding strategies are influenced by tax regulations. Plan assets consist primarily of domestic and foreign corporate equity securities, government and corporate bonds, and cash.

In addition, the Company provides retiree medical and life insurance benefits under postretirement plans at several of its operating locations. The level and adjustment of participant contributions vary depending on the specific plan. In addition, PD LLC provides postemployment disability benefits to certain employee groups prior to retirement at the *St. Louis Post-Dispatch.* The Company's liability and related expense for benefits under the postretirement plans are recorded over the service period of active employees based upon annual actuarial calculations. The Company accrues 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 Company uses a June 30 measurement date for all of its pension and postretirement medical plan obligations.

The net periodic cost (benefit) components of the Company's pension and postretirement medical plans are as follows:

Pension Plans				
(Thousands)	13 Weeks Ended March 30, 2008	Three Months Ended March 31, 2007	26 Weeks Ended March 30, 2008	Six Months Ended March 31, 2007
Service cost for benefits earned during the period	$ 375	$ 390	$ 750	$ 1,130
Interest cost on projected benefit obligation	2,334	2,282	4,668	4,607
Expected return on plan assets	(3,436)	(3,229)	(6,872)	(6,367)
Amortization of net gain	(424)	(373)	(848)	(607)
Amortization of prior service cost	(33)	(23)	(66)	(46)
Curtailment gains	-	(3,865)	-	(3,865)
	$(1,184)	$(4,818)	$(2,368)	$ (5,148)

Postretirement Medical Plans				
(Thousands)	13 Weeks Ended March 30, 2008	Three Months Ended March 31, 2007	26 Weeks Ended March 30, 2008	Six Months Ended March 31, 2007
Service cost for benefits earned during the period	$ 525	$ 501	$1,050	$ 1,096
Interest cost on projected benefit obligation	1,653	1,719	3,306	3,494
Expected return on plan assets	(549)	(554)	(1,098)	(1,082)
Amortization of net gain	(158)	(28)	(316)	(46)
Amortization of prior service cost	(58)	(58)	(116)	(58)
Curtailment gain	-	(1,940)	-	(1,940)
	$ 1,413	$ (360)	$2,826	$ 1,464

$60,000, $2,145,000, $120,000 and $1,994,000 of net periodic pension benefit for the 13 weeks ended March 30, 2008, three months ended March 31, 2007, 26 weeks ended March 30, 2008 and six months ended March 31, 2007, respectively, was allocated to TNI.

Based on its forecast at March 30, 2008, the Company expects to contribute $4,610,000 to its postretirement medical plans in 2008.

2007 Curtailments

In January 2007, defined pension benefits for certain of the Company's employees were frozen at then current levels. As a result, the Company recognized a curtailment gain of $1,791,000, and also recognized the Company's 50% share of the $2,074,000 gain recognized by TNI. See Note 3.

In January 2007, defined postretirement medical benefits for certain of the Company's employees were modified. As a result, the Company recognized a curtailment gain of $1,940,000.

8 INCOME TAXES

The provision for income taxes includes deferred taxes and is based upon estimated annual effective tax rates in the tax jurisdictions in which the Company operates.

The Company adopted the provisions of FASB Interpretation 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, in October 2007. As a result of the implementation of FIN 48, the Company recognized a $1,732,000 increase in income taxes payable, which was accounted for as a reduction of retained earnings. The Company also recognized a $196,000 purchase accounting-related decrease in income taxes payable, which was accounted for as a decrease of goodwill.

The total amount of unrecognized tax benefits as of the beginning of 2008 is $12,213,000. This amount includes $2,268,000 of accrued interest (net of tax). The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as a component of income tax expense. Approximately $10,409,000 of the balance would reduce the Company's income tax expense in the event its uncertain tax positions are favorably resolved.

The Company estimates that it is reasonably possible that up to $3,873,000 of uncertain tax benefits associated with state income tax return issues could be recognized in the 52 weeks ending March 2009 as a result of the expiration of various state statutes of limitations. The Company also estimates that it is reasonably possible that additions to uncertain tax positions related to various federal and state issues of approximately $2,626,000 could be recorded in the 52 weeks ending March 2009.

The Company files income tax returns with the IRS and various state tax jurisdictions. From time to time, the Company is subject to routine audits by those agencies, and those audits may result in proposed adjustments. The Company has considered the alternative interpretations that may be assumed by the various taxing agencies, believes its positions taken regarding its 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 Operations and Comprehensive Income (Loss) in the periods in which such matters are ultimately determined. The Company does not believe the final resolution of such matters will be material to its consolidated financial position or cash flows.

The IRS has completed its review of the Company's income tax returns through 2004 and is presently examining income tax returns for 2003, 2004 and 2005 for the Pulitzer enterprises acquired by the Company in 2005. The Company is subject to state tax examinations for 2001 and thereafter.

Table of Contents

9 EARNINGS PER COMMON SHARE

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

(Thousands, Except Per Share Data)	13 Weeks Ended March 30, 2008	Three Months Ended March 31, 2007	26 Weeks Ended March 30, 2008	Six Months Ended March 31, 2007
Income (loss) applicable to Common Stock:				
Continuing operations	$(713,036)	$11,848	$(691,248)	$38,371
Discontinued operations	(1)	43	337	171
	$(713,037)	$11,891	$(690,911)	$38,542
Weighted average common shares	45,589	46,049	45,910	46,010
Less non-vested restricted Common Stock	755	424	579	411
Basic average common shares	44,834	45,625	45,331	45,599
Dilutive stock options and restricted Common Stock	-	180	-	122
Diluted average common shares	44,834	45,805	45,331	45,721
Earnings (loss) per common share:				
Basic:				
Continuing operations	$ (15.90)	$ 0.26	$ (15.25)	$ 0.84
Discontinued operations	-	-	0.01	-
	$ (15.90)	$ 0.26	$ (15.24)	$ 0.85
Diluted:				
Continuing operations	$ (15.90)	$ 0.26	$ (15.25)	$ 0.84
Discontinued operations	-	-	0.01	-
	$ (15.90)	$ 0.26	$ (15.24)	$ 0.84

For the 13 weeks and 26 weeks ended March 30, 2008 and three months and six months ended March 31, 2007, the Company has 1,124,000 and 854,000 weighted average shares, respectively, subject to issuance under its stock option plan that have no intrinsic value and are not considered in the computation of diluted earnings per common share.

10 STOCK OWNERSHIP PLANS

Stock Options

A summary of activity related to the Company's stock option plan is as follows:

(Thousands, Except Per Share Data)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding, September 30, 2007	1,195	$35.61		
Cancelled	(71)	36.26		
Outstanding, March 30, 2008	1,124	$35.57	6.0	$-
Exercisable, March 30, 2008	872	$36.85	5.3	$-

Options to purchase 1,230,000 shares of Common Stock with a weighted average exercise price of $35.68 per share were outstanding at March 31, 2007.

Total unrecognized compensation expense for unvested stock options as of March 30, 2008 is $1,024,000, which will be recognized over a weighted average period of 1.4 years.

Restricted Common Stock

The following table summarizes restricted Common Stock activity during the 26 weeks ended March 30, 2008:

(Thousands, Except Per Share Data)	Shares	Weighted Average Grant Date Fair Value
Outstanding, September 30, 2007	416	$36.60
Granted	482	15.02
Vested	(112)	46.66
Forfeited	(32)	28.82
Outstanding, March 30, 2008	754	$21.63

The fair value of restricted Common Stock vested during the 26 weeks ended March 30, 2008 totals $1,743,000.

Total unrecognized compensation expense for unvested restricted Common Stock as of March 30, 2008 is $9,901,000, which will be recognized over a weighted average period of 2.2 years.

11 COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditures

At March 30, 2008, the Company had construction and equipment purchase commitments totaling approximately $2,700,000.

St. Louis Post-Dispatch Early Retirement Program

In 2007, the *St. Louis Post-Dispatch* concluded an offering of early retirement incentives that resulted in an adjustment of staffing levels. Sixty employees volunteered to take advantage of the offer, which includes enhanced pension and insurance benefits, and lump-sum cash payments based on continuous service. The initial cost totaled $10,704,000 before income tax benefit of which $7,962,000 was recorded as expense in 2007. The $2,742,000 remaining cost was offset against previously existing unrecognized gains in certain of the Company's defined benefit plans. Approximately $3,700,000 of the cost represents cash payments with the remainder due primarily to enhancements of pension and other postretirement benefits. Cash payments of $442,000 were made in 2007. $668,000 of payments were made in the 13 weeks ended December 30, 2007 and the remainder was paid in the 13 weeks ended March 30, 2008.

PD LLC Operating Agreement

In 2000, Pulitzer and Herald Inc. completed the transfer of their respective interests in the assets and operations of the *St. Louis Post-Dispatch* and certain related businesses to a new joint venture (the Venture), known as PD LLC. Pulitzer is the managing member of PD LLC. Under the terms of the operating agreement governing PD LLC (the Operating Agreement), Pulitzer and another subsidiary hold a 95% interest in the results of operations of PD LLC and Herald, as successor to Herald Inc., holds a 5% interest. Herald's 5% interest has been reported as minority interest in the Consolidated Statements of Operations and Comprehensive Income at historical cost, plus accumulated earnings since the acquisition of Pulitzer. At March 30, 2008, this liability totaled approximately $7,706,000.

Also, under the terms of the Operating Agreement, Herald Inc. received on May 1, 2000 a cash distribution of $306,000,000 from PD LLC (the Initial Distribution). This distribution was financed by the Pulitzer Notes. Pulitzer's entry into the Venture was treated as a purchase for accounting purposes and a leveraged partnership for income tax purposes.

On May 1, 2010, Herald will have a one-time right (the 2010 Redemption) to require PD LLC to redeem Herald's interest in PD LLC, together with Herald's interest, if any, in DS LLC, another limited liability company in which Pulitzer is the managing member and which is engaged in the business of delivering publications and products in the greater St. Louis metropolitan area. The May 1, 2010 redemption price for Herald's interest will be determined pursuant to a formula yielding an amount which will result in the present value to May 1, 2000 of the after tax cash flows to Herald (based on certain assumptions) from PD LLC, including the Initial Distribution and the special distribution described below, if any, and from DS LLC, being equal to $275,000,000. Based on this formula, the present value of the 2010 Redemption at March 30, 2008, is approximately $70,783,000. The Company concluded the remaining amount of this potential liability should be recorded in its Consolidated Balance Sheet as of March 30, 2008, with the offset primarily to goodwill in the amount of $55,594,000, and the remainder recorded as a reduction of retained earnings.

Recording of the liability for the 2010 Redemption as of March 30, 2008 also resulted in a reduction of net income available to common stockholders and earnings per common share for the 13 weeks ended March 30, 2008, of $7,483,000 and $0.17 respectively, which accounts primarily for the time value of the increase in the liability since the acquisition of Pulitzer on June 3, 2005. There is no impact on net income based on application of current accounting standards, but earnings per common share is affected. Also, under such standards, if the 2010 Redemption does not occur, the liability and earnings per common share impact discussed above will be reversed for all periods.

During the first ten years of its term, PD LLC is restricted from making distributions (except under specified circumstances), capital expenditures and member loan repayments unless it has set aside out of its cash flow the Reserve which is equal to the product of $15,000,000 and the number of years since May 1, 2000, but not in excess of $150,000,000.

PD LLC is not required to maintain the Reserve after May 1, 2010. The 2010 Redemption, if exercised, will be funded by the Reserve. If the 2010 Redemption is exercised, the amount of the Reserve in excess of the redemption amount will be available for general corporate purposes. If the 2010 Redemption is not exercised, the full amount of the Reserve will become available at that time.

Upon termination of PD LLC and DS LLC, which will be on May 1, 2015 (unless Herald exercises the redemption right described above), Herald will be entitled to the liquidating value of its interests in PD LLC and DS LLC, to be paid in cash by Pulitzer (the 2015 Liquidation). That amount would be equal to the amount of Herald's capital accounts, after allocating the gain or loss that would result from a cash sale of PD LLC and DS LLC's assets for their fair market value at that time. Herald's share of such gain or loss generally will be 5%, but will be reduced (but not below 1%) to the extent that the present value to May 1, 2000 of the after tax cash flows to Herald from PD LLC and from DS LLC, including the Initial Distribution, the special distribution described above, if any, and the liquidation amount (based on certain assumptions), exceeds $325,000,000.

The actual amount payable to Herald upon the termination of PD LLC and DS LLC on May 1, 2015 will depend on such variables as future cash flows, the amounts of any distributions to Herald prior to such payment, PD LLC's and DS LLC's rate of growth and market valuations of newspaper properties.

The redemption of Herald's interest in PD LLC and DS LLC either on May 1, 2010 or upon termination of PD LLC and DS LLC in 2015 is expected to generate significant tax benefits to the Company as a consequence of the resulting increase in the tax basis of the assets owned by PD LLC and DS LLC and the related depreciation and amortization deductions. The increase in basis, which will be amortized for income tax purposes over a 15 year period, approximates the sum of the Initial Distribution and either the 2010 Redemption or the 2015 Liquidation.

In the event the transactions effectuated in connection with either the formation of the Venture and the Initial Distribution or the organization of DS LLC are recharacterized by the Internal Revenue Service (IRS) as a taxable sale by Herald, with the result in either case that the tax basis of PD LLC's assets increases and Herald is required to recognize taxable income as a result of such recharacterization, Herald generally will be entitled to receive a special distribution from PD LLC in an amount that corresponds, approximately, to the present value of the after tax benefit to the members of PD LLC of the tax basis increase. The adverse financial effect of any such special distribution to Herald on PD LLC (and thus Pulitzer and the Company) will be partially offset by the current and deferred tax benefits arising as a consequence of the treatment of the transactions effectuated in connection with the formation of the Venture and the Initial Distribution or the organization of DS LLC as a taxable sale by Herald. In 2006, the IRS concluded an examination of Herald without adjustment related to the Venture or the Initial Distribution.

Stock Repurchase Program

In January 2008, the Company announced its intention to acquire up to $30,000,000 of its Common Stock in open market and private transactions. Through March 2008, 1,722,280 shares have been acquired and returned to authorized shares at an average price of $10.98.

Legal Proceedings

The Company is 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 the Company is unable to predict the ultimate outcome of these legal actions, it is the opinion of management that the disposition of these matters will not have a material adverse effect on the Company's Consolidated Financial Statements, taken as a whole.

12 IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In 2006, the FASB issued Statement 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans*, which amends Statements 87, 88, 106 and 132(R). Statement 158 requires the recognition of the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in the Company's balance sheet and recognition of changes in that funded status in the year in which the changes occur as a component of comprehensive income. The Company adopted the recognition and disclosure provision of Statement 158 as of September 30, 2007. The adoption of Statement 158 increased other comprehensive income, net of income taxes, by $40,912,000, increased pension assets by $9,591,000 and reduced pension and postretirement benefit obligations by $32,649,000 and $23,540,000, respectively, as of September 30, 2007.

Statement 158 will also require the Company to change its measurement date to the last day of the fiscal year from a date three months prior to the end of the fiscal year, beginning in 2009. The change in measurement date will require a one-time adjustment to retained earnings, the effect of which cannot be determined at this time. None of the changes required will impact the Company's results of operations or cash flows.

In 2006, the FASB issued Statement 157, *Fair Value Measurements*, which defines fair value, provides guidelines for measuring fair value and expands disclosure requirements. Statement 157 does not require any new fair value measurement but applies to the accounting pronouncements that require or permit fair value measurement. Statement 157 is effective for fiscal years beginning after November 15, 2007. The Company does not anticipate that the implementation of Statement 157 will have a material impact on its financial position, results of operation, or cash flows. Subsequently, the FASB deferred the effective date of this pronouncement until 2010 for non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements.

In 2007, the FASB issued Statement 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which provides the Company the option to measure many financial instruments and certain other items at fair value that are not currently required or permitted to be measured at fair value. Statement 159 is effective for the Company in 2009. The Company has not completed its evaluation on the effect of Statement 159 on its Consolidated Financial Statements.

In 2008, the FASB issued Statement 141(R), *Business Combinations* and Statement 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51*. Statement 141(R) establishes requirements for how an acquirer in a business combination recognizes and measures the assets acquired, liabilities assumed, and any noncontrolling interests. The provisions of Statement 141(R) are effective for business combinations occurring on or after June 1, 2009. Statement 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. Statement 160 is effective for fiscal years beginning on or after December 15, 2008. The Company has not completed its evaluation of the effects of Statements 141(R) and 160 on its Consolidated Financial Statements.

In 2008, the FASB issued Statement 161, *Disclosures About Derivative Instruments and Hedging Activities*, an amendment of FASB Statement 133. Statement 161 requires disclosure regarding the objectives and strategies for using derivative instruments and the credit-risk-related features. Statement 161 also requires disclosure of the fair value amounts and the gains and loses on derivative instruments in tabular form. Statement 161 is effective for fiscal years and interim periods beginning after November 15, 2008.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion includes comments and analysis relating to the Company’s results of operations and financial condition as of and for the 13 weeks and 26 weeks ended March 30, 2008. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes thereto and the Company’s 2007 Annual Report on Form 10-K.

NON-GAAP FINANCIAL MEASURES

No non-GAAP financial measure should be considered as a substitute for any related financial measure under accounting principles generally accepted in the United States of America (GAAP). However, the Company believes the use of non-GAAP financial measures provides meaningful supplemental information with which to evaluate its financial performance, or assist in forecasting and analyzing future periods. The Company also believes such non-GAAP financial measures are alternative indicators of performance used by investors, lenders, rating agencies and financial analysts to estimate the value of a publishing business or its ability to meet debt service requirements.

Operating Cash Flow and Operating Cash Flow Margin

Operating cash flow, which is defined as operating income before depreciation, amortization, goodwill impairment, and equity in earnings of associated companies, and operating cash flow margin (operating cash flow divided by operating revenue) represent non-GAAP financial measures that are used in the analysis below. The Company believes these measures provide meaningful supplemental information because of their focus on the Company’s results from operations before depreciation, amortization and earnings from equity investments.

Reconciliations of operating cash flow and operating cash flow margin to operating income (loss) and operating income (loss) margin, the most directly comparable measures under GAAP, are included in the tables below:

(Thousands)	13 Weeks Ended March 30, 2008	Percent of Revenue	Three Months Ended March 31, 2007	Percent of Revenue
Operating cash flow	$ 44,141	17.8%	$58,016	22.3%
Less depreciation and amortization	23,685	9.6	23,524	9.0
Less impairment of goodwill and other intangible assets	841,005	NM	-	-
Less reduction of investment in TNI	90,384	NM	-	-
Equity in earnings of associated companies	1,808	NM	5,305	2.0
Operating income (loss)	$(909,125)	NM	$39,797	15.3%

(Thousands)	26 Weeks Ended March 30, 2008	Percent of Revenue	Six Months Ended March 31, 2007	Percent of Revenue
Operating cash flow	$116,574	22.1%	$138,466	24.8%
Less depreciation and amortization	46,716	8.9	46,727	8.4
Less impairment of goodwill and other intangible assets	841,005	NM	-	-
Less reduction of investment in TNI	90,384	NM	-	-
Equity in earnings of associated companies	6,109	NM	11,810	2.1
Operating income (loss)	$(855,422)	NM	$103,549	18.5%

Adjusted Net Income and Adjusted Earnings Per Common Share

Adjusted net income and adjusted earnings per common share, which are defined as net income available to common stockholders and earnings per common share adjusted to exclude unusual matters and those of a substantially non-recurring nature, are non-GAAP financial measures that are used in the analysis below. The Company believes these measures provide meaningful supplemental information by identifying matters that are not indicative of core business operating results or are of a substantially non-recurring nature.

Reconciliations of adjusted net income and adjusted earnings per common share to net income (loss) available to common stockholders and earnings (loss) per common share, respectively, the most directly comparable measures under GAAP, are set forth below under the caption “Overall Results”.

SAME PROPERTY COMPARISONS

Certain information below, as noted, is presented on a same property basis, which is exclusive of acquisitions and divestitures consummated in the current or prior year. The Company believes such comparisons provide meaningful supplemental information for an understanding of changes in its revenue and operating expenses. Same property comparisons exclude TNI and MNI. The Company owns 50% of TNI and also owns 50% of the capital stock of MNI, both of which are reported using the equity method of accounting. Same property comparisons also exclude corporate office costs.

CRITICAL ACCOUNTING POLICIES

The Company’s discussion and analysis of its results of operations and financial condition are based upon the Company’s Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates. The Company bases its 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.

The Company's critical accounting policies include the following:

- Goodwill and other intangible assets
- Pension, postretirement and postemployment benefit plans
- Income taxes
- Revenue recognition
- Uninsured risks

The Company recorded a preliminary, pretax, non-cash charge in the 13 weeks ended March 30, 2008 to reduce the carrying value of goodwill by $721,999,000. The Company also recorded preliminary, pretax, non-cash charges of $3,034,000 and $115,972,000 to reduce the carrying value of nonamortized and amortizable intangible assets, respectively. $90,384,000 of additional pretax charges were recorded as a reduction in the carrying value of the Company's investment in TNI. See Note 4 of the Notes to Consolidated Financial Statements, included herein.

Additional information regarding these critical accounting policies can be found under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2007 Annual Report on Form 10-K and the Notes to Consolidated Financial Statements, included herein.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In 2006, the FASB issued Statement 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans*, which amends Statements 87, 88, 106 and 132(R). Statement 158 requires the recognition of the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in the Company's balance sheet and recognition of changes in that funded status in the year in which the changes occur as a component of comprehensive income. The Company adopted the recognition and disclosure provision of Statement 158 as of September 30, 2007. The adoption of Statement 158 increased other comprehensive income, net of income taxes, by $40,912,000, increased pension assets by $9,591,000 and reduced pension and postretirement benefit obligations by $32,649,000 and $23,540,000, respectively, as of September 30, 2007.

Statement 158 will also require the Company to change its measurement date to the last day of the fiscal year from a date three months prior to the end of the fiscal year, beginning in 2009. The change in measurement date will require a one-time adjustment to retained earnings, the effect of which cannot be determined at this time. None of the changes required will impact the Company's results of operations or cash flows.

In 2006, the FASB issued Statement 157, *Fair Value Measurements*, which defines fair value, provides guidelines for measuring fair value and expands disclosure requirements. Statement 157 does not require any new fair value measurement but applies to the accounting pronouncements that require or permit fair value measurement. Statement 157 is effective for fiscal years beginning after November 15, 2007. The Company does not anticipate that the implementation of Statement 157 will have a material impact on its financial position, results of operation, or cash flows. Subsequently, the FASB deferred the effective date of this pronouncement until 2010 for non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements.

In 2007, the FASB issued Statement 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which provides the Company the option to measure many financial instruments and certain other items at fair value that are not currently required or permitted to be measured at fair value. Statement 159 is effective for the Company in 2009. The Company has not completed its evaluation on the effect of Statement 159 on its Consolidated Financial Statements.

In 2008, the FASB issued Statement 141(R), *Business Combinations* and Statement 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51*. Statement 141(R) establishes requirements for how an acquirer in a business combination recognizes and measures the assets acquired, liabilities assumed, and any noncontrolling interests. The provisions of Statement 141(R) are effective for business combinations occurring on or after June 1, 2009. Statement 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity. Statement 160 is effective for fiscal years beginning on or after December 15, 2008. The Company has not completed its evaluation of the effects of Statements 141(R) and 160 on its Consolidated Financial Statements.

In 2008, the FASB issued Statement 161, *Disclosures About Derivative Instruments and Hedging Activities*, an amendment of FASB Statement 133. Statement 161 requires disclosure regarding the objectives and strategies for using derivative instruments and the credit-risk-related features. Statement 161 also requires disclosure of the fair value amounts and the gains and loses on derivative instruments in tabular form. Statement 161 is effective for fiscal years and interim periods beginning after November 15, 2008.

EXECUTIVE OVERVIEW

The Company is a premier provider of local news, information and advertising in primarily midsize markets, with 50 daily newspapers and a joint interest in four others, rapidly growing online sites and more than 300 weekly newspapers and specialty publications in 23 states.

In 2005, the Company acquired Pulitzer. Pulitzer published 14 daily newspapers, including the *St. Louis Post-Dispatch,* and more than 100 weekly newspapers and specialty publications. Pulitzer also owned a 50% interest in TNI. The acquisition of Pulitzer increased the Company's circulation by more than 50% to more than 1.6 million daily and 1.9 million Sunday, and revenue, on an annualized basis, by more than 60%. In 2006, the Company sold the assets of *The Daily News* in Rhinelander, Wisconsin, the smallest of these newspapers. In December 2007, the Company sold the assets of *The Daily Chronicle* in DeKalb, Illinois.

In 2006, the Company sold the assets of its publishing and commercial printing operations in Seattle and Spokane, Washington and Portland, Oregon.

The Company is focused on six key strategic priorities. They are to:

- Grow revenue creatively and rapidly;
- Deliver strong local news and information;
- Accelerate online innovation;
- Continue expanding audiences;
- Nurture employee development and achievement; and
- Exercise careful cost control.

Certain aspects of these priorities are discussed below.

Approximately 77% of the Company's revenue is derived from advertising. The Company's strategies are to increase its share of local advertising through increased sales activities in its existing markets and, over time, to increase its print and online audiences through internal expansion into existing and contiguous markets and enhancement of online offerings, augmented by selective acquisitions.

Decreases in advertising and total operating revenue in the 13 weeks ended March 30, 2008 more than offset decreases in operating expenses, financial expense and income tax expense and resulted in lower operating cash flow and operating income.

In the 13 weeks ended March 30, 2008, the Company, based on its most recent analysis and in conjunction with its ongoing requirement to assess the carrying value and estimated useful lives of goodwill and identified intangible assets, concluded that the carrying value of goodwill and other intangible assets exceeded their respective fair values. As a result, the Company recorded a preliminary, pretax, non-cash charge to reduce the carrying value of goodwill by $721,999,000. The Company also recorded preliminary, pretax, non-cash charges of $3,034,000 and $115,972,000 to reduce the carrying value of nonamortized and amortizable intangible assets, respectively. $90,384,000 of additional pretax charges were recorded as a reduction in the carrying value of the Company's investment in TNI. These charges resulted in recognition of a significant loss per share for the 13 weeks ended March 30, 2008, and will result in a loss for the 52 weeks ending September 28, 2008.

Because of the timing and complexity of the calculations required, the Company has not yet completed the required determination of fair value. Accordingly, the final determination of reductions in the amounts of goodwill and nonamortized and amortizable intangible assets included in the March 30, 2008 Consolidated Balance Sheet could change significantly. Charges recorded as of March 30, 2008 are expected to result in a decrease in remaining 2008 amortization expense of approximately $3,587,000. Such changes would not impact the Company's cash flows.

[Table of Contents](#)

13 WEEKS ENDED MARCH 30, 2008

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

(Thousands, Except Per Share Data)	13 Weeks Ended March 30, 2008	Three Months Ended March 31, 2007	Percent Change Total	Percent Change Same Property
Advertising revenue:				
Retail	$ 99,097	$100,534	(1.4)%	(1.4)%
Classified:				
Daily newspapers:				
Employment	15,700	20,245	(22.4)	(22.4)
Automotive	10,895	13,116	(16.9)	(16.9)
Real estate	10,530	13,728	(23.3)	(23.3)
All other	9,805	8,544	14.8	14.8
Other publications	10,849	11,488	(5.6)	(5.6)
Total classified	57,779	67,121	(13.9)	(13.9)
Online	13,494	12,555	7.5	7.5
National	11,233	12,951	(13.3)	(13.3)
Niche publications	4,530	4,204	7.8	7.8
Total advertising revenue	186,133	197,365	(5.7)	(5.7)
Circulation	49,087	49,912	(1.7)	(1.7)
Commercial printing	3,805	3,908	(2.6)	(2.6)
Online services and other	8,700	8,782	(0.9)	(0.9)
Total operating revenue	247,725	259,967	(4.7)	(4.7)
Compensation	105,574	108,938	(3.1)	(2.1)
Newsprint and ink	24,349	27,086	(10.1)	(12.1)
Other operating expenses	73,250	69,658	5.2	3.1
Curtailment gains	-	(3,731)	NM	NM
Workforce adjustments	411	-	NM	NM
Total operating expenses, excluding depreciation, amortization and impairment charges	203,584	201,951	0.8	(0.3)
Operating cash flow	44,141	58,016	(23.9)	(18.9)
Depreciation and amortization	23,685	23,524	0.7	1.0
Impairment of goodwill and other intangible assets	841,005	-	NM	
Equity in earnings of associated companies	1,808	5,305	(65.9)	
Reduction of investment in TNI	90,384	-	NM	
Operating income (loss)	(909,125)	39,797	NM	
Non-operating expense, net	17,280	21,022	(17.8)	
Income (loss) from continuing operations before income taxes	(926,405)	18,775	NM	
Income tax expense (benefit)	(220,841)	6,627	NM	
Minority interest	(11)	300	NM	
Income from continuing operations	(705,553)	11,848	NM	
Discontinued operations, net	(1)	43	NM	
Net income (loss)	(705,554)	11,891	NM	
Increase in redeemable minority interest	(7,483)	-	NM	
Net income (loss) available to common stockholders	$(713,037)	$ 11,891	NM	
Earnings (loss) per common share:				
Basic	$ (15.90)	$ 0.26	NM	
Diluted	(15.90)	0.26	NM	

Day exchanges in the quarter can affect results in varying degrees. Sundays normally generate more advertising revenue than any other day of the week.

Beginning in 2008, all of the Company's enterprises use period accounting. The Company and its enterprises owned before the Pulitzer acquisition, which accounted for approximately 64% of revenue in the 13 weeks ended March 30, 2008, used calendar accounting in 2007, with a September 30 fiscal year end. The former Pulitzer operations used period accounting in 2007. The table below summarizes business days in both years:

	Enterprises Owned Prior to Pulitzer Acquisition		Former Pulitzer Enterprises		TNI	
(Business Days)	2008	2007	2008	2007	2008	2007
Period Ending:						
December	91	92	91	91	91	98
March	91	90	91	91	91	91
June	91	91	91	91	91	91
September	91	92	91	98	91	91
	364	365	364	371	364	371

As noted in the table above, enterprises owned prior to the Pulitzer acquisition had one more day of business activity (a Sunday) in the 13 weeks ended March 30, 2008.

For the 13 weeks ended March 30, 2008, total same property operating revenue decreased $12,242,000, or 4.7%.

Advertising Revenue

Same property advertising revenue decreased $11,232,000, or 5.7%, for the 13 weeks ended March 30, 2008.

On a combined basis, print and online retail advertising revenue decreased 0.4% and classified advertising revenue decreased 12.0% during the 13 weeks ended March 30, 2008.

Same property print retail revenue decreased $1,437,000, or 1.4%. Same property average retail rate, excluding preprint insertions, decreased 2.1%. Same property daily newspaper retail preprint insertion revenue increased 2.1%.

Same property print classified advertising revenue decreased $9,342,000, or 13.9%, for the 13 weeks ended March 30, 2008. Higher margin employment advertising in the Company's daily newspapers decreased 22.4% on a same property basis, and same property real estate classified revenue decreased 23.3%, in a soft housing market nationally which also negatively impacted retail revenue. Same property automotive classified advertising revenue decreased 16.9% amid a continuing industry-wide decline. Same property average classified rates decreased 8.1%.

Advertising lineage, as reported on a same property basis for the Company's daily newspapers only, consisted of the following:

(Thousands of Inches)	13 Weeks Ended March 30, 2008	Three Months Ended March 31, 2007	Percent Change
Retail	2,945	2,982	(1.2)%
National	161	163	(1.2)
Classified	3,382	3,660	(7.6)
	6,488	6,805	(4.7)%

Online advertising increased $939,000, or 7.5%, on a same property basis, due to rate increases and cross-selling with the Company's print publications. In addition, the Company began selling online employment advertising on Yahoo! Hot Jobs during the three months ended March 31, 2007. Advertising in niche publications increased 7.8% on a same property basis.

National advertising revenue decreased $1,718,000, or 13.3% for the 13 weeks ended March 30, 2008. The decrease was driven primarily by reductions in telecommunications and pharmaceutical advertising.

Circulation and Other Revenue

Same property circulation revenue decreased $825,000, or 1.7%, in the current year period. The Company's unaudited average daily newspaper circulation units, including TNI and MNI, decreased 4.0% and Sunday circulation increased 2.3% for the 13 weeks ended March 30, 2008, compared to the prior year. In spite of declines in circulation, Company research in its larger markets indicates it is reaching an increasingly larger audience in these markets through rapid online growth, as well as through additional specialty and niche publications. Increases in single copy prices in many of the Company's markets contributed to the decline in daily units sold.

Same property commercial printing revenue decreased $103,000, or 2.6%. Same property online services and other revenue decreased $82,000, or 0.9%.

Operating Expenses and Results of Operations

Same property compensation expense decreased $2,229,000, or 2.1%, in the current year period. Same property full-time equivalent employees decreased 2.7%.

Same property newsprint and ink costs decreased $3,297,000, or 12.1%, in the current year period due primarily to a decrease in usage. Same property newsprint volume decreased 8.7% due to migration to lighter weight paper and narrower page widths. Unit costs for newsprint began to rise in November 2007 and are likely to continue to rise in 2008. See Item 3, "Commodities", included herein.

Same property other operating costs, which are comprised of all operating expenses not considered to be compensation, newsprint and ink, depreciation or amortization, increased $2,080,000, or 3.1%, in the current year period. The increase was driven by new products, promotions and postage expense.

In 2007, defined pension benefits for certain of the Company's employees were frozen at then current levels. As a result, the Company recognized a curtailment gain of $1,791,000 in 2007, and also recognized the Company's 50% share of the $2,074,000 gain recognized by TNI.

In 2007, defined postretirement medical benefits for certain of the Company's employees were modified. As a result, the Company recognized a curtailment gain of $1,940,000.

Operating cash flow declined 23.9%, to $44,141,000 in the current year period from $58,016,000 in the prior year. Operating cash flow margin decreased to 17.8% from 22.3% in the prior year period. Same property operating cash flow margin decreased to 20.0%, from 23.6% in the prior year period.

Depreciation and amortization expense increased $225,000, or 1.0%, on a same property basis.

In the 13 weeks ended March 30, 2008, the Company, based on its most recent analysis and in conjunction with its ongoing requirement to assess the carrying value and estimated useful lives of goodwill and identified intangible assets, concluded that the carrying value of goodwill and nonamortized intangible assets exceeded their respective fair values. As a result, the Company recorded a preliminary, pretax, non-cash charge to reduce the carrying value of goodwill by $721,999,000. The Company also recorded preliminary, pretax, non-cash charges of $3,034,000 and $115,972,000 to reduce the carrying value of nonamortized and amortizable intangible assets, respectively. $90,384,000 of additional pretax charges were recorded as a reduction in the carrying value of the Company's investment in TNI.

Because of the timing and complexity of the calculations required, the Company has not yet completed the required determination of fair value. Accordingly, the final determination of reductions in the amounts of goodwill and nonamortized and amortizable intangible assets included in the March 30, 2008 Consolidated Balance Sheet could change significantly. Charges recorded as of March 30, 2008 are expected to result in a decrease in remaining 2008 amortization expense of approximately $3,587,000. Such changes would not impact the Company's cash flows.

Equity in earnings of associated companies decreased to $1,808,000 in the current year period, compared to $5,305,000 in the prior year. In April 2008, one of MNI's daily newspapers, *The Capital Times*, decreased print publication from six days per week to one day. The change will result in severance and other transition costs of approximately $2,000,000 to $2,500,000. Of that amount, $1,345,000 was recognized in the 13 weeks ended March 30, 2008. MNI expects the change will result in annual cost savings of $3,500,000 to $4,000,000. The Company's 50% share of TNI's curtailment gain increased prior year results by $1,037,000.

The above resulted in an operating loss of $909,125,000, compared to operating income of $39,797,000 in the prior year period.

Nonoperating Income and Expense

Financial expense decreased $3,720,000 due to lower levels of debt and lower interest rates. LIBOR has decreased substantially from its 2007 levels. The Company expects that this occurrence, combined with reductions in debt of $129,375,000 in 2007 and $29,750,000 in the 26 weeks ended March 30, 2008, will result in significantly reduced financial expense for the remainder of 2008, compared to the prior year.

Overall Results

Recording of the liability for the 2010 Redemption resulted in an increase in net loss available to common stockholders for the 13 weeks ended March 30, 2008, of $7,483,000 and an increase in loss per common share for the 13 weeks ended March 30, 2008, of $0.17. The Company estimates the ongoing impact on earnings per common share from accounting for the 2010 Redemption of up to $0.08 to $0.10 per year through April 2010. There is no impact on net income based on application of current accounting standards. Also, under such standards, if the 2010 Redemption does not occur, the liability and earnings per common share impact discussed above will be reversed for all periods.

As a result of all of the above, the Company recorded a loss per diluted common share of $15.90 compared to earnings of $0.26 per diluted share in the prior year period. As detailed in the table below, diluted earnings per common share, as adjusted, were $0.08 for the 13 weeks ended March 30, 2008 and $0.19 for the three months ended March 31, 2007.

	13 Weeks Ended March 30, 2008		Three Months Ended March 31, 2007	
(Thousands, Except Per Share Data)	Amount	Per Share	Amount	Per Share
Net income (loss) available to common stockholders, as reported	$(713,037)	$(15.90)	$11,891	$0.26
Adjustments:				
Impairment of goodwill and other intangible assets	841,005		-	
Reduction of investment in TNI	90,384		-	
Workforce adjustments	411		-	
Transition costs, MNI	404		-	
Curtailment gains	-		(3,731)	
Curtailment gain, TNI	-		(1,037)	
Income tax expense (benefit) of adjustments, net and impact on minority interest	(222,989)		1,799	
	709,215	15.82	(2,969)	(0.06)
Net income (loss) available to common stockholders, as adjusted	(3,822)	(0.09)	8,922	0.19
Change in redeemable minority interest	7,483	0.17	-	
Net income, as adjusted	$ 3,661	$ 0.08	$ 8,922	$0.19

Table of Contents

26 WEEKS ENDED MARCH 30, 2008

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

(Thousands, Except Per Share Data)	26 Weeks Ended March 30, 2008	Six Months Ended March 31, 2007	Percent Change Total	Percent Change Same Property
Advertising revenue:				
Retail	$226,666	$232,255	(2.4)%	(2.4)%
Classified:				
Daily newspapers:				
Employment	31,067	39,395	(21.1)	(21.1)
Automotive	22,624	27,112	(16.6)	(16.6)
Real estate	22,073	28,514	(22.6)	(22.6)
All other	19,793	17,887	10.7	10.7
Other publications	21,522	22,750	(5.4)	(5.4)
Total classified	117,079	135,658	(13.7)	(13.7)
Online	26,969	23,422	15.1	15.1
National	24,815	30,854	(19.6)	(19.6)
Niche publications	8,174	7,765	5.3	5.3
Total advertising revenue	403,703	429,954	(6.1)	(6.1)
Circulation	98,892	101,948	(3.0)	(3.0)
Commercial printing	7,980	8,092	(1.4)	(1.4)
Online services and other	17,006	18,462	(7.9)	(7.9)
Total operating revenue	527,581	558,456	(5.5)	(5.5)
Compensation	213,768	221,129	(3.3)	(2.0)
Newsprint and ink	49,452	58,011	(14.8)	(16.0)
Other operating expenses	147,376	144,581	1.9	0.9
Curtailment gains	-	(3,731)	NM	NM
Workforce adjustments	411	-	NM	NM
Total operating expenses, excluding depreciation, amortization, and impairment charges	411,007	419,990	(2.1)	(2.3)
Operating cash flow	116,574	138,466	(15.8)	(14.2)
Depreciation and amortization	46,716	46,727	-	(0.3)
Impairment of goodwill and other intangible assets	841,005	-	NM	
Equity in earnings of associated companies	6,109	11,810	(48.3)	
Reduction of investment in TNI	90,384	-	NM	
Operating income (loss)	(855,422)	103,549	NM	
Non-operating expense, net	36,334	42,948	(15.4)	
Income (loss) from continuing operations before income taxes	(891,756)	60,601	NM	
Income tax expense (benefit)	(208,587)	21,426	NM	
Minority interest	596	804	(25.9)	
Income (loss) from continuing operations	(683,765)	38,371	NM	
Discontinued operations, net	337	171	NM	
Net income (loss)	(683,428)	38,542	NM	
Increase in redeemable minority interest	(7,483)	-	NM	
Net income (loss) available to common stockholders	$(690,911)	$ 38,542	NM	
Earnings per common share:				
Basic	$(15.24)	$0.85	NM	
Diluted	(15.24)	0.84	NM	

Day exchanges in the quarter can affect results in varying degrees. Sundays normally generate more advertising revenue than any other day of the week.

Beginning in 2008, all of the Company's enterprises use period accounting. The Company and its enterprises owned before the Pulitzer acquisition, which accounted for approximately 63% of revenue in the 26 weeks ended March 30, 2008, used calendar accounting in 2007, with a September 30 fiscal year end. The former Pulitzer operations used period accounting in 2007. The table below summarizes business days in both years:

	Enterprises Owned Prior to Pulitzer Acquisition		Former Pulitzer Enterprises		TNI	
(Business Days)	2008	2007	2008	2007	2008	2007
Period Ending:						
December	91	92	91	91	91	98
March	91	90	91	91	91	91
June	91	91	91	91	91	91
September	91	92	91	98	91	91
	364	365	364	371	364	371

Substantially all categories of revenue in the prior year period were also impacted by the appearance of the St. Louis Cardinals in the World Series. In addition, TNI recorded an extra seven days of publishing activity in the prior year period. The Company estimates these factors increased revenue in the prior year period by approximately $3,000,000, operating cash flow by approximately $1,200,000, operating income by approximately $1,700,000, and diluted earnings per common share by approximately $0.02.

For the 26 weeks ended March 30, 2008, total same property operating revenue decreased $30,875,000, or 5.5%.

Advertising Revenue

Same property advertising revenue decreased $26,251,000, or 6.1%, for the 26 weeks ended March 30, 2008.

On a combined basis, print and online retail advertising revenue decreased 1.6% and classified advertising revenue decreased 10.7% during the 26 weeks ended March 30, 2008.

Same property print retail revenue decreased $5,589,000, or 2.4%. Same property average retail rate, excluding preprint insertions, decreased 1.5%. Same property daily newspaper retail preprint insertion revenue increased 0.8%.

Same property print classified advertising revenue decreased $18,579,000, or 13.7%, for the 26 weeks ended March 30, 2008. Higher margin employment advertising in the Company's daily newspapers decreased 21.1% on a same property basis, and same property real estate classified revenue decreased 22.6%, in a soft housing market nationally which also negatively impacted retail revenue. Same property automotive classified advertising revenue decreased 16.6% amid a continuing industry-wide decline. Same property average classified rates decreased 7.6%.

Advertising lineage, as reported on a same property basis for the Company's daily newspapers only, consisted of the following:

(Thousands of Inches)	26 Weeks Ended March 30, 2008	Three Months Ended March 31, 2007	Percent Change
Retail	6,489	6,689	(3.0)%
National	341	365	(6.6)
Classified	6,980	7,572	(7.8)
	13,810	14,626	(5.6)%

Online advertising increased $3,547,000, or 15.1%, on a same property basis, due to rate increases and expanded cross-selling with the Company's print publications. In addition, the Company began selling online employment advertising on Yahoo! Hot Jobs during the three months ended March 31, 2007. Advertising in niche publications increased 5.3% on a same property basis.

National advertising revenue decreased $6,039,000, or 19.6% for the 26 weeks ended March 30, 2008. The decrease was driven primarily by reductions in telecommunications and pharmaceutical advertising.

Circulation and Other Revenue

Same property circulation revenue decreased $3,056,000, or 3.0%, in the current year period. The Company's total average daily newspaper circulation units, including TNI and MNI, as measured by the Audit Bureau of Circulation, or other independent organizations, decreased 2.9% and Sunday circulation decreased 0.8% for the 26 weeks ended March 30, 2008, compared to the prior year. In spite of declines in circulation, Company research in its larger markets indicates it is reaching an increasingly larger audience in these markets through rapid online growth, as well as through additional specialty and niche publications. Increases in single copy prices in many of the Company's markets contributed to the decline in daily units sold.

Same property commercial printing revenue decreased $112,000, or 1.4%. Same property online services and other revenue decreased $1,456,000, or 7.9%.

Operating Expenses and Results of Operations

Same property compensation expense decreased $4,298,000, or 2.0%, in the current year period. Same property full-time equivalent employees decreased 2.5%.

Same property newsprint and ink costs decreased $9,319,000, or 16.0%, in the current year period due to lower newsprint prices and a decrease in usage. Same property newsprint volume decreased 8.3% due to migration to lighter weight paper and narrower page widths. Unit costs for newsprint began to rise in November 2007 and may continue to rise in 2008. See Item 3, "Commodities", included herein.

Same property other operating costs, which are comprised of all operating expenses not considered to be compensation, newsprint and ink, depreciation or amortization, increased $1,234,000, or 0.9%, in the current year period.

In 2007, defined pension benefits for certain of the Company's employees were frozen at then current levels. As a result, the Company recognized a curtailment gain of $1,791,000 in 2007, and also recognized the Company's 50% share of the $2,074,000 gain recognized by TNI.

In 2007, defined postretirement medical benefits for certain of the Company's employees were modified. As a result, the Company recognized a curtailment gain of $1,940,000.

Operating cash flow declined 15.8% to $116,574,000 in the current year period from $138,466,000 in the prior year. Operating cash flow margin decreased to 22.1% from 24.8% in the prior year period. Same property operating cash flow margin decreased to 24.4%, from 26.9% in the prior year period.

Depreciation and amortization expense decreased $125,000, or 0.3%, on a same property basis.

In the 13 weeks ended March 30, 2008, the Company, based on its most recent analysis and in conjunction with its ongoing requirement to assess the carrying value and estimated useful lives of goodwill and identified intangible assets, concluded that the carrying value of goodwill and other intangible assets, exceeded their respective fair values. As a result, the Company recorded a preliminary, pretax, non-cash charge to reduce the carrying value of goodwill by $721,999,000. The Company also recorded preliminary, pretax, non-cash charges of $3,034,000 and $115,972,000 to reduce the carrying value of nonamortized and amortizable intangible assets, respectively. $90,384,000 of additional pretax charges were recorded as a reduction in the carrying value of the Company's investment in TNI.

Because of the timing and complexity of the calculations required, the Company has not yet completed the required determination of fair value. Accordingly, the final determination of reductions in the amounts of goodwill and nonamortized and amortizable intangible assets included in the March 30, 2008 Consolidated Balance Sheet could change significantly. Charges recorded as of March 30, 2008 are expected to result in a decrease in remaining 2008 amortization expense of approximately $3,587,000. Such changes would not impact the Company's cash flows.

Equity in earnings of associated companies decreased to $6,109,000 in the current year period, compared to $11,810,000 in the prior year. In April 2008, one of MNI's daily newspapers, *The Capital Times*, decreased print publication from six days per week to one day. The change will result in severance and other transition costs of approximately $2,000,000 to $2,500,000. Of that amount, $1,345,000 was recognized in the 26 weeks ended March 30, 2008. MNI expects the change will result in annual cost savings of $3,500,000 to $4,000,000. The Company's 50% share of TNI's curtailment gain increased prior year results by $1,037,000.

The above resulted in an operating loss of $855,422,000 compared to operating income of $103,549,000 in the prior year period.

Nonoperating Income and Expense

Financial expense decreased $6,305,000 due to lower levels of debt and lower interest rates. LIBOR has decreased substantially from its 2007 levels. The Company expects that this occurrence, combined with reductions in debt of $129,375,000 in 2007 and $29,750,000 in the 26 weeks ended March 30, 2008, will result in significantly reduced financial expense for the remainder of 2008, compared to the prior year.

Overall Results

Recording of the liability for the 2010 Redemption resulted in an increase of net loss available to common stockholders for the 26 weeks ended March 30, 2008, of $7,483,000 and an increase in loss per common share for the 26 weeks ended March 30, 2008, of $0.17. The Company estimates the ongoing impact on earnings per common share from accounting for the 2010 Redemption of up to $0.08 to $0.10 per year through April 2010. There is no impact on net income based on application of current accounting standards. Also, under such standards, if the 2010 Redemption does not occur, the liability and earnings per common share impact discussed above will be reversed for all periods.

As a result of all of the above, the Company recorded a loss per diluted common share of $15.24 compared to earnings of $0.84 per share in the prior year period. As detailed in the table below, diluted earnings per common share, as adjusted, were $0.57 for the 26 weeks ended March 30, 2008 and $0.78 for the six months ended March 31, 2007.

	26 Weeks Ended March 30, 2008		Six Months Ended March 31, 2007	
(Thousands, Except Per Share Data)	Amount	Per Share	Amount	Per Share
Net income (loss) available to common stockholders, as reported	$(690,911)	$(15.24)	$38,542	$0.84
Adjustments:				
Impairment of goodwill and other intangible assets	841,005		-	
Reduction of investment in TNI	90,384		-	
Workforce adjustments	411		-	
Workforce adjustments, TNI	124		-	
Transition costs, MNI	404		-	
Curtailment gains	-		(3,731)	
Curtailment gain, TNI	-		(1,037)	
Income tax expense (benefit) of adjustments, net and impact on minority interest	(223,033)		1,799	
	709,295	15.65	(2,969)	(0.06)
Net income (loss) available to common stockholders, as adjusted	18,384	0.41	35,573	0.78
Change in redeemable minority interest	7,483	0.17	-	
Net income, as adjusted	$25,867	$ 0.57	$35,573	$0.78

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities of continuing operations was $69,234,000 for the 26 weeks ended March 30, 2008, and $74,641,000 for the prior year period. Decreased income from continuing operations and changes in working capital account for most of the change between years.

Cash required for investing activities totaled $17,332,000 for the 26 weeks ended March 30, 2008, and $15,746,000 for the prior year period. Capital expenditures, which are expected to total approximately $20,000,000, for 2008 account for substantially all of the usage of funds in both the current year and prior year periods.

In 2006, the Company entered into the Credit Agreement with a syndicate of financial institutions. The Credit Agreement provides for aggregate borrowings of up to $1,435,000,000, including a $450,000,000 revolving credit facility. The Credit Agreement also provides the Company with the right, with the consent of the administrative agent, to request at certain times prior to June 2012 that one or more lenders provide incremental term loan commitments of up to $500,000,000, subject to certain requirements being satisfied at the time of the request. The Credit Agreement matures in June 2012.

The Company has filed a Form S-3 shelf registration statement (Shelf) with the SEC, which has been declared effective. The Shelf gives the Company the flexibility to issue and publicly distribute various types of securities, including preferred stock, common stock, 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 $500,000,000.

The Shelf enables the Company to sell securities quickly and efficiently when market conditions are favorable or financing needs arise. Net proceeds from the sale of any securities may be used for general corporate purposes, including repayment or refinancing of debt, working capital, capital expenditures, acquisitions or the repurchase of common stock, subject to conditions of existing debt agreements.

In January 2008, the Company announced its intention to acquire up to $30,000,000 of its Common Stock in open market and private transactions. Through March 2008, 1,722,280 shares have been acquired and returned to authorized shares at an average price of $10.98.

Cash required for financing activities of continuing operations totaled $64,440,000 for the 26 weeks ended March 30, 2008, and required $78,862,000 in the prior year period. Debt repayments, stock purchases and dividends accounted for the primary usage of funds in the current year period. Debt repayments and dividends accounted for the primary usage of funds in the prior year period.

The Company anticipates that funds necessary for future capital expenditures and other requirements will be available from internally generated funds, its Credit Agreement or, if necessary, by accessing the capital markets. The Company's business generates substantial cash flows with which to facilitate debt repayment. In addition, at March 30, 2008 the Company has approximately $250,000,000 of availability under its revolving credit facility with which to effect payment of required maturities of debt. The Company expects that the Pulitzer Notes will be refinanced in 2009 with a new debt facility of a comparable amount, at market interest rates in effect at the time.

Cash provided by discontinued operations totaled $15,016,000 in the 26 weeks ended March 30, 2008 and $22,150,000 in the six months ended March 31, 2007. Cash generated from the sales of discontinued operations was the primary source of funds in the current and prior year periods.

Cash and cash equivalents increased $2,478,000 for the 26 weeks ended March 30, 2008, and increased $2,183,000 for the six months ended March 31, 2007.

INFLATION

The Company has not been significantly impacted by general inflationary pressures over the last several years. The Company anticipates that changing costs of newsprint, its basic raw material, may impact future operating costs. Price increases (or decreases) for the Company's products are implemented when deemed appropriate by management. The Company continuously evaluates price increases, productivity improvements, sourcing efficiencies and other cost reductions to mitigate the impact of inflation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is 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

Restricted Cash and Investments

Interest rate risk in the Company's restricted cash and investments is managed by investing only in securities with maturities no later than May 2010, after which time all restrictions on such funds lapse. Only U.S. Government and related securities are permitted.

Debt

The Company's debt structure and interest rate risk are managed through the use of fixed and floating rate debt. The Company's primary exposure is to LIBOR. A 100 basis point increase to LIBOR would decrease income from continuing operations before income taxes on an annualized basis by approximately $7,099,000, based on $709,875,000 of floating rate debt outstanding at March 30, 2008, after consideration of the interest rate swaps described below, and excluding debt subject to interest rate collars described below and debt of MNI. Such interest rates may also decrease. LIBOR has decreased substantially from its 2007 levels. The Company expects that this occurrence, combined with reductions in debt of $129,375,000 in 2007 and $29,750,000 in the 26 weeks ended March 30, 2008, will result in significantly reduced financial expense for the remainder of 2008, compared to the prior year.

In 2005, the Company executed interest rate swaps in the notional amount of $350,000,000 with a forward starting date of November 30, 2005. The interest rate swaps have terms of two to five years, carry interest rates from 4.2% to 4.4% (plus the applicable LIBOR margin) and effectively fix the Company's interest rate on debt in the amounts, and for the time periods, of such instruments. In November 2007, interest rate swaps with a notional amount of $150,000,000 expired. Certain of the Company's interest-earning assets, including those in employee benefit plans, also function as a natural hedge against fluctuations in interest rates on debt.

In 2008, the Company executed interest rate collars in the notional amount of $150,000,000 with a forward starting date of November 30, 2007. The collars have a two year term and limit LIBOR to an average floor of 3.57% and a cap of 5.0%. Such collars effectively limit the range of the Company's exposure to interest rates to LIBOR greater than the floor and less than the cap (in either case plus the applicable LIBOR margin) for the time period of such instruments.

At March 30, 2008, after consideration of the interest rate swaps described above, approximately 63% of the principal amount of the Company's debt is subject to floating interest rates. The interest rate collars described above limit the Company's exposure to interest rates on an additional 11% of the principal amount of its debt.

COMMODITIES

Certain materials used by the Company are exposed to commodity price changes. The Company manages this risk through instruments such as purchase orders and non-cancelable supply contracts. The Company is also involved in continuing programs to mitigate the impact of cost increases through identification of sourcing and operating efficiencies. Primary commodity price exposures are newsprint and, to a lesser extent, ink and energy costs. In November 2007, several major newsprint manufacturers announced a price increase of $60 per metric ton on newsprint. The increase has been implemented in equal amounts over three months commencing with deliveries in January 2008. In February 2008, several major newsprint manufacturers announced an additional price increase of $60 per metric ton on newsprint. The increase is scheduled to be implemented in equal amounts over three months commencing with deliveries in April 2008. The final extent of changes in price, if any, is subject to negotiation between such manufacturers and the Company.

A $10 per metric ton newsprint price increase would result in an annualized reduction in income before income taxes of approximately $1,639,000 based on anticipated consumption in 2008, excluding consumption of MNI and TNI. Such prices may also decrease.

North American newsprint suppliers have recently taken significant steps to curtail newsprint production capacity in an effort to balance supply capacity with current declining demand trends. Curtailment activities include permanent, indefinite, and temporary shutdown of newsprint production facilities. Additional newsprint production restraint is anticipated to keep supply conditions in balance with demand and may impact pricing trends.

SENSITIVITY TO CHANGES IN VALUE

The estimate that follows is intended to measure the maximum potential impact on fair value of fixed rate debt of the Company in one year from adverse changes in market interest rates under normal market conditions. The calculation is not intended to represent the actual loss in fair value that the Company expects to incur. The estimate does not consider favorable changes in market rates. The position included in the calculation is fixed rate debt, the principal amount of which totals $306,000,000 at March 30, 2008.

The estimated maximum potential one year loss in fair value from a 100 basis point movement in interest rates on market risk sensitive investment instruments outstanding at March 30, 2008 is approximately $3,300,000. There is no impact on reported results or financial condition from such changes in interest rates.

Table of Contents

Changes in the fair value of interest rate swaps and interest rate collars from movements in interest rates are not determinable, due to the number of variables involved in the pricing of such instruments. However, increases in interest rates would generally result in increases in the fair value of such instruments.

Item 4. Controls and Procedures

In order to ensure that the information that must be disclosed in filings with the Securities and Exchange Commission is recorded, processed, summarized and reported in a timely manner, the Company has disclosure controls and procedures in place. The chief executive officer, Mary E. Junck, and chief financial officer, Carl G. Schmidt, have reviewed and evaluated the disclosure controls and procedures as of March 30, 2008, and have concluded that such controls and procedures are effective.

There have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, such controls during the 13 weeks ended March 30, 2008.

PART II OTHER INFORMATION

Item 2(c). Issuer Purchases of Equity Securities

In January 2008, the Company announced its intention to acquire up to $30,000,000 of its Common Stock in open market and private transactions. Through March 2008, 1,722,280 shares have been acquired and returned to authorized shares at an average price of $10.98.

During the 13 weeks ended March 30, 2008, the Company also purchased 269 shares of Common Stock, as included in the table below, in transactions with participants in its 1990 Long-Term Incentive Plan. The transactions resulted from the withholding of shares to pay the taxes related to the vesting of restricted Common Stock.

Period	Shares Purchased	Average Price Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
December 31, 2007 – February 3, 2008	757,394	$10.48	757,125	$22,062,954
February 4, 2008 – March 2, 2008	782,155	11.71	782,155	12,904,606
March 3, 2008 – March 30, 2008	183,000	9.95	183,000	11,084,069

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of the Company was held on February 20, 2008. Richard R. Cole, Nancy S. Donovan, Leonard J. Elmore and Herbert W. Moloney III were elected as directors for three-year terms expiring at the 2011 annual meeting.

Votes were cast for nominees for director as follows:

	For	Withheld
Richard R. Cole	70,826,438	11,785,456
Nancy S. Donovan	69,630,440	12,981,455
Leonard J. Elmore	79,994,569	2,617,326
Herbert W. Moloney III	68,480,000	14,131,895

Item 6. Exhibits

Number	Description
10.1	Lee Enterprises, Incorporated 1990 Long-Term Incentive Plan (Effective October 1, 1999, as amended effective January 10, 2008)
10.2	Form of Amended and Restated Employment Agreement for Certain Lee Enterprises, Incorporated Executive Officers
31.1	Rule 13a-14(a)/15d-14(a) certification
31.2	Rule 13a-14(a)/15d-14(a) certification
32	Section 1350 certification

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LEE ENTERPRISES, INCORPORATED

/s/ Carl G. Schmidt

Carl G. Schmidt
Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Date: May 14, 2008

Exhibit 10.1

LEE ENTERPRISES, INCORPORATED
1990 LONG-TERM INCENTIVE PLAN
(Effective October 1, 1999,
As amended effective January 10, 2008)

Section 1: GENERAL PROVISIONS

1.1 Purposes

The purposes of the 1990 Long-Term Incentive Plan, as amended, restated and extended (the “Plan”) of Lee Enterprises, Incorporated (the “Company”) are to promote the interests of the Company and its stockholders by (i) attracting and retaining executives and other key employees of outstanding ability; (ii) strengthening the Company’s capability to develop, maintain and direct a competent management team; (iii) motivating executives and other key employees, by means of performance-related incentives, to achieve longer-range performance goals; (iv) providing incentive compensation opportunities which are competitive with those of other major corporations; and (v) enabling such employees to participate in the long-term growth and financial success of the Company.

1.2 Definitions

“Affiliate” - means any corporation or other entity (i) which is not a Subsidiary but as to which the Company possesses a direct or indirect ownership interest and has representation on the board of directors or any similar governing body; and (ii) which is designated by the Board of Directors as an “Affiliate” for purposes of this Plan.

“Award” - means a grant or award under Sections 2 through 3, inclusive, of the Plan.

“Board of Directors” - means the board of directors of the Company.

“Code” - means the Internal Revenue Code of 1986 as amended from time to time.

“Committee” - means the Executive Compensation Committee of the Board of Directors.

“Common Stock” - means the Common Stock, $2.00 par value, of the Company, which may be authorized and unissued shares or may be reacquired shares of such Common Stock, together with a Preferred Share Purchase Right.

“Corporation” - means the Company, its divisions, Subsidiaries and Affiliates.

“Class B Common Stock” - means the Class B Common Stock, $2.00 par value, of the Company.

“Common Shares” - means the shares of Common Stock and Class B Common Stock treated as one class.

“Disability Date” - means the date on which a Participant is deemed disabled under the employee benefit plans of the Corporation applicable to the Participant.

“Employee” - means any key employee of the Corporation.

“Fair Market Value” - means, as the Committee shall determine, either (i) the average of the high and low prices of the Common Stock, or (ii) the closing price of the Common Stock, on the date on which it is to be valued hereunder as reported for New York Stock Exchange-Composite Transactions.

“Non-Employee Director” - has the meaning set forth in Rule 16b-3(3)(i) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, or any successor definition adopted by the Commission.

“Normal Retirement Date” - has the meaning set forth in the pension or retirement plan of the Corporation applicable to the Participant, or such other date as may be mutually agreed upon in writing by the Committee and the Participant.

"Participant" - means an Employee who is selected by the Committee to receive an Award under the Plan.

"Preferred Share Purchase Right" - means the right to the holders of "Common Stock" issued pursuant to the Plan to purchase from the Company one one-thousandth of a share of Series A Participating Convertible Preferred Stock, without par value, of the Company at a price of $150.00 per one one-thousandth of a Preferred Share, subject to adjustment in a "Change of Control".

"Restricted Period" - means a period of three (3) years, or such other period of years selected by the Committee, during which a grant of Restricted Stock may be forfeited to the Company.

"Restricted Stock" - means shares of Common Stock contingently granted to a Participant under Section 3 of the Plan.

"Stock Appreciation Rights" - shall have the meaning specified in Section 1.6(b).

"Subsidiary" - means any corporation in which the Company possesses directly or indirectly fifty percent (50%) or more of the total combined voting power of all classes of its stock having voting power; provided that with respect to incentive stock options granted hereunder, the term "subsidiary" shall be as defined in Section 425(f) or any successor provision of the Code.

1.3 Administration

The Plan shall be administered by the Committee, which shall at all times consist of three (3) or more members, each of whom shall be a Non-Employee Director. The Committee shall have sole and complete authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the operation of the Plan as it shall from time to time deem advisable, and to interpret the terms and provisions of the Plan. The Committee may delegate to one or more executive officers of the Company the power to make Awards to Participants who are not executive officers or directors of the Company, provided the Committee shall fix the maximum amount of such Awards for the group and a maximum amount for any one Participant. The Committee's decisions are binding upon all parties.

1.4 Eligibility

All Employees who have demonstrated significant management potential or who have contributed, or are deemed likely to contribute, in a substantial measure to the successful performance of the Corporation, as determined by the Committee, are eligible to be Participants in the Plan.

1.5 Shares Reserved

(a) There shall be reserved for issuance pursuant to the Plan a total of three million two hundred fifty thousand (3,250,000) shares of Common Stock, together with sufficient shares to cover outstanding grants under (i) the Company's 1982 Incentive Stock Option Plan and (ii) the Plan as of October 1, 1999. In the event that (x) a stock option expires or is terminated unexercised as to any shares covered thereby, (y) shares are forfeited for any reason under the Plan, or (z) shares are tendered as consideration for the exercise of options under Section 2.3 or for withholding of taxes under Section 1.7, such shares shall thereafter be again available for issuance pursuant to the Plan. In the event that a stock option is surrendered for payment pursuant to Section 1.6(b) hereof, the shares covered by the stock option shall not thereafter be available for issuance pursuant to the Plan.

(b) In the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate change, or any distributions to common shareholders other than cash dividends, the Committee shall make such substitution or adjustment, if any, as it deems to be equitable to accomplish fairly the purposes of the Plan and to preserve the intended benefits of the Plan to the Participants and the Corporation, as to the number (including the number specified in Section 1.5(a) above) or kind of shares of Common Stock or other securities issued or reserved for issuance pursuant to the Plan, including the number of outstanding stock options, the option prices thereof, and the number of outstanding Awards of other types.

1.6 Change of Control

(a) Notwithstanding any other provision of the Plan to the contrary, in the event of a Change of Control:

any stock options and Stock Appreciation Rights outstanding as of the date such Change of Control is determined to have occurred, and which are not then exercisable and vested, shall become fully exercisable and vested to the full extent of the original grant; and

the restrictions and deferral limitations applicable to any Restricted Stock shall lapse, and such Restricted Stock shall become free of all restrictions and become fully vested and transferable to the full extent of the original grant; provided, that, if payment of cash under this paragraph would make a Change of Control transaction ineligible for pooling-of-interests accounting under APB No. 16 that but for such cash payment would otherwise be eligible for such accounting treatment, the Committee shall have the ability to substitute for the cash payable pursuant to this paragraph, Common Stock with a Fair Market Value equal to the cash that would otherwise be payable hereunder.

(b) Notwithstanding any other provision of the Plan to the contrary, during the 60-day period from and after a Change of Control (the "Exercise Period"), unless the Committee shall determine otherwise at the time of grant (or, with respect to Stock Options outstanding as of May 7, 1998, on May 7, 1998), an optionee shall have the right, whether or not the Stock Option is fully exercisable and in lieu of the payment of the exercise price for the shares of Common Stock being purchased under the Stock Option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Stock Option to the Company and to receive cash, within 30 days of such notice, in an amount equal to the amount by which the Change of Control Price per share of Common Stock on the date of such election shall exceed the exercise price per share of Common Stock under the Stock Option multiplied by the number of shares of Common Stock granted under the Stock Option as to which the right granted under this Section 1.6(b) shall have been exercised ("Stock Appreciation Rights"). Notwithstanding the foregoing, if any right granted pursuant to this Section 1.6(b) would make a Change of Control transaction ineligible for pooling-of-interests accounting under APB No. 16 that but for the nature of such grant would otherwise be eligible for such accounting treatment, the Committee shall have the ability to substitute for the cash payable pursuant to such right Common Stock with a Fair Market Value equal to the cash that would otherwise be payable hereunder or, if payment of such Common Stock would similarly make such transaction ineligible for pooling of interests accounting, eliminate such right.

(c) For purposes of the Plan, "Change of Control Price" means the higher of (i) the highest reported sales price, regular way, of a share of Common Stock in any transaction reported on the New York Stock Exchange — Composite Tape or other national exchange on which such shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change of Control or (ii) if the Change of Control is the result of a tender or exchange offer or a Business Combination, the highest price per share of Common Stock paid in such tender or exchange offer or Business Combination; provided, however, that in the case of incentive stock options and Stock Appreciation Rights relating to incentive stock options, the Change of Control Price shall be in all cases the Fair Market Value of the Common Stock on the date such incentive stock option or Stock Appreciation Right is exercised. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other noncash consideration, the value of such securities or other noncash consideration shall be determined in the sole discretion of the Board.

(d) For purposes of this Plan, a "Change of Control" means:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) ("Beneficial Ownership" of 15% or more of the Common Shares; provided, however, that for purposes of this subsection (i), the following acquisitions constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company (D) any acquisition by a Person of Beneficial Ownership of less than 25% of the Common Shares if such Person reports, or is required to report such Beneficial Ownership on Schedule 13G under the Exchange Act or Schedule 13D of the Exchange Act (or any comparable or successor report), which Schedule 13D does not state any present intention to (or reserve the right to) hold such Common Shares with the purpose or effect of changing or influencing the control of the Company, nor in connection with or as a participant in any transaction having such purpose or effect, or (E) any acquisition pursuant to a transaction that complies with clauses (A), (B) and (C) of subsection (iii) below; or

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets or stock of another (entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners, respectively, of the Common Shares immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the Common Shares or, with respect to an entity other than the Company, the then outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Common Shares, (B) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of the Common Shares or, with respect to an entity other than the Company, the then outstanding shares of common stock of the corporation resulting from such Business Combination (or, for a non-corporate entity, equivalent securities) or the combined voting power of the then outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

1.7 Withholding

The Corporation shall have the right to deduct from all amounts paid in cash (whether under this Plan or otherwise) any taxes required by law or other amounts authorized by a Participant to be withheld therefrom. In the case of payments of Awards in the form of Common Stock, at the Committee's discretion the Participant may be required to pay to the Corporation the amount of any taxes required to be withheld with respect to such Common Stock, or, in lieu thereof, the Corporation shall have the right to retain (or the Participant may be offered the opportunity to elect to tender) the number of shares of Common Stock whose Fair Market Value on the date such taxes are required to be withheld equals the amount required to be withheld.

1.8 Nontransferability

No Award shall be assignable or transferable, and no right or interest of any Participant shall be subject to any lien, obligation or liability of the Participant, except by will or the laws of descent and distribution.

1.9 No Right to Employment

No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Corporation. Further, the Corporation expressly reserves the right at any time to dismiss a Participant free from any liability, or from any claim under the Plan, except as provided herein or in any agreement entered into with respect to an Award.

1.10 Construction of the Plan

The validity, construction, interpretation, administration and effect of the Plan and of its rules and regulations, and rights relating to the Plan, shall be determined solely in accordance with the laws of Delaware, without regard to conflict of law principles.

1.11 Amendment

(a) The Board of Directors may amend, suspend or terminate the Plan or any portion thereof and any Award hereunder at any time, provided that no amendment shall be made without stockholder approval which shall (i) increase (except as provided in Section 1.5(b) hereof) the total number of shares reserved for issuance pursuant to the Plan; (ii) change the class of Employees eligible to be Participants; (iii) decrease the minimum option prices stated herein (other than to change the manner of determining Fair Market Value to conform to any then applicable provision of the Code or regulations thereunder); (iv) extend the expiration date of the Plan as it applies to incentive stock options; or (v) withdraw the administration of the Plan from a committee consisting of three or more members, each of whom is a Non-Employee Director. Notwithstanding anything to the contrary contained herein, the Committee may amend the Plan in such manner as may be necessary so as to have the Plan conform with applicable law and rules and regulations thereunder. Notwithstanding anything in this Plan to the contrary, following a Change of Control the Board may not amend the Plan in a manner that would adversely affect any outstanding Award of a Participant without the written consent of such Participant.

(b) The Committee with the Participant’s consent may amend, modify or terminate any outstanding Award at any time prior to payment or exercise in any manner not inconsistent with the terms of the Plan, including without limitation, to change the date or dates as of which (i) a stock option becomes exercisable; (ii) or a Restricted Stock becomes nonforfeitable; or (iii) to cancel and reissue an Award under such different terms and conditions as it determines appropriate.

1.12 Dividends, Equivalents and Voting Rights; Cash Payments

Awards may provide the Participant with (i) dividends or dividend equivalents and voting rights prior to either vesting or earnout; and (ii) to the extent determined by the Committee, cash payments in lieu of or in addition to an Award.

1.13 Effective Date

The Plan shall be effective on October 1, 1999, subject to ratification by the stockholders of the Company. No incentive stock options may be granted under the Plan after October 1, 2009.

Section 2: STOCK OPTIONS

2.1 Authority of Committee

Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees to whom stock options shall be granted, the number of shares to be covered by each stock option and the conditions and limitations, if any, in addition to those set forth in Section 2.3 hereof, applicable to the exercise of the stock option. The number of shares of Common Stock with respect to which stock options may be granted to any Participant during any fiscal year shall not exceed 200,000 (subject to adjustment as provided in Section 1.5(b) hereof). The Committee shall have the authority to grant stock options that are intended to be, and qualify as, incentive stock options under Section 422A of the Code, or to grant non-qualified stock options, or to grant both types of stock options, except that incentive stock options can only be granted to Participants who are Employees of the Company or a Subsidiary. In the case of incentive stock options, the terms and conditions of such grants shall be subject to and comply with such grant and vesting limitations as may be prescribed by Section 422A(d) of the Code, as from time to time amended, and any implementing regulations. Unless the Committee provides otherwise at the time of grant, or at anytime as provided in Section 1.6, an incentive stock option shall be issued in tandem with a Stock Appreciation Right and exercisable except as otherwise provided in the Plan.

2.2 Option Price

The Committee shall establish the option price at the time each stock option is granted, which price shall not be less than 100% of the Fair Market Value of the Common Stock on the date of grant in the case of incentive stock options or 50% of the Fair Market Value in the case of non-qualified stock options. The option price shall be subject to adjustment in accordance with the provisions of Section 1.5(b) hereof.

2.3 Exercise of Options

(a) The Committee may determine that any stock option shall become exercisable in installments and may determine that the right to exercise such stock option as to such installments shall expire on different dates or on the same date. Incentive stock options may not be exercisable later than ten years after their date of grant.

(b) In the event a Participant ceases to be an Employee with the consent of the Committee, or upon the occurrence of his or her death, Normal Retirement Date (or, if approved in writing by the Committee, his or her actual retirement date) or Disability Date, his or her stock options shall be exercisable at any time prior to a date established by the Committee at the date of grant. Except as otherwise provided by the Committee, if a Participant ceases to be an Employee for any other reason, his or her rights under all stock options shall terminate no later than the thirtieth (30th) day after such cessation of employment.

(c) Each stock option shall be confirmed by a stock option agreement executed by the Company and by the Participant. The option price of each share as to which an option is exercised shall be paid in full at the time of such exercise. Such payment shall be made in cash, by tender of shares of Common Stock owned by the Participant valued at Fair Market Value as of the date of exercise, subject to such limitations on the tender of Common Stock as the Committee may impose, or by a combination of cash and shares of Common Stock. In addition, the Committee may provide the Participant with assistance in financing the option price and applicable withholding taxes, on such terms and conditions as it determines appropriate.

(d) Stock options granted under the Plan may include the right to acquire an Accelerated Ownership Non-Qualified Stock Option (“AO”). If an option grant contains an AO, and if a Participant pays all or part of the purchase price of the option with shares of Common Stock held by the Participant for at least one (1) year, then upon exercise of the option the Participant shall be granted the additional option to purchase, at the Fair Market Value as of the date of the AO grant, the number of shares of Common Stock equal to the number of whole shares of Common Stock used by the Participant in payment of the purchase price and the number of whole shares of Common Stock, if any, withheld by the Company as payment for applicable withholding taxes. An AO may be exercised no earlier than one (1) year after its grant and no later than the date of expiration of the option to which the AO is related.

(e) Stock options may be exercised during the option term (as specified in the option agreement), by giving written notice of exercise to the Company specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price, either by check, note or such other type of instrument as may be determined from time to time to be acceptable by the Committee or in accordance with procedures established by the Committee. As determined by, or in accordance with procedures established by, the Committee, in its sole discretion, at or after grant, payment in full or in part may also be made in the case of the exercise of a non-qualified stock option in the form of Restricted Stock subject to an Award hereunder (based, in each case, on the Fair Market Value of the Common Stock on the date the option is exercised, as determined by the Committee). If payment of the option exercise price of a non-qualified stock option is made in whole or in part in the form of Restricted Stock, such Restricted Stock (and any replacement shares relating thereto) shall remain (or be) restricted, as the case may be, in accordance with the original terms of the Restricted Stock award in question, and any additional Common Stock received upon the exercise shall be subject to the same forfeiture restrictions, unless otherwise determined by, or in accordance with procedures established by, the Committee, in its sole discretion, at or after grant.

Section 3: RESTRICTED STOCK

3.1 Authority of Committee

Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees to whom shares of Restricted Stock shall be granted, the number of shares of Restricted Stock to be granted to each Participant, the duration of the Restricted Period during and the conditions under which the Restricted Stock may be forfeited to the Company, the purchase price, if any, to be paid by a Participant for such Restricted Stock, and the terms and conditions of the Award in addition to those contained in Section 3.2. Such determinations shall be made by the Committee at the time of the grant.

3.2 Terms and Conditions

Shares of Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered, except as provided in Section 2.3(e), during the Restricted Period. Certificates issued in respect of shares of Restricted Stock shall be registered in the name of the Participant and deposited by him or her, together with a stock power endorsed in blank, with the Company. At the expiration of the Restricted Period, the Company shall deliver such certificates to the Participant or his or her legal representative.

3.3 Termination of Employment

Unless otherwise provided by the Committee at the time of the grant of Restricted Stock, in the event a Participant voluntarily terminates his or her employment with the Corporation during the Restricted Period, or upon the occurrence of his or her death, during the Restricted Period, Normal Retirement Date (or, if approved in writing by the Committee, his or her actual retirement date) or Disability Date during the Restricted Period, the restrictions imposed hereunder shall lapse with respect to such shares of Restricted Stock. In the event a Participant ceases to be an Employee for any other reason during the Restricted Period, unless otherwise provided by the Committee, all shares of Restricted Stock shall thereupon be forfeited to the Company.

Exhibit 10.2

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

AGREEMENT by and between **LEE ENTERPRISES, INCORPORATED**, a Delaware corporation (the "Company") and _______________ (the "Executive"), dated as of ___________, 200__.

RECITAL:

The Board of Directors of the Company (the "Board"), has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions. (a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment was (i) at the request of a third party who has taken steps reasonably calculated to effect such Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control (such a termination of employment, an "Anticipatory Termination") and if such Change of Control is consummated, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on the third anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), the Change of Control Period shall be automatically extended so as to terminate three years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

(c) "Class B Common Stock" shall mean the Class B common stock, par value $2.00 per share, of the Company.

(d) “Common Shares” shall mean the shares of Common Stock and Class B Common Stock treated as one class.

(e) “Common Stock” shall mean the common stock, par value $2.00 per share, of the Company.

2. Change of Control. For the purpose of this Agreement, a “Change of Control” shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) (“Beneficial Ownership” of 15% or more of the Common Shares; provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, (iv) any acquisition by a Person of Beneficial Ownership of less than 25% of the Common Shares if such Person reports, or is required to report such Beneficial Ownership on Schedule 13G under the Exchange Act or Schedule 13D of the Exchange Act (or any comparable or successor report), which Schedule 13D does not state any present intention to (or reserve the right to) hold such Common Shares with the purpose or effect of changing or influencing the control of the Company, nor in connection with or as a participant in any transaction having such purpose or effect, or (v) any acquisition pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

(b) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a “Business Combination”), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities that were the beneficial owners, respectively, of the Common Shares immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the Common Shares or, with respect to an entity other than the Company, the then outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Common Shares, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of the Common Shares or, with respect to an entity other than the Company, the then outstanding shares of common stock of the corporation resulting from such Business Combination (or, for a non-corporate entity, equivalent securities) or the combined voting power of the then outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the third anniversary of such date (the “Employment Period”).

4. Terms of Employment. (a) Position and Duties. (i) During the Employment Period, (A) the Executive’s position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date, (B) the Executive’s services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location and (C) the Executive shall not be required to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive’s reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive’s responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation. (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. The Annual Base Salary shall be paid at such intervals as the Company pays executive salaries generally. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the Executive's highest bonus under the Company's annual incentive plan, or any comparable bonus under any predecessor or successor plan, for the last three full fiscal years prior to the Effective Date (or for such lesser number of full fiscal years prior to the Effective Date for which the Executive was eligible to earn such a bonus, and annualized in the case of any pro rata bonus earned for a partial fiscal year) (the "Recent Annual Bonus"). (If the Executive has not been eligible to earn such a bonus for any period prior to the Effective Date, the "Recent Annual Bonus" shall mean the Executive's target annual bonus for the year in which the Effective Date occurs.) Unless the Executive shall elect to defer the receipt of such Annual Bonus pursuant to an arrangement that meets the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder ("Section 409A"), each such Annual Bonus shall be paid in a single sum on or before the 15th day of the third month following the end of the fiscal year in which the services are rendered that give rise to the Annual Bonus. To elect to defer receipt of an Annual bonus in accordance with the preceding sentence, the Executive is required to make his or her election to defer an Annual Bonus by no later than the last day of the Company's fiscal year prior to the fiscal year in which the services are rendered which give rise to the Annual Bonus.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment. (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness or following the Executive's delivery of a Notice of Termination for Good Reason), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer of the Company believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board, or if the Company is not the ultimate parent corporation of the affiliated companies and is not publicly-traded, the board of directors of the ultimate parent of the Company (the "Applicable Board") or upon the instructions of the Chief Executive Officer of the Company or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Applicable Board (excluding the Executive, if the Executive is a member of the Applicable Board) at a meeting of the Applicable Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel for the Executive, to be heard before the Applicable Board), finding that, in the good faith opinion of the Applicable Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment may be terminated during the Employment Period by the Executive for Good Reason or by the Executive voluntarily without Good Reason, in accordance with the notice requirements of Section 5(d). For purposes of this Agreement, "Good Reason" means actions taken by the Company resulting in a material negative change in the employment relationship. For these purposes, a "material negative change in the employment relationship" shall include, without limitation:

(i) the assignment to the Executive of duties materially inconsistent with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or a material diminution in such position, authority, duties or responsibilities or a material diminution in the budget over which the Executive retains authority;

(ii) a material diminution in the authorities, duties or responsibilities of the person to whom the Executive is required to report, including a requirement that the Executive report to an officer or employee instead of reporting directly to the Applicable Board;

(iii) a reduction of five (5) percent or greater of (A) any element of the compensation and benefits required to be provided to the Executive in accordance with any of the provisions of Section 4(b); (B) the Executive's aggregate annual cash compensation, which for this purpose shall include, without limitation, Base Salary and Annual Bonus; or (C) the benefits, in the aggregate, required to be provided to the Executive in accordance with the provisions of this Agreement;

(iv) the Company's requiring the Executive (A) to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof resulting in a material increase in the Executive's commute to and from the Executive's primary residence (for this purpose an increase in the Executive's commute by 30 miles or more shall be deemed material) or (B) to be based at a location other than the principal executive offices of the Company if the Executive was employed at such location immediately preceding the Effective Date;

(v) any other action or inaction that constitutes a material breach by the Company of this Agreement; or

(vi) any failure by the Company to comply with and satisfy Section 11(c) of this Agreement.

In order to invoke a termination for Good Reason, the Executive shall provide written notice to the Company of the existence of one or more of the conditions described in clauses (i) through (vi) within 90 days following the Executive's knowledge of the initial existence of such condition or conditions, and the Company shall have 30 days following receipt of such written notice (the "Cure Period") during which it may remedy the condition. In the event that the Company fails to remedy the condition constituting Good Reason during the applicable Cure Period, the Executive must terminate employment, if at all, within 90 days following such Cure Period in order for such termination as a result of such condition to constitute a termination for Good Reason. The Executive's mental or physical incapacity following the occurrence of an event described above in clauses (i) through (v) shall not affect the Executive's ability to terminate employment for Good Reason.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination, (iii) if the Executive resigns without Good Reason, the date on which the Executive notifies the Company of such termination and (iv) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be. The Company and the Executive shall take all steps necessary (including with regard to any post-termination services by the Executive) to ensure that any termination described in this Section 5 constitutes a "separation from service" within the meaning of Section 409A of the Code, and notwithstanding anything contained herein to the contrary, the date on which such separation from service takes place shall be the "Date of Termination."

6. Obligations of the Company upon Termination. (a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the Executive's business expenses that are reimbursable pursuant to Section 4(b)(v) but have not been reimbursed by the Company as of the Date of Termination; (3) the Executive's Annual Bonus for the fiscal year immediately preceding the fiscal year in which the Date of Termination occurs, if such bonus has been determined but not paid as of the Date of Termination (at the time such Annual Bonus would otherwise have been paid), but excluding any such Annual Bonus or portion thereof that has been earned but deferred; (4) any accrued vacation pay to the extent not theretofore paid (the sum of the amounts described in subclauses (1), (2), (3) and (4), the "Accrued Obligations") and (5) the product of (x) the higher of (I) the Recent Annual Bonus and (II) the Annual Bonus paid or payable, including any bonus or portion thereof which has been earned but deferred (and annualized for any fiscal year consisting of less than twelve full months or during which the Executive was employed for less than twelve full months), for the most recently completed fiscal year during the Employment Period, if any (such higher amount being referred to as the "Highest Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 the "Pro Rata Bonus"; and

B. the amount equal to the product of (1) three and (2) the sum of (x) the Executive's Annual Base Salary and (y) the Highest Annual Bonus; and

C. an amount equal to the product of (1) three and (2) the average annual amount of the Company's contributions on behalf Executive under all defined contribution plans maintained by the Company or any of the affiliated companies during the three-year period immediately preceding the Change of Control.

(ii) for three years after the Executive's Date of Termination or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy (the "Benefit Continuation Period"), the Company shall provide health care and life insurance benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies providing health care and life insurance benefits and at the benefit level described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families; provided, however, that, the health care benefits provided during the Benefit Continuation Period shall be provided in such a manner that such benefits (and the costs and premiums thereof) are excluded from the Executive's income for federal income tax purposes and, if the Company reasonably determines that providing continued coverage under one or more of its health care benefit plans contemplated herein could be taxable to the Executive, the Company shall provide such benefits at the level required hereby through the purchase of individual insurance coverage; provided, further, however, that if the Executive becomes reemployed with another employer and is eligible to receive health care and life insurance benefits under another employer provided plan, the health care and life insurance benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. Following the end of the Benefit Continuation Period, the Executive shall be eligible for continued health coverage as required by Section 4980B of the Code or other applicable law ("COBRA Coverage"), as if the Executive's employment with the Company had terminated as of the end of such period, and the Company shall take such actions as are necessary to cause such COBRA Coverage not to be offset by the provision of benefits under this Section 6(a)(ii) and to cause the period of COBRA Coverage to commence at the end of the Benefit Continuation Period. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree welfare benefits pursuant to the retiree welfare benefit plans, the Executive shall be considered to have remained employed until the end of the Benefit Continuation Period and to have retired on the last day of such period.

(iii) beginning on the Executive's Date of Termination until the end of the Executive's second taxable year following the taxable year of such Date of Termination, the Company shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in his sole discretion; and

(iv) to the extent not theretofore paid or provided, the Company shall pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits") in accordance with the terms of the underlying plans or agreements.

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the Pro Rata Bonus and the timely payment or provision of Other Benefits. Accrued Obligations and the Pro Rata Bonus shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the Pro Rata Bonus and the timely payment or provision of Other Benefits in accordance with the terms of the underlying plans or agreements. Accrued Obligations and the Pro Rata Bonus shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination and (y) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the Pro Rata Bonus and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations and the Pro Rata Bonus shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 12(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement; Legal Fees. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred (within 10 days following the Company's receipt of an invoice from the Executive), at any time from the Effective Date of this Agreement through the Executive's remaining lifetime (or, if longer, through the 20th anniversary of the Effective Date), to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result

of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code ("Interest"). In order to comply with Section 409A of the Code, in no event shall the payments by the Company under this Section 8 be made later than the end of the calendar year next following the calendar year in which such fees and expenses were incurred, *provided*, that the Executive shall have submitted an invoice for such fees and expenses at least 10 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred. The amount of such legal fees and expenses that the Company is obligated to pay in any given calendar year shall not affect the legal fees and expenses that the Company is obligated to pay in any other calendar year, and the Executive's right to have the Company pay such legal fees and expenses may not be liquidated or exchanged for any other benefit.

9. Certain Additional Payments by the Company. (a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any Payment would be subject to the Excise Tax, then the Executive shall be entitled to receive an additional payment (the "Gross-Up Payment") in an amount such that, after payment by the Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, but excluding any income taxes and penalties imposed pursuant to Section 409A of the Code, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 9(a), if it shall be determined that the Executive is entitled to the Gross-Up Payment, but that the Parachute Value of all Payments does not exceed 110% of the Safe Harbor Amount, then no Gross-Up Payment shall be made to the Executive and the amounts payable under this Agreement shall be reduced so that the Parachute Value of all Payments, in the aggregate, equals the Safe Harbor Amount. The reduction of the amounts payable hereunder, if applicable, shall be made by reducing the payments and benefits under the following sections in the following order: (1) Section 6(a)(i)(B), (2) Section 6(a)(i)(C), (3) Section 6(a)(i)(A)(5) and (4) Section 6(a)(ii). For purposes of reducing the Payments to the Safe Harbor Amount, only amounts payable under this Agreement (and no other Payments) shall be reduced. If the reduction of the amount payable under this Agreement would not result in a reduction of the Parachute Value of all Payments to the Safe Harbor Amount, no amounts payable under the Agreement shall be reduced pursuant to this Section 9(a). The Company's obligation to make Gross-Up Payments under this Section 9 shall not be conditioned upon the Executive's termination of employment.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Deloitte & Touche LLP, or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either pay the tax claimed to the appropriate taxing authority on behalf of the Executive and direct the Executive to sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company pays the claim and directs the Executive to sue for a refund, the Company shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such payment or with respect to any imputed income with respect to such payment; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of a Gross-Up Payment or payment by the Company of an amount on the Executive's behalf pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to the Excise Tax to which such Gross-Up Payment relates or with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after payment by the Company of an amount on the Executive's behalf pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then the amount of such payment shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(e) Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination; *provided* that, the Gross-Up Payment shall in all events be paid no later than the end of the Executive's taxable year next following the Executive's taxable year in which the Excise Tax (and any income or other related taxes or interest or penalties thereon) on a Payment are remitted to the Internal Revenue Service or any other applicable taxing authority or, in the case of amounts relating to a claim described in Section 9(c) that does not result in the remittance of any federal, state, local and foreign income, excise, social security and other taxes, the calendar year in which the claim is finally settled or otherwise resolved. Notwithstanding any other provision of this Section 9, the Company may, in its sole discretion, withhold and pay over to the Internal Revenue Service or any other applicable taxing authority, for the benefit of the Executive, all or any portion of any Gross-Up Payment, and the Executive hereby consents to such withholding.

(f) Definitions. The following terms shall have the following meanings for purposes of this Section 9.

(i) "Excise Tax" shall mean the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

(ii) "Parachute Value" of a Payment shall mean the present value as of the date of the change of control for purposes of Section 280G of the Code of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2), as determined by the Accounting Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

(iii) A "Payment" shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable pursuant to this Agreement or otherwise.

(iv) The "Safe Harbor Amount" means 2.99 times the Executive's "base amount," within the meaning of Section 280G(b)(3) of the Code.

10. Non-Competition, Non-Solicitation and Confidential Information. In consideration of the Payments to be made hereunder:

(a) During the Restriction Period, Executive shall not Compete with the Company, or any of its affiliated companies, regardless of whether Executive is physically located inside or outside the Restricted Area (e.g., Executive cannot be employed by a Competitor whose place of business is outside the Restricted Area but who actually is engaged in a Restricted Business primarily targeted to Persons located inside the Restricted Area); provided Executive is permitted to own up to one percent (1%) of the outstanding capital stock or other equity interests of any publicly-traded Person that is a Competitor.

(b) Unless approved by the President of the Company in advance, during the Restriction Period, Executive shall not, directly or indirectly, solicit the employment of, assist in the soliciting of the employment of, or hire any employee of the Company or any of its affiliated companies, or induce any Person who is an employee, agent or contractor of the Company to terminate such relationship, or to join with the Executive or any other Person for the purpose of leaving the employ or such other relationship with the Company or any of its affiliated companies and undertaking any form of business. The preceding sentence shall not prevent Executive's employer from hiring any employee of the Company who contacts Executive's employer of his or her own initiative in response to advertisements or other general solicitations of employment from Executive's employer.

(c) During the Restriction Period, Executive shall not, directly or indirectly, solicit Customers for any purpose related to the Restricted Business.

(d) The restrictions set forth in Sections 10(b) and 10(c) shall not apply to general advertising or other general solicitations not intended to target employees or Customers of the Company.

(e) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Subsection 10(e) constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

(f) In the event of Executive's actual or threatened breach of this Section 10, the Company shall be entitled to an injunction restraining Executive therefrom, and shall not be deemed to be the exclusive remedy for any such breach, but shall be in addition to all other remedies at law or in equity. Executive agrees to waive any requirement for the securing or posting of any bond in connection with such remedy. If, at the time of enforcement of this Section 10, a court holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law.

(g) For purposes of this Section 10, the following terms shall have the respective meanings set forth below:

(i) "Compete" means to, directly or indirectly, own, manage, control or participate in the ownership, management, or control of, or be employed or engaged by or otherwise affiliated or associated as a consultant, independent contractor or otherwise with, any Competitor, or otherwise directly or indirectly engage in any Restricted Business primarily targeted to the Restricted Area.

(ii) "Competitor" means any Person (other than the Company or its affiliated companies) who undertakes any Restricted Business in the Restricted Area, regardless of whether or not the Competitor is physically located inside or outside the Restricted Area.

(iii) "Customer" means any Person who was a customer of, had a contractual relationship with, or was a prospective customer of the Company or its affiliated companies, at any time within the twenty-four (24) month period ending on the Effective Date.

(iv) "Restricted Area" means an area within a fifty (50) mile radius of any Restricted Business owned as of the Effective Date.

(v) "Restricted Business" shall mean any paid or free distribution newspaper, classified advertising or specialty publication business (including any such publication distributed through the Internet) or commercial printing business that Competes with the Company, or any of its affiliated companies, in the Restricted Area.

(vi) "Restriction Period" means the period commencing on the Effective Date and ending on the date that is the first (1st) anniversary of the Effective Date.

11. Successors. (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives. Except as provided in Section 11(c), without the prior written consent of the Executive this Agreement shall not be assignable by the Company.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

If to the Company:

Lee Enterprises, Incorporated
201 N. Harrison Street, Ste. 600
Davenport, Iowa 52801-1939
Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(a) hereof, prior to the Effective Date, the Executive's employment may be terminated by either the Executive or the Company at any time prior to the Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

(g) Notwithstanding any provision in this Agreement to the contrary, in the event of an Anticipatory Termination, any payments that are deferred compensation within the meaning of Section 409A of the Code that the Company shall be required to pay pursuant to Section 6(a)(i) of this Agreement shall be paid on the date of the Change of Control.

(h) Within the time period permitted by the applicable Treasury Regulations, the Company may, in consultation with the Executive, modify the Agreement, in the least restrictive manner necessary and without any diminution in the value of the payments to the Executive, in order to cause the provisions of the Agreement to comply with the requirements of Section 409A of the Code, so as to avoid the imposition of taxes and penalties on the Executive pursuant to Section 409A of the Code.

13. Survivorship. Upon the expiration or other termination of this Agreement or the Executive's employment, the respective rights and obligations of the parties hereto shall survive to the extent necessary to carry out the intentions of the parties under this Agreement.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

LEE ENTERPRISES, INCORPORATED

By: ______________________________

Mary E. Junck
Chairman, President and CEO

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Mary E. Junck, certify that:

1. I have reviewed this quarterly report on Form 10-Q (Quarterly Report) of Lee Enterprises, Incorporated (Registrant);

2. Based on my knowledge, this Quarterly 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 Quarterly Report;

3. Based on my knowledge, the Consolidated Financial Statements, and other financial information included in this Quarterly 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 Quarterly 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 Quarterly 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 Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this Quarterly Report based on such evaluation; and

    d) disclosed in this Quarterly 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: May 14, 2008

/s/ Mary E. Junck
Mary E. Junck
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Carl G. Schmidt, certify that:

1. I have reviewed this quarterly report on Form 10-Q (Quarterly Report) of Lee Enterprises, Incorporated (Registrant);

2. Based on my knowledge, this Quarterly 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 Quarterly Report;

3. Based on my knowledge, the Consolidated Financial Statements, and other financial information included in this Quarterly 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 Quarterly 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 Quarterly 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 Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this Quarterly Report based on such evaluation; and

   d) disclosed in this Quarterly 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: May 14, 2008

/s/ Carl G. Schmidt
Carl G. Schmidt
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 quarterly report on Form 10-Q for the period ended March 30, 2008 (Quarterly 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 Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Lee Enterprises, Incorporated for the periods presented in the Quarterly Report.

Date: May 14, 2008

/s/ Mary E. Junck	/s/ Carl G. Schmidt
Mary E. Junck Chairman, President and Chief Executive Officer	Carl G. Schmidt 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.