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

FORM 8-K/A

CURRENT REPORT

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

Date of Report (Date of earliest event reported): March 16, 2020

LEE ENTERPRISES, INCORPORATED

(Exact name of Registrant as specified in its charter)

Delaware	1-6227	42-0823980
(State of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

4600 E. 53rd Street, Davenport, Iowa 52807
(Address of Principal Executive Offices)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $.01 per share	LEE	New York Stock Exchange

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

Item 2.01. Completion of Acquisition or Disposition of Assets.

On March 16, 2020, Lee Enterprises, Incorporated, a Delaware corporation ("Lee") filed a Current Report on Form 8-K (the "Initial Form 8-K") to disclose that it completed its previously announced purchase of certain assets and the assumption of certain liabilities of the newspaper and related community publications business of BH Media ("BH Media Newspaper Business") and the purchase of all of the issued and outstanding capital stock of The Buffalo News, Inc., a Delaware corporation ("Buffalo News") (collectively, the "Purchase Transaction").

This Current Report on Form 8-K/A amends Item 9.01(a) of the Initial Form 8-K to include the audited financial statements of the BH Media Newspaper Business and Buffalo News and Item 9.01(b) to include the unaudited pro forma financial information of BH Media Newspaper Business and Buffalo News. There were no other changes made to the Initial Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) *Financial Statements of Business Acquired*

Exhibit 99.1 - The audited financial statements of the BH Media Newspaper Business and the Buffalo News for the fiscal years ended December 29, 2019, December 30, 2018 and December 31, 2017.

(b) *Pro Forma Financial Information*

Exhibit 99.2 – The unaudited pro forma condensed combined financial statements.

(d) *Exhibits*

The following exhibits are filed herewith:

Exhibit Number	Description
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
99.1	The audited financial statements of the BH Media Newspaper Business and the Buffalo News for the fiscal years ended December 29, 2019, December 30, 2018 and December 31, 2017.
99.2	The unaudited pro forma condensed combined financial statements.

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

Date: June 2, 2020

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

Exhibit 23.1

Consent of Independent Auditors

The Board of Directors and Stockholders
Lee Enterprises, Incorporated:

We consent to the incorporation by reference in the registration statement Form S-8 (No. 333-06435, No. 333-132768, No. 333-218355 and No. 333-204985) and Form S-3 (No. 333-215651, Amendment No. 1 to No. 333-21561, No. 333-197450, No. 333-236356 and Amendment No. 1 to No. 333-197450) of Lee Enterprises, Incorporated and subsidiaries of our report dated June 2, 2020, with respect to the combined abbreviated financial statements of the BH Newspaper Business and The Buffalo News, Inc., which comprise the combined statements of assets acquired and liabilities assumed as of December 29, 2019 and December 30, 2018 and the related combined statements of revenues and direct expenses for the 52-week period ended December 29, 2019, 52-week period ended December 30, 2018, and 53-week period ended December 31, 2017, and the related notes to the combined abbreviated financials statements, which report appears in the Form 8-K/A of Lee Enterprises, Incorporated dated June 2, 2020.

/s/ KPMG LLP
Chicago, Illinois
June 2, 2020

Exhibit 99.1

BH NEWSPAPER BUSINESS AND THE BUFFALO NEWS

Combined Abbreviated Financial Statements

Fiscal Years Ended December 29, 2019, December 30, 2018, and December 31, 2017

(With Independent Auditors' Report Thereon)

BH NEWSPAPER BUSINESS AND THE BUFFALO NEWS

Index to Combined Abbreviated Financial Statements

Independent Auditors' Report

The Board of Directors and Stockholders
Lee Enterprises, Incorporated:

We have audited the accompanying combined abbreviated financial statements of the BH Newspaper Business and The Buffalo News, Inc., which comprise the combined statements of assets acquired and liabilities assumed as of December 29, 2019 and December 30, 2018 and the related combined statements of revenues and direct expenses for the 52-week period ended December 29, 2019, the 52-week period ended December 30, 2018, and the 53-week period ended December 31, 2017, and the related notes to the combined abbreviated financials statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined abbreviated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined abbreviated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined abbreviated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined abbreviated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined abbreviated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined abbreviated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined abbreviated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined abbreviated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined abbreviated financial statements referred to above present fairly, in all material respects, the financial position of BH Newspaper Business and The Buffalo News, as of December 29, 2019 and December 30, 2018 and their revenues and direct expenses for the 52-week period ended December 29, 2019, the 52-week period ended December 30, 2018, and the 53-week period ended December 31, 2017, in accordance with U.S. generally accepted accounting principles.

Change in Accounting Principle

As discussed in Note 2 to the combined abbreviated financial statements, BH Newspaper Business and The Buffalo News, Inc. has changed their method of accounting for leases as of December 31, 2018 due to the adoption of Accounting Standards Codification Topic 842, *Leases*.

Emphasis of Matter

We draw attention to note 1 of the combined abbreviated financial statements, which describes the basis of presentation used in preparing these combined abbreviated financial statements. Our opinion is not modified with respect to this matter.

/s/ KPMG LLP
Chicago, Illinois
June 2, 2020

BH NEWSPAPER BUSINESS AND THE BUFFALO NEWS

Combined Statements of Assets Acquired and Liabilities Assumed

(in thousands)

		December 29, 2019	December 30, 2018
Assets acquired			
Current assets:			
Cash and cash equivalents	$	10,148	5,508
Accounts receivable, less allowance for doubtful accounts of $4,275 and $4,200, respectively		39,929	47,994
Inventories		6,730	8,134
Prepaids and other		7,999	8,447
Total current assets		64,806	70,083
Property and equipment:			
Land		715	715
Buildings and improvements		24,860	24,906
Equipment		142,564	149,177
Total property and equipment		168,139	174,798
Less accumulated depreciation		(144,107)	(145,813)
Property and equipment, net		24,032	28,985
Intangible assets, net		86,573	95,147
Operating lease right-of-use asset		6,790	—
Pension assets		25,379	19,216
Other assets		3,276	2,147
Total assets acquired	$	210,856	215,578
Liabilities assumed			
Current liabilities:			
Accounts payable	$	8,077	10,822
Current portion of lease liabilities		2,902	—
Compensation and other accrued liabilities		30,657	34,563
Unearned revenue		35,434	35,142
Total current liabilities		77,070	80,527
Operating lease liabilities		5,021	—
Pension obligations		10,015	10,821
Postretirement and postemployment benefit obligations		37,000	35,000
Other liabilities		1,871	5,278
Total liabilities		130,977	131,626
Total assets acquired net of liabilities assumed	$	79,879	83,952

See accompanying notes to the combined abbreviated financial statements.

BH NEWSPAPER BUSINESS AND THE BUFFALO NEWS
Combined Statements of Revenues and Direct Expenses

(in thousands)

		2019	2018	2017
Revenues:				
Advertising and marketing services	$	235,272	274,565	312,312
Subscription		175,934	164,515	163,449
Other		43,801	51,304	55,749
Total revenues		455,007	490,384	531,510
Direct expenses:				
Compensation		205,886	227,238	267,244
Newsprint and ink		43,387	53,288	55,590
Depreciation and amortization		17,778	20,937	21,994
Other operating expenses		157,964	150,321	158,641
Total direct expenses		425,015	451,784	503,469
Revenue less direct expenses	$	29,992	38,600	28,041

See accompanying notes to the combined abbreviated financial statements.

BH NEWSPAPER BUSINESS AND THE BUFFALO NEWS
Notes to Combined Abbreviated Financial Statements

(in thousands)

1. Nature of Business and Basis of Presentation

On January 29, 2020, Berkshire Hathaway Inc. ("Berkshire") and its wholly owned subsidiary BH Media Group, Inc. ("BHMG") entered into an Asset and Stock Purchase Agreement (the "ASPA") with Lee Enterprises, Incorporated ("Lee"). Pursuant to the ASPA, Lee agreed to acquire (1) certain assets and assume certain liabilities of BHMG's newspapers and related community publications business (the "BH Newspaper Business"); and, (2) all of the issued and outstanding capital stock of The Buffalo News, Inc. (together, the operations of the BH Newspaper Business and The Buffalo News, Inc. are referred to herein as the "Business"). Since July 2, 2018, Lee has managed the BH Newspaper Business pursuant to a Management Agreement between BHMG and Lee dated June 26, 2018 ("Management Agreement").

The BH Newspaper Business consists of print and digital operations of 30 daily newspapers serving communities in 10 states, as well as 49 paid weekly publications with digital sites and 32 other print products. The Buffalo News is a print and digital news operation serving communities in western New York.

On March 16, 2020, Berkshire and Lee completed the transaction described above. The aggregate purchase price for the sale of the Business was $140 million, excluding an additional $12 million in cash held at BHMG, acquired at closing. Concurrently, BHMG also entered into a lease agreement with Lee providing for the leasing of 68 properties and related fixtures (including production equipment) retained by BHMG and used in the BH Newspaper Business acquired by Lee. In connection with the transaction described above, Lee entered into a Credit Agreement with BH Finance, LLC, a Nebraska limited liability company ("BH Finance") to provide a secured 25-year term loan. Lee borrowed $576 million from BH Finance under the Credit Agreement in order to finance the Purchase Transaction and refinance its outstanding indebtedness at a 9% annual rate.

Basis of Presentation

The accompanying Combined Statements of Assets Acquired and Liabilities Assumed as of December 29, 2019 and December 30, 2018 and the related Combined Statements of Revenues and Direct Expenses for each of the fiscal years ended December 29, 2019, December 30, 2018, and December 31, 2017 (collectively, the "Combined Abbreviated Financial Statements") of the Business have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and have been prepared for purposes of providing financial information of an acquired business that is considered significant pursuant to the Securities and Exchange Commission ("SEC") Rule 3-05 of Regulation S-X. As the Business has not been managed by Berkshire as a stand-alone business, nor has it been accounted for as a separate entity or subsidiary of Berkshire, it is impracticable to prepare a full set of financial statements of the Business, including corporate overhead, interest and income tax allocations. In lieu of a full set of financial statements, the SEC has permitted the substitution of the accompanying Combined Statements of Assets Acquired and Liabilities Assumed and Revenues and Direct Expenses (the "Combined Abbreviated Financial Statements") for the purpose of complying with Rule 3-05. To the extent available, selected information pertaining to operating cash flows of the Business have been included within the footnotes to the Combined Abbreviated Financial Statements. There were no significant cash flows related to investing activities. The primary financing activities related to equity transactions with Berkshire, which are not included in the Combined Abbreviated Financial Statements. The accompanying Combined Abbreviated Financial Statements are not intended to be a complete presentation of financial position, results of operations, or cash flows of the Business in conformity with GAAP. In addition, the Combined Abbreviated Statements of Revenue and Direct expenses may not be indicative of operating results given the omission of certain corporate overhead, interest and income tax allocations.

(in thousands)

The Combined Abbreviated Financial Statements have been derived from the accounting records of BHMG and The Buffalo News using historical results of operations and financial position and only present the combined assets acquired, liabilities assumed, and the revenues and direct expenses of the Business. The assets acquired and liabilities assumed include items specifically identified in the ASPA. The direct expenses of the Business include employee related costs, third-party vendor costs, related party costs incurred under the Management Agreement, selling costs, and general and administrative expenses relating to the Business.

The real estate and operating fixtures such as production equipment retained by BHMG pursuant to the ASPA have been excluded from the accompanying Combined Abbreviated Financial Statements.

Fiscal Year

The BH Newspaper Business uses period accounting with the fiscal year ending on the last Sunday in December, while the Buffalo News uses a calendar year end. As it relates to the BH Newspaper Business, references to "2019", "2018", and "2017" refer to the fiscal years ended on the last Sunday in December and fiscal years 2019 and 2018 included 52 weeks and the fiscal year 2017 included 53 weeks of revenue and direct expenses on the accompanying Combined Statements of Revenues and Direct Expenses.

2. Significant Accounting Policies

Accounting Estimates

The preparation of the Combined Abbreviated Financial Statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management evaluates estimates on an on-going basis. Management bases 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.

Cash and Cash Equivalents

The Business considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Management of the Business evaluates the allowance for doubtful accounts receivable based on historical credit experience, payment trends and other economic factors. Delinquency is determined based on the timing of payments in relation to billing dates. Accounts considered to be uncollectible are written off.

Inventories

Newsprint and other inventories are carried at the lower of cost or net realizable value. At December 29, 2019, the cost of inventories was determined using the Specific Identification (“Specific ID”) method for approximately 61% of total inventories, the First-In First-Out (“FIFO”) method for approximately 29% of total inventories, or by using the Last-In First-Out (“LIFO”) method for the remaining 10% of total inventories. At December 30, 2018, the cost of inventories was determined using the Specific ID method for approximately 70% of total inventories, FIFO method for approximately 24% of total inventories, or by LIFO method for the remaining 6% of total inventories.

At December 29, 2019 and at December 30, 2018, the Business recorded a LIFO reserve of $214 and $277, respectively.

(in thousands)

The components of inventory by cost method were as follows:

Inventories	Cost Method	December 29, 2019	December 30, 2018
Newsprint	Specific ID	$ 3,971	5,637
Newsprint	LIFO	661	437
Other inventory	FIFO	1,976	1,972
Other inventory	Specific ID	122	88
		$ 6,730	8,134

Property and Equipment

Property and equipment are carried at cost. Buildings and improvements are depreciated using the straight-line method over estimated useful lives ranging from 20 to 40 years. Equipment is depreciated using the straight-line method over estimated useful lives ranging from 3 to 20 years. Leasehold improvements are depreciated using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the asset, ranging from 2 to 14 years. The Business is required to review for impairment of long-lived assets if events or changes in circumstances indicate that their carrying amounts may not be recoverable. The Business did not review long-lived assets for impairment as there were no events or changes in circumstances to indicate that their carrying amounts would not be recoverable.

Intangible Assets

Intangible assets include customer lists, newspaper subscriber lists, and mastheads. Customer lists, newspaper subscriber lists, and mastheads are amortized using the straight-line method over the following estimated useful lives:

	Years
Customer lists	3 to 21
Newspaper subscriber lists	3 to 21
Mastheads	40

A portion of the amortizable intangible assets balance relates to an acquisition effected by Berkshire in 2012 that were pushed down to the Business. Amortizable intangible assets are reviewed for impairment whenever impairment indicators are present. Recoverability of intangible assets is assessed by comparing the estimated undiscounted cash flows associated with the asset group to their respective carrying amount. The impairment amount, if any, is calculated based on the excess of the carrying amount over the fair value of those asset groups.

Revenue Recognition

On January 1, 2018, management adopted ASC Topic 606, Revenue from Contracts with Customers ("ASC 606"). Results for reporting periods beginning after January 1, 2018 are presented under the new guidance while prior period amounts are not adjusted and continue to be reported in accordance with legacy accounting under the old guidance. Additional information as a result of this adoption is contained in Note 2 - Recently Issued Accounting Standards.

Revenue is recognized when a performance obligation is satisfied by the transfer of control of the contracted goods or services to customers, in an amount that reflects the consideration the Business expects to receive in exchange for those goods or services.

Advertising and marketing services revenue includes amounts charged to customers for retail, national, or classified advertising space purchased in newspapers, advertisements placed on digital platforms, and other print advertising products such as preprint inserts and direct mail. Print advertising revenue is recognized at the point in time the associated publication has been delivered. Digital advertising revenue is recognized at the point in time that impressions are delivered.

(in thousands)

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

Other revenue primarily consists of commercial printing and delivery of third-party products, which are recognized when the commercial printing and third-party products are delivered to the customer.

Other Expenses

Other expenses include all expenses relating to newspaper operations not considered to be compensation, newsprint, or depreciation and amortization. The largest components are costs associated with printing and distribution of printed products, outside contracted service, digital cost of sales and severance costs.

Pensions and Postemployment Benefits

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

The Business uses a fiscal year end measurement date for all pension and postemployment obligations in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 715, Retirement Plans. The Business uses the frozen entry age actuarial cost method, under which the excess of the actuarial present value of projected benefits of the group included in an actuarial valuation, over the sum of the actuarial value of assets plus the unfunded frozen actuarial accrued liability, is allocated on a level basis over the earnings or service of the group between the valuation date and assumed exit. This allocation is performed for the group as a whole, not as a sum of individual allocations.

Fair Value of Financial Instruments

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

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

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

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

(in thousands)

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

Money Market Funds: Valued at the daily closing price as reported by the fund. Money market funds held are open-end mutual funds that are registered with the Securities and Exchange Commission that generally transact at a stable $1.00 NAV representing its estimated fair value. On a daily basis, the fund's NAV is determined by the fund based on the amortized cost of the fund's underlying investments.

U.S. Treasury Bills: Valued using pricing models maximizing the use of observable inputs for similar securities.

Common Stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate Bonds and Notes: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

Deposits with Insurance Company (Pooled Separate Account): Valued at the NAV of units of the pooled separate account. The NAV is determined by dividing the net assets, at fair value, of the fund by the number of units outstanding on the day of valuation. Pooled separate accounts are comprised primarily of shares of registered investment companies held through sub-accounts of a separate account of an insurance company. The Business has concluded that the NAV, as adjusted (for mutual fund dividends, mutual fund splits and administrative maintenance charges and other items) and reported by the insurance company, is used as a practical expedient to estimate fair value. The investments are redeemable daily at the adjusted NAV under agreements with the insurance company. However, it is possible that the redemption rights may be restricted or eliminated in the future. Were the Plan to initiate a full redemption of the underlying investments, the investment adviser has reserved the right to temporarily delay withdrawal from the pooled separate accounts to ensure that securities liquidations will be carried out in an orderly business manner.

Deposits with Insurance Company (General Investment Fund): Fair value is the amount that the Business would receive if it withdrew funds from these accounts. Fair value is calculated using a cash-out factor based on an associated pool of generated account assets. When a fund transfer occurs, the contract provides it must be based on current investment value (or market value), an approximation of fair value. The cash-out factor is a ratio of asset investment value to asset book value. The cash-out factor is used to adjust fair value of supported liabilities impacting amounts the Business receives at measurement date.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Business is not currently a party to any claims or legal actions that would, in the opinion of management, have a material adverse effect on the Business's financial position, results of operations, or liquidity.

(in thousands)

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers and in 2015, 2016, and 2017 the FASB issued several clarifying updates to this new standard (ASU No. 2015-14, 2016-08, 2016-10, 2016-11, 2016-12, 2016-20 and 2017-05), which collectively comprises ASC 606. ASC 606 provides a five-step model in determining when and how revenue is recognized and requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. This new standard was adopted in 2018 using the modified retrospective method and did not result in any adjustments included in the accompanying Combined Abbreviated Financial Statements. Additional information and disclosures as a result of this adoption are contained in Note 4.

In February 2016, the FASB issued ASU No. 2016-02, Leases (“ASC 842”), a new standard for the accounting treatment of leases. The new standard is based on the principle that entities should recognize assets and liabilities arising from leases. The new standard's primary change is the requirement for entities to recognize a lease liability for payments and a right-of-use (“ROU”) asset representing the right to use the leased asset during the term on most operating lease arrangements. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. In addition, the new standard expands the disclosure requirements of lease arrangements. Lessees have the option to use a modified retrospective transition approach, which includes a number of practical expedients. This new standard was adopted on December 31, 2018, the first day in fiscal year 2019, using the modified retrospective method and resulted in recording ROU assets and operating lease liabilities. Additional information and disclosures as a result of this adoption are contained in Note 6.

In March 2017, the FASB issued No. ASU 2017-07, Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post Retirement Benefit Cost (“ASC 715”) to improve the presentation of pension and postemployment benefit expense. The new standard requires that the service cost component of pension and postemployment benefits expense is recognized as compensation expense, while the remaining components of the expense are presented outside of operating income, if a subtotal of income from operations is presented in an income statement. This new standard was adopted on December 31, 2018, the first day in fiscal year 2019 using the retrospective method. For purposes of these Combined Abbreviated Financial Statements, the service cost component of pension and postemployment benefits expense is recognized as compensation expense, while the remaining components of pension and postemployment benefits expense are included in other expenses on the accompanying combined statements of revenues and direct expenses for all periods presented. Additional information and disclosures relating to pension and postemployment benefits expense are contained in Note 7.

3. Related Party Transactions

In accordance with the terms of the Management Agreement, and during the initial 5-year term, commencing on July 2, 2018, Lee earns a fixed fee of $5,000 payable quarterly, in arrears, and a variable fee based on a percentage of annual earnings before income taxes, depreciation and amortization of BHMG over $34,000. The variable fee percentage is 33% for the first two years of the contract and 50% for the last three years. In connection with the Management Agreement, Lee provided management services to BHMG in exchange for the fixed and variable fees. For the fiscal years ended December 29, 2019 and December 30, 2018, the Business recognized expenses of $11,547 and $2,826, respectively, pursuant to the Management Agreement in other operating expenses on the accompanying combined statements of revenues and direct expenses. At December 29, 2019, accrued but unpaid expenses were $2,864. There were no accrued but unpaid expenses at December 30, 2018.

As of March 16, 2020, in connection with the acquisition described in Note 1, the Management Agreement was terminated.

(in thousands)

4. Revenue

On January 1, 2018, the Business adopted ASC 606 using the modified retrospective method applied to those contracts which were not completed as of that date. Results for reporting periods beginning after January 1, 2018 are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with legacy accounting under the old guidance. The Business did not record any adjustments as a result of adopting the new guidance.

The following table presents revenue disaggregated by source:

		2019	2018	2017
Advertising and marketing services revenue	$	235,272	274,565	312,312
Subscription revenue		175,934	164,515	163,449
Other revenue		43,801	51,304	55,749
Total operating revenue	$	455,007	490,384	531,510

Recognition principles: Revenue is recognized when a performance obligation is satisfied by the transfer of control of the contracted goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. Additional information related to revenue recognition principles are contained in Note 2.

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

Contract Assets and Liabilities: The primary source of contract liabilities for the Business is from unearned revenue for subscriptions paid in advance of the goods or service provided. The Business expects to recognize the revenue related to unsatisfied performance obligations over the next twelve months in accordance with the terms of the subscriptions and other contracts with customers. The unearned revenue balances described herein are the only contract liability of the Business. At December 29, 2019 and December 30, 2018, unearned revenue was $35,434 and $35,142, respectively. Revenue recognized during the fiscal year ended December 29, 2019 that was included in the contract liability as of December 30, 2018 was $35,142. The Business had no contract assets at December 29, 2019 or December 30, 2018.

Accounts receivable, excluding allowance for doubtful accounts, was $44,204 and $52,194 as of December 29, 2019 and December 30, 2018, respectively. Allowance for doubtful accounts was $4,275 and $4,200 as of December 29, 2019 and December 30, 2018, respectively.

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

(in thousands)

5. Intangibles

As of December 29, 2019, identified intangible assets consisted of the following:

	Cost	Accumulated Amortization	Net
Mastheads	$ 56,784	(10,489)	46,295
Customer and newspaper subscriber lists	104,635	(64,357)	40,278
	$ 161,419	(74,846)	86,753

As of December 30, 2018, identified intangible assets consisted of the following:

	Cost	Accumulated Amortization	Net
Mastheads	$ 56,784	(9,070)	47,714
Customer and newspaper subscriber lists	104,635	(57,202)	47,433
	$ 161,419	(66,272)	95,147

The Business did not record any impairment charges in 2019, 2018 or 2017.

Annual amortization of intangible assets for the fiscal years 2020 to 2024 is estimated to be:

2020	$ 8,458
2021	7,817
2022	6,797
2023	6,115
2024	6,019

(in thousands)

6. Leases

Effective December 31, 2018, the first day of fiscal year 2019, the Business adopted ASC 842 using the modified retrospective method as of the adoption date. The Business also adopted certain practical expedients, which permitted the Business to not reassess prior conclusions about lease identification, lease classification, or initial direct costs. The Business also elected to combine non-lease and lease components when accounting for leases. The Business has also made an election to exclude short-term leases, or those with an original term of less than twelve months, from recognition and measurement under ASC 842. As a result of the adoption, the Business recorded operating lease ROU assets of $10,143, current lease liabilities of $3,217, and long-term lease liabilities of $8,180 as of December 31, 2018.

The operating lease portfolio primarily includes office and warehouse space, trucks, and vehicles. The Business has agreements to lease space for various locations through 2027. Total rental expense under operating leases amounted to $4,482, $5,442, and $5,393 for the years ended December 29, 2019, December 30, 2018, and December 31, 2017, respectively.

As of December 29, 2019, maturities of lease liabilities were as follows:

2020	$	74
2021		2,122
2022		1,666
2023		505
2024		—
Thereafter		3,664
Total lease payments		8,031
Less interest		(108)
Present value of lease payments	$	7,923

At December 29, 2019, minimum lease payments during each year in the five-year period ending December 2024 and thereafter were $2,962, $1,732, $909, $609, $488, and $1,331, respectively.

Lease liabilities are generally discounted using the incremental borrowing rate for the Business. The incremental borrowing rate is based on a senior secured collateral adjusted yield curve. This yield curve reflects the estimated rate that would have been paid by the Business to borrow on a collateralized basis over a similar term in a similar economic environment. The Business will assess this rate annually to determine whether it needs to be updated. The weighted average revolving lease terms and discount rates for all operating leases at December 29, 2019 were as follows:

Weighted average remaining lease term (years)	4.65
Weighted average discount rate	0.72%

(in thousands)

7. Pensions

The Business has several non-contributory defined benefit pension plans that together cover selected employees. Benefits under the plans are generally based on salary and years of service. The liability and related expense for benefits under the plans are recorded over the service period of employees based upon annual actuarial calculations. Plan funding strategies are influenced by government regulations. Plan assets consist primarily of domestic corporate equity securities, government and corporate bonds, money markets and deposits with insurance companies.

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

		2019	2018	2017
Service cost for benefits earned during the year	$	2,074	2,392	2,479
Interest cost on projected benefit obligation		6,461	5,771	5,849
Expected return on plan assets		(11,346)	(13,812)	(12,643)
Amortization of net loss		1,498	150	254
Amortization of prior service benefit		5	22	36
Net periodic pension cost (benefit)	$	(1,308)	(5,477)	(4,025)

Changes in benefit obligations and plan assets are as follows:

		2019	2018
Benefit obligation, beginning of year	$	171,347	184,176
Service cost		2,074	2,392
Interest cost		6,661	5,771
Actuarial loss (gain)		27,045	971
Change in discount rate		(4,108)	(12,017)
Change in mortality assumptions		—	(270)
Benefits paid		(9,569)	(9,275)
Administrative expenses paid		(534)	(401)
Benefit obligation, end of year		192,916	171,347
Fair value of plan assets, beginning of year		179,742	226,764
Actuarial return on plan assets		36,892	(37,793)
Benefits paid		(9,569)	(9,275)
Administrative expenses paid		(534)	(401)
Employer contributions		1,750	447
Fair value of plan assets, end of year		208,281	179,742
Funded status	$	15,365	8,395

The Business expects to recognize approximately $1,600 of unrecognized net actuarial loss in net periodic pension cost in 2020.

The accumulated benefit obligation for the plans were $191,444 and $165,892 at December 29, 2019 and December 30, 2018, respectively. The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $106,120, $105,272 and $96,104, respectively, at December 29, 2019.

(in thousands)

Assumptions

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

	2019	2018	2017
Discount Rates	3.1 - 3.2%	4.1 - 4.2%	3.6 - 3.7%

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

	2019	2018	2017
Discount Rates	4.4 - 4.5%	3.6 - 3.7%	3.3 - 3.4%

For 2020, the expected long-term return on plan assets is 6.5%. The assumptions related to the expected long-term return on plan assets are developed through an analysis of historical market returns, current market conditions and composition of plan assets. Additionally, the plans generally utilized a compensation rate increase of 1.00% for fiscal year 2019 and 0.50% for fiscal year 2020 and thereafter.

Plan Assets

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

The investment policy outlines the governance structure for decision making, sets investment objectives and restrictions and establishes criteria for selecting and evaluating investment managers. The use of derivatives is prohibited, except on a case-by-case basis where the manager has a proven capability, and only to hedge quantifiable risks such as exposure to foreign currencies. An investment committee, consisting of certain executives and supported by independent consultants, is responsible for monitoring compliance with the investment policy. Assets are periodically redistributed to maintain the appropriate policy allocation. Plan assets include no securities of the Business.

Fair Value Measurements

The fair value hierarchy of pension assets at December 29, 2019 is as follows:

	NAV	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 2,935	—	—	82
Money market fund	—	9,828	—	—
U.S. Government debt	—	3,983	—	—
Corporate debt	—	—	3,004	—
Domestic equities	—	163,153	25,296	—
	$ 2,935	176,964	28,300	82

BH NEWSPAPER BUSINESS AND THE BUFFALO NEWS
Notes to Combined Abbreviated Financial Statements

(in thousands)

The fair value hierarchy of pension assets at December 30, 2018 is as follows:

	NAV	Level 1	Level 2	Level 3
Deposits with insurance company	$ 2,916	—	—	79
Money market fund	—	11,930	—	—
U.S. Government debt	—	12,729	—	—
Corporate debt	—	—	2,857	—
Domestic equities	—	124,143	25,088	—
	$ 2,916	148,802	27,945	79

There were purchases of investment funds classified as Level 3 of $82 and $79 in 2019 and 2018, respectively, and sales of an investment fund classified as Level 3 of $79 in 2019. There were no transfers of assets classified as Level 3 in 2019 or 2018.

Cash Flows

At December 29, 2019, the Business expected to make contributions of $388 to the pension trust during 2020. However, as a result of The Coronavirus Aid, Relief, and Economic Security ("CARES") Act, enacted into law on March 27, 2020, the Business may defer such fiscal year 2020 contributions until January 1, 2021.

Anticipated future benefit payments to be paid from the pension trust are as follows:

2020	$ 10,392
2021	10,544
2022	10,665
2023	10,797
2024	10,880
2025-2029	54,414

(in thousands)

8. Postemployment Benefits

The Business provides certain postemployment benefits to retirees covering portions of premiums associated with medical, dental, life, and vision insurance benefits in eight collective bargaining units. The amount of premiums paid in five bargaining units are capped at specific dollar amounts per month. The amount of premiums paid in three bargaining units are uncapped. The plan groups consist of capped retirees, uncapped retirees, capped active employees, and uncapped active employees. New participants in the uncapped plans are eligible for Medicare supplemental medical insurance. Management evaluates the benefits accrued and related assumptions periodically. The unpaid postemployment benefits were $37,000 and $35,000 as of December 29, 2019 and December 30, 2018, respectively.

The disclosures relating to the roll-forward of postemployment obligations and net periodic cost are excluded due to immateriality.

Assumptions

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

(Percent)	**2019**	**2018**	**2017**
Discount rate	4.4%	3.7%	4.4%

Assumed health care cost trend rates are as follows:

(Percent)	**2019**	**2018**
Health care cost trend rates	8.5	9.0
Rate to which the cost trend rate is assumed to decline (the "Ultimate Trend Rate")	4.5	4.5
Year in which the rate reaches the Ultimate Trend Rate	2026	2026

Assumed health care cost trend rates have an effect on the amounts reported for postemployment plans. A one percentage point change in assumed health care trend rates would have the following annualized effects on reported amounts for 2019.

	One Percentage Point	
	Increase	**Decrease**
Effect on postemployement benefit obligation	6,000	(5,000)

We anticipate future benefit payments to be paid directly with future contributions, as follows:

	Payments
2020	1,100
2021	1,300
2022	1,400
2023	1,400
2024	1,400
2025-2029	8,000

(in thousands)

9. Commitments and Contingencies

Purchase Obligations

As of December 29, 2019, the Business had future purchase obligations totaling $23,287, which primarily relate to commitments to acquire content, third party delivery and other service delivery contracts.

Legal Proceedings

From time to time, the Business may be 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 Business is unable to predict the ultimate outcome of these legal actions, it is anticipated that the disposition of these matters will not have a material adverse effect on the Abbreviated Financial Statements, taken as a whole.

10. Subsequent Events

Management of the Business has evaluated subsequent events from December 29, 2019 through June 2, 2020, the date at which the Combined Abbreviated Financial Statements were available to be issued. In March 2020, the World Health Organization categorized coronavirus disease 2019 ("COVID-19") as a pandemic and a national emergency was declared in the United States. In accordance with Accounting Standards Codification Topic 855, Subsequent Events, the effects of COVID-19 are considered a non-recognized subsequent event relative to the accompanying Combined Abbreviated Financial Statements of the Business. While the effects of the pandemic are expected to negatively impact the Business, the current level of uncertainty over the economic and operational impacts of COVID-19 means the related financial impact cannot be reasonably estimated at this time. There were no other subsequent events identified by management.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information of Lee Enterprises, Incorporated ("Lee") and the related notes present the unaudited pro forma condensed combined balance sheet as of December 29, 2019, and the unaudited pro forma condensed combined statements of operations for the thirteen weeks ended December 29, 2019 and for the fiscal year ended September 29, 2019. The unaudited pro forma condensed combined financial information has been derived by aggregating Lee's audited and unaudited historical consolidated financial statements and the audited and unaudited historical combined abbreviated financial statements of revenues and direct expenses and statements of assets acquired and liabilities assumed of the newspaper businesses of the BH Media Group, Inc. ("BHMG") and The Buffalo News (collectively, referred to as the "Business"), which was acquired from Berkshire Hathaway ("Berkshire"), and making certain pro forma adjustments to such financial information to give effect to the transactions described below (collectively, referred to as the "Transactions"):

- the acquisition of the Business from Berkshire. The allocation of the $140,000,000 transaction purchase price, excluding an additional $12,000,000 of cash held at BHMG, and related business combination accounting is preliminary;

- borrowings of $576,000,000 pursuant to a Credit Agreement dated January 29, 2020 with BH Finance, LLC, an affiliate of Berkshire, to finance the acquisition of the Business and to refinance Lee's existing debt and allow Lee to terminate its revolving credit facility;

- the entering into a lease agreement (the "Lease") between BHMG, as landlord, and Lee, as tenant, providing for the leasing of 68 properties and related fixtures (including production equipment) used in the BHMG newspaper operations acquired by Lee in connection with the acquisition of the Business from Berkshire; and

- the entering into a Termination Agreement between Lee and BHMG, pursuant to which the parties terminated the Management Agreement dated June 26, 2018, under which Lee managed the BHMG newspaper business.

The audited combined abbreviated financial statements of the Business are included elsewhere in this filing. The transactions, along with the assumptions and estimates underlying the adjustments to the unaudited pro forma condensed combined financial information, are described in more detail in the accompanying notes, which should be read together with the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined balance sheet as of December 29, 2019 and unaudited pro forma condensed combined statements of operations for the thirteen weeks ended December 29, 2019 and the fiscal year ended September 29, 2019 have been prepared in accordance with Article 11 of Regulation S-X, using the assumptions set forth in the notes to the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information has been presented for illustrative purposes only and is based upon available information and reflects estimates and certain assumptions made by our management that we believe are reasonable. Actual adjustments may differ materially from the information presented herein. The unaudited pro forma condensed combined financial information does not purport to represent what our consolidated results of operations and financial position would have been had the Transactions occurred on the dates indicated. They are also not intended to project our consolidated results of operations or financial position for any future period or date.

The unaudited pro forma condensed combined financial information does not reflect the realization of any expected cost savings, operating efficiencies or other synergies that may result from the Transactions as a result of restructuring activities or other planned cost savings initiatives following the completion of the Transactions.

Lee Enterprises, Incorporated
Unaudited Pro Forma Condensed Combined Balance Sheet
As of December 29, 2019
(In thousands)

		Lee Enterprises, Incorporated Historical	BH Newspaper Business and The Buffalo News Historical	Pro Forma Adjustments (Note 5)	Footnote (Note 5)	Pro Forma Combined
Assets						
Current assets:						
Cash and cash equivalents	$	4,468	10,148	2,606	(A)	17,222
Accounts receivable and contract assets, net		50,650	39,929	—		90,579
Inventories		3,373	6,730	(877)	(B)	9,226
Prepaids and other		4,659	7,999	—		12,658
Total current assets		63,150	64,806	1,729		129,685
Investments		40,420	—	—		40,420
Property and equipment						
Land and improvements		17,028	715	(275)	(C)	17,468
Buildings and improvements		148,690	24,860	(12,600)	(C)	160,950
Equipment		230,561	142,564	(130,926)	(C)	242,199
Construction in process		3,432	—	—		3,432
Total property and equipment		399,711	168,139	(143,801)		424,049
Less accumulated depreciation		(318,598)	(144,107)	144,107	(C)	(318,598)
Property and equipment, net		81,113	24,032	306		105,451
Goodwill		250,309	—	60,692	(D)	311,001
Other intangible assets, net		104,395	86,573	—		190,968
Operating lease right-of-use asset		10,125	6,790	47,875	(E)	64,790
Pension assets		—	25,379	—		25,379
Other assets		16,218	3,276	—		19,494
Total assets	$	565,730	210,856	110,602		887,188
Liabilities and Equity						
Current liabilities	$					
Current portion of lease liabilities		2,341	2,902	2,869		8,112
Current maturities of long-term debt		1,892	—	(1,892)	(F)	—
Accounts payable		14,132	8,077	—		22,209
Compensation and other accrued liabilities		15,422	30,657	—		46,079
Accrued interest		10,395	—	—		10,395
Unearned revenue		22,966	35,434	—		58,400
Total current liabilities		67,148	77,070	977		145,195
Long-term debt, net of current maturities		421,248	—	154,752	(F)	576,000
Operating lease liabilities		7,787	5,021	45,006	(E)	57,814
Pension obligations		46,311	10,015	—		56,326
Postretirement and postemployment benefit obligations		2,569	37,000	—		39,569
Deferred income taxes		21,614	—			21,614
Income taxes payable		17,299	—			17,299
Warrants and other		12,724	1,871			14,595
Total liabilities		596,700	130,977	200,735		928,412
Total equity (deficit) attributable to Lee Enterprises, Incorporated		(30,970)	79,879	(90,133)		(41,224)
Total liabilities and equity	$	565,730	210,856	110,602		887,188

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information

Lee Enterprises, Incorporated
Unaudited Pro Forma Condensed Combined Statements of Operations
For the 13 weeks ended December 29, 2019
(In thousands, except per share amounts)

		13 Weeks Ended December 29, 2019 Lee Enterprises, Incorporated Historical	13 Weeks Ended December 29, 2019 BH Newspaper Business and The Buffalo News Historical	Pro Forma and Reclassification Adjustments (Notes 4 and 5)	Footnote (Note 5)	Pro Forma Combined
Operating revenue:						
Advertising and marketing services	$	65,727	61,666	—		127,393
Subscription		41,694	41,949	—		83,643
Other		14,922	10,846	(5,211)	(a)	20,557
Total operating revenue		122,343	114,461	(5,211)		231,593
Operating expenses:						
Compensation		43,243	47,517	—		90,760
Newsprint and ink		4,736	10,205	—		14,941
Other expenses		48,462	37,067	(4,173)	(b)	81,356
Depreciation and amortization		6,719	3,868	—		10,587
Assets loss (gain) on sales, impairments and other, net		814	—	869		1,683
Restructuring costs and other		1,632	—	327		1,959
Total operating expenses		105,606	98,657	(2,977)		201,286
Equity in earnings of associated companies		1,569	—	—		1,569
Operating income		18,306	15,804	(2,234)		31,876
Non-operating income (expense):						
Interest expense		(11,115)	—	(1,845)	(c)	(12,960)
Debt financing and administrative		(1,196)	—	1,196	(d)	—
Other, net		1,593	—	847		2,440
Total non-operating expenses, net		(10,718)	—	198		(10,520)
Income before income taxes		7,588	15,804	(2,036)		21,356
Income tax expense		1,871	—	3,442	(e)	5,313
Net income (loss)		5,717	15,804	(5,478)		16,043
Net income attributable to non-controlling interests		(397)	—	—		(397)
Income attributable to Lee Enterprises, Incorporated	$	5,320	15,804	(5,478)		15,646
Earnings per common share:						
Basic		0.09				0.28
Diluted		0.09				0.27

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information

Lee Enterprises, Incorporated
Unaudited Pro Forma Condensed Combined Statements of Operations
For the fiscal year ended September 29, 2019
(In thousands, except per share amounts)

		Fiscal Year Ended September 29, 2019 Lee Enterprises, Incorporated Historical	Fiscal Year Ended December 29, 2019 BH Newspaper Business and the Buffalo News Historical	Pro Forma and Reclassification Adjustments (Notes 4 and 5)	Footnote (Note 5)	Pro Forma Combined
Operating revenue:						
Advertising and marketing services	$	265,933	235,272	—		501,205
Subscription		186,691	175,934	—		362,625
Other		57,230	43,801	(16,586)	(a)	84,445
Total operating revenue		509,854	455,007	(16,586)		948,275
Operating expenses:						
Compensation		182,869	205,886	—		388,755
Newsprint and ink		22,237	43,387	—		65,624
Other expenses		193,709	157,964	(8,198)	(b)	343,475
Depreciation and amortization		29,332	17,778	—		47,110
Assets loss (gain) on sales, impairments and other, net		2,464	—	479		2,943
Restructuring costs and other		11,635	—	1,432		13,067
Total operating expenses		442,246	425,015	(6,287)		860,974
Equity in earnings of associated companies		7,121	—	—		7,121
Operating income		74,729	29,992	(10,299)		94,422
Non-operating income (expense):						
Interest expense		(47,488)	—	(4,352)	(c)	(51,840)
Debt financing and administrative		(7,214)	—	(9,841)	(d)	(17,055)
Other, net		3,813	—	3,382		7,195
Total non-operating expenses, net		(50,889)	—	(10,811)		(61,700)
Income before income taxes		23,840	29,992	(21,110)		32,722
Income tax expense		7,931	—	2,221	(e)	10,152
Net income		15,909	29,992	(23,331)		22,570
Net income attributable to non-controlling interests		(1,641)	—	—		(1,641)
Income attributable to Lee Enterprises, Incorporated	$	14,268	29,992	(23,331)		20,929
Earnings per common share:						
Basic		0.26				0.38
Diluted		0.25				0.37

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information

Lee Enterprises, Incorporated
Notes to Unaudited Pro Forma Condensed Combined Financial Information

All amounts are in thousands, unless specifically stated otherwise

1. Description of the Transaction

On January 29, 2020, Lee Enterprises, Inc. (“Lee”) entered into an Asset and Stock Purchase Agreement (the “ASPA”) with Berkshire Hathaway Inc. (“Berkshire”) and its wholly owned subsidiary BH Media Group, Inc. (“BHMG”). Pursuant to the ASPA, Lee agreed to (1) acquire certain assets and assume certain liabilities of BHMG’s newspapers and related community publications business (the “BH Newspaper Business”); and, (2) acquire all of the issued and outstanding capital stock of The Buffalo News, Inc. (together, the operations of the BH Newspaper Business and The Buffalo News, Inc. are referred to herein as the “Business”). Since July 2, 2018, Lee has managed the BH Newspaper Business pursuant to a Management Agreement between BHMG and Lee dated June 26, 2018 (“Management Agreement”).

The BH Newspaper Business consists of print and digital operations of 30 daily newspapers serving communities in 10 states, as well as 49 paid weekly publications with digital sites and 32 other print products. The Buffalo News is a print and digital news operation serving communities in western New York.

On March 16, 2020, Berkshire and Lee completed the transaction described above. The aggregate purchase price for the sale of the Business was $140 million, excluding cash held at BHMG that was also acquired at closing. Concurrently, BHMG also entered into a lease agreement with Lee providing for the leasing of 68 properties and related fixtures (including production equipment) retained by BHMG and used in the BH Newspaper Business acquired by Lee (the "Lease"). In connection with the acquisition transaction described above, Lee entered into a Credit Agreement with BH Finance, LLC, (“BH Finance”) to provide a secured 25-year term loan (the “Credit Agreement”). Lee borrowed $576 million from BH Finance at a fixed annual interest rate of 9% under the Credit Agreement in order to finance the acquisition of the Business and to refinance its outstanding indebtedness. Collectively, the acquisition of the Business, the lease agreement with Lee, and the borrowings under the Credit Agreement are referred to herein as the “Transactions”.

2. Basis of Pro Forma Presentation

The unaudited pro forma condensed combined balance sheet has been prepared to reflect the Transactions as of December 29, 2019. The unaudited pro forma condensed combined statements of operations combine the results of operations of Lee and the revenue and direct expenses of the Business for the thirteen weeks ended December 29, 2019 and for the fiscal year ended September 29, 2019, as if the Transactions had occurred on September 30, 2018. The unaudited pro forma condensed combined balance sheet as of December 29, 2019 was prepared utilizing the historical condensed consolidated balance sheet of Lee and the historical audited combined abbreviated statement of assets acquired and liabilities assumed for the Business as of December 29, 2019. The unaudited pro forma condensed combined statement of operations for the fiscal year ended September 29, 2019 was prepared utilizing the historical audited consolidated statement of income of Lee for the year ended September 29, 2019, and the historical audited combined abbreviated statement of revenue and direct expenses for the Business for the year ended December 29, 2019. The unaudited pro forma condensed combined statement of operations for the thirteen weeks ended December 29, 2019 was prepared utilizing the unaudited condensed consolidated statement of income of Lee and the unaudited historical financial information of the Business for the thirteen weeks ended December 29, 2019.

The historical financial statements have been adjusted to give pro forma effect to events that are (i) directly attributable to the Transactions, (ii) factually supportable and (iii) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the operating results of Lee following the Transactions.

The unaudited pro forma condensed combined financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the consolidated financial position or results of operations in future periods or the results that actually would have been achieved had Lee and the Business been a combined company during the respective periods presented.

These unaudited pro forma condensed combined financial statements should be read in conjunction with Lee’s historical consolidated financial statements and related notes included in its Annual Report on Form 10-K for the fiscal year ended September 29, 2019, and the historical combined abbreviated financial statements of the Business (included elsewhere in this filing on Form 8-K).

All amounts are in thousands, unless specifically stated otherwise

3. Estimated Preliminary Purchase Price Allocation

The table below represents the preliminary purchase price allocation to the assets acquired and liabilities assumed based on their estimated fair values, assuming the transaction occurred as of December 29, 2019. Such amounts were estimated using the audited combined abbreviated financial statements of the Business as of December 29, 2019. Certain amounts, such as the balances of cash and cash equivalents, accounts receivable, inventories, prepaid expenses and other current assets, accounts payable, compensation and other accruals, and unearned revenue will likely vary based upon changes in the balances relating to the Business between December 29, 2019 and March 16, 2020. Property and equipment, intangible assets (other than goodwill), pension plan assets and obligations, and postretirement and postemployment benefit obligations may vary by material amounts based upon changes in balances as well as the completion of valuations to measure such assets and liabilities at their fair values as of the acquisition date. As the final valuations are being performed during fiscal 2020, increases or decreases in the fair value of relevant balance sheet amounts will result in adjustments, with offsetting changes to goodwill, which may result in material differences from the information presented below:

(In thousands)		
Assets acquired		
Cash and cash equivalents	$	10,148
Accounts receivable		39,929
Inventories		5,853
Prepaid expenses and other current		7,999
Property and equipment		24,338
Operating lease right-of-use asset		54,665
Goodwill		60,692
Other intangible assets		86,573
Pension assets, net of pension obligations		15,364
Other assets		3,276
Liabilities assumed		
Accounts payable		(8,077)
Compensation and other accruals		(30,657)
Unearned revenue		(35,434)
Operating lease liabilities		(55,798)
Postretirement and postemployment benefit obligations		(37,000)
Other liabilities		(1,871)
Purchase price allocated	$	140,000

Preliminarily, property and equipment will be depreciated using a straight-line method over estimated useful lives ranging from 3 to 20 years, and other intangible assets will be amortized using a straight-line method over estimated useful lives ranges from 5 to 20 years.

4. Reclassification Adjustments

Certain reclassifications have been made to the historical presentation of the Business to conform to the presentation used in these unaudited pro forma condensed combined financial statements.

For the thirteen weeks ended December 29, 2019, a net amount of approximately $962 was reclassified from Other operating expenses to the following line items:

- $869 to Assets loss (gain) on sales, impairments and other, net
- $327 to Restructuring costs and other
- $(847) relating to the non-service cost components of pension and postemployment benefits expense, to Other non-operating expense, net
- $613 to Income tax expense

For the fiscal year ended September 29, 2019, a net amount of approximately $(388) was reclassified from other operating expenses to the following line items:

- $479 to Assets loss (gain) on sales, impairments and other, net
- $1,432 to Restructuring costs and other
- $(3,382) relating to the non-service cost components of pension and postemployment benefits expense, to Other non-operating expense, net
- $1,083 to Income tax expense

All amounts are in thousands, unless specifically stated otherwise

5. Pro Forma Adjustments

The following is a description of the unaudited pro forma adjustments reflected in the unaudited pro forma condensed combined financial statements:

Adjustments to the pro forma condensed combined balance sheet

(A) The pro forma adjustments to cash and cash equivalents reflects the net of (i) the cash proceeds with financing provided by BH Finance, LLC, an affiliate of Berkshire, (ii) the cash repayments made to extinguish Lee's existing debt; and (iii) the cash consideration paid to acquire the Business, as follows:

Proceeds from borrowings under a Credit Agreement with BH Finance, LLC	$	576,000
Repayments of Lee's existing current maturities of long-term debt		(1,892)
Repayments of Lee's existing long-term debt, net of current maturities		(431,502)
Cash consideration paid to acquire the Business, excluding additional cash acquired		(140,000)
	$	2,606

(B) The pro forma adjustment to inventories reflect adjustments to conform the inventories held by the Business to Lee's accounting policies.

(C) The pro forma adjustments to property and equipment and accumulated depreciation reflect the preliminary purchase price allocation adjustments. As final valuation of property and equipment is performed during fiscal 2020, increases or decreases in property and equipment will be recorded to reflect their fair values as of the acquisition date, with offsetting changes to goodwill, and these adjustments could result in material differences from the preliminary amounts recorded.

(D) The pro forma adjustment to goodwill reflects the purchase price paid in excess of the preliminary estimated fair value of net assets acquired, as follows:

Cash consideration paid to acquire the Business, net of additional cash acquired	$	140,000
Preliminary estimated fair value of assets acquired and liabilities assumed		(79,308)
Total pro forma adjustment to goodwill	$	60,692

(E) The pro forma adjustment to the operating lease right-of-use asset and operating lease liabilities reflects preliminary accounting related to the Lease agreement entered into between Lee and BHMG, concurrent with the acquisition of the Business, for Lee to lease 68 properties and related fixtures (including production equipment) retained by BHMG.

(F) The pro forma adjustments to long-term debt reflect (i) the cash proceeds from financing provided by BH Finance, LLC, and (ii) the cash repayments made to extinguish Lee's existing long-term debt, including the following:

Repayment of Lee's current maturities of long-term debt	$	(1,892)
Total pro forma adjustment to current maturities of long-term debt	$	(1,892)

Proceeds from borrowings under a Credit Agreement with BH Finance	$	576,000
Repayments of Lee's existing long-term debt, net of current maturities		(431,502)
Write-off of unamortized debt issue costs		10,254
Total pro forma adjustment to long-term debt, net of current maturities	$	154,752

All amounts are in thousands, unless specifically stated otherwise

Adjustments to the pro forma condensed combined statements of comprehensive income

(a) The pro forma adjustments to other revenue reflect the elimination of revenue transactions between Lee and BHMG, including commercial printing and delivery, digital services provided by TownNews, and the Management Agreement.

(b) The pro forma adjustments to other operating expenses include the following:

		13 weeks ended December 29, 2019	Fiscal year ended September 29, 2019
Elimination of costs incurred relating to transactions between Lee and BHMG	$	(5,211)	(16,586)
Payments under agreement with BHMG to lease properties and fixtures		2,000	8,000
Reclassifications (see Note 4)		(962)	388
Total pro forma adjustment to other expense	$	(4,173)	(8,198)

(c) The pro forma adjustments to interest expense relate to the interest on the assumed outstanding borrowings under the Credit Agreement with BH Finance, offset by interest charged under Lee's existing long-term debt, which is assumed to be eliminated, as follows:

		13 weeks ended December 29, 2019	Fiscal year ended September 29, 2019
Interest expense on borrowings under Credit Agreement with BH Finance	$	(12,960)	(51,840)
Elimination of interest expense on Lee's existing long-term debt		11,115	47,488
Total pro forma adjustment to interest expense	$	(1,845)	(4,352)

(d) The pro forma adjustment to debt financing and administrative reflects the elimination of expense in the 13 weeks ended December 29, 2019 and the write-off of debt issuance costs at the beginning of the fiscal year ended September 29, 2019 due to the preliminary accounting for the extinguishment of Lee's existing long-term debt.

(e) The pro forma adjustments to income tax expense represents the estimated tax effect relating to pre-tax income of the Business and the estimated tax effect of pro forma adjustments at estimated tax rates.