Yale SCHOOL *of* MANAGEMENT

Lee Enterprises Company (LEE)
December 4, 2006

Recommendation: SELL

Key Statistics

Industry:
Newspaper-Publishing

Current Stock Price:
$28.71

Profit Margin:
6.28%

Enterprise Value
$2.90B

Market Capitalization:
1.33B

Shares Outstanding:
45.88M

DCF Valuation:
$23.18

source: Yahoo Finance

ANN HUANG
Class of 2007

ALEX VEYTSMAN
Class of 2007

- Lee's stock is overpriced by $5.53 or 19%. It is our view that as of November 30, 2006 the stock price of over $28 has incorporated not only positive results from the previous earnings announcements, but also some excessive optimism regarding the future online model. For our analysis, we have incorporated both the successful transition to the online model, as well as the growing advertising revenue. It is our belief that the market became overly optimistic about Lee's share price, once the company posted positive advertising growth earlier in 2006. The cannibalization effects and the declining trends in non-online segments would prevent the advertising revenue as a whole to experience an increasing growth in 2007-2008.

- We expect the print-online transition to continue its successful path at Lee Enterprises. While national, retail, and classified advertising revenues will continue their decline, the increase in online and niche advertising will make up for their losses. Therefore, total advertising will grow at around 1% in 2007 and 2008.

- The circulation revenue will stay largely unchanged through 2008. Between 2005 and 2006, the circulation revenue rose by over 18%. However, we believe such improvement to be abnormal, largely due to Lee's acquisition strategy. While these acquisitions have reversed the declining trend of the previous years, they are not strong enough to boost circulation in 2007 and 2008. The cannibalization effect of print-online transition is also preventing that boost. Hence, there will be a leveling out of the circulation revenue through 2008.

- Despite management's stated strategy of growth through acquisitions, we do not believe that this strategy will generate value for Lee. For our valuation, we did not factor in acquisition growth. Although the acquisitions are generating more revenue, we found that in the case of Pulitzer, it has not translated into positive profits. One reason for a decline in net income could be attributed to upfront merger and transition costs. Another reason could be in the high interest expense. However, when one considers the total cost, including fees and interest expense, that Lee has incurred for Pulitzer and then compare it to the change in Lee's bottom line, we do not see Lee's acquisitions paying off.

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INDUSTRY OUTLOOK

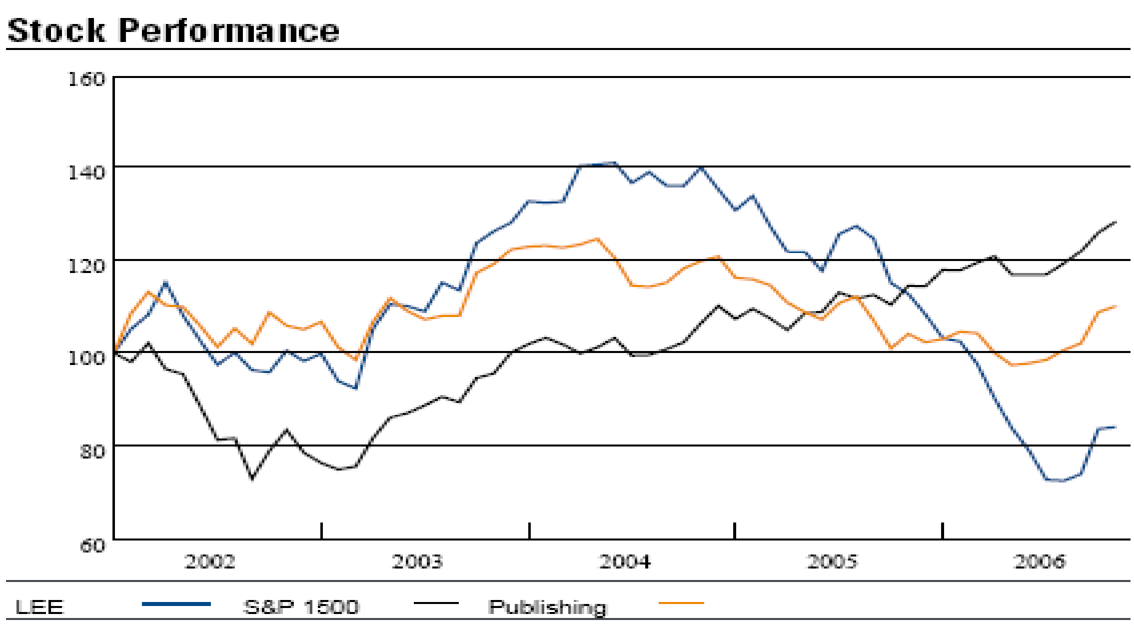
In October 2006, the Los Angeles Times reported that it had lost approximately 8% of its daily circulation in the last 6 months.[1] The desperation that publishers face is becoming more painfully obvious as companies, such as the New York Times and the Washington Post, see circulation and advertising revenues drop. The industry's woes started five years ago when the Internet became a real alternative. The ability to successfully transition from print to online model became key to preserving circulation and advertising revenue segments. The stock performance of the newspaper publishing companies became contingent on the success of that transition.

In the exhibit below, we see that the industry saw consistently lower returns than the market.

EXHIBIT 1: S&P and Industry Returns[2]

	S&P 1500	Publishing Industry
YTD Return	13.6%	8.4%
One Year Return	10.7%	5.4%
Three Year Return	10.5%	-2.4%
Five Year Return	4.9%	2.5%

EXHIBIT 2: Market and Industry Performance[3]



The trend continued for much of 2005 and 2006, as the publishing sector lagged behind the S&P 1500. For 2006-2008, we expect to see companies transition to the online model which may revive the industry and displace inefficient players. Meanwhile, because of declining circulation and advertising revenues, along with investor pessimism, our fundamental outlook for the newspaper industry remains negative.

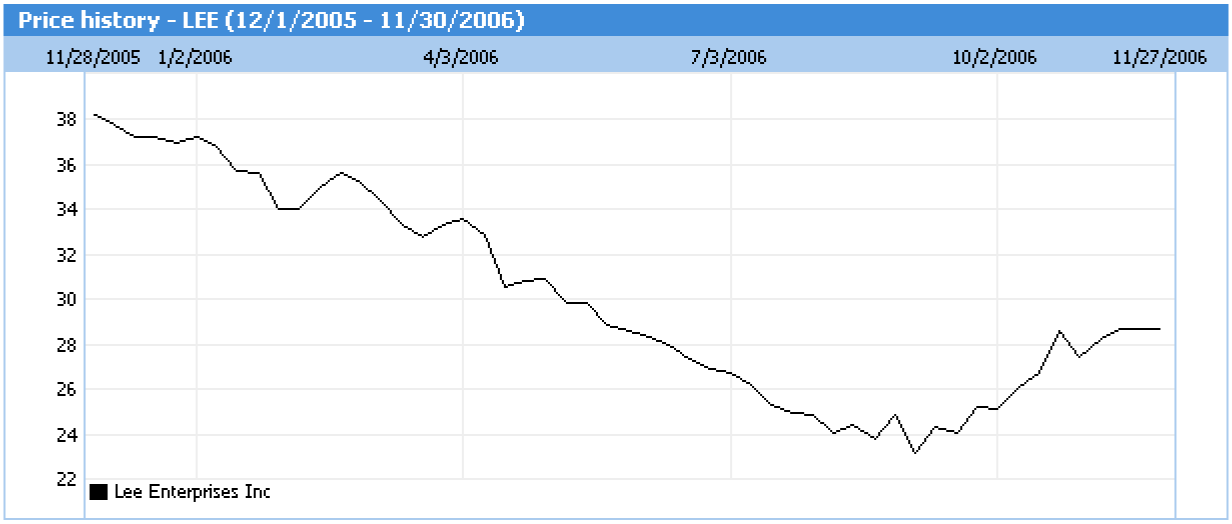
COMPANY BACKGROUND

Lee Enterprises is a newspaper publisher based in Davenport, Iowa focusing on local news, information, and advertising in midsize markets. In addition to print circulation, the company also had rapidly growing online sites (see discussion below). Table 1 at the end our report provides a list of the newspapers that Lee owns, as well as the regions in which the company operates. The company currently has 51 daily newspapers and joint interests in five others targeting markets in the following:

- St. Louis, Missouri
- Lincoln, Nebraska
- Madison, Wisconsin
- Davenport, Iowa
- Billings, Mont
- Bloomington, Illinois
- Tucson, Arizona
- Napa, California.

Looking at history, we find that Lee's stock price has steadily dropped throughout 2006, although it slightly rebounded in September 2006 and is climbing steadily as it heads into the holiday season. Although the decline and rebound have been affected by the overall market, we also found other reasons behind this trend reversal. In the present report, we provide an analysis of Lee Enterprises, ultimately reaching conclusion that the company's stock is overvalued.

EXHIBIT 3: LEE ENTERPRISES' Share Price in 2006[4]



COMPANY STRATEGY

Transition to the online model

Despite the company's focus on mid-size markets, which often include small newspapers, Lee managed to successfully transition the company's operations in the online direction. With daily circulation at 1.6 million and Sunday circulation at 1.9 million, Lee's newspapers reach out to more than four million readers on the daily basis. At the same time, Lee's online sites reach out to more than two million users, which is almost a 50% online rate.[5] When one compares those rates with comparable players in the market, they range anywhere between 40-55% for the national newspapers of major companies, such as The Washington Post and The New York Times.[6] It is implicit that the online rates are lower for the smaller players, thus making Lee Enterprises positively stand out.

The table below shows the 2005 results of online model's successful adoption for mid-size newspapers at Lee, such as St. Louis Post-Dispatch and Wisconsin State Journal.

EXHIBIT 4: LEE ENTERPRISES' Print and Online Users[7]

NEWSPAPER PLUS ONLINE AUDIENCES

Market	Newspaper	Users of printed newspaper only	Users of printed newspaper and website
St. Louis, MO (1)	*St. Louis Post-Dispatch*	52%	62%
Madison, WI (1)(2)	*Wisconsin State Journal*	52	65
NW Indiana (1)	*The Times*	46	56
Lincoln, NE (3)	*Lincoln Journal-Star*	63	81
Davenport, IA (4)	*Quad-City Times*	55	66
Bloomington, IL (5)	*The Pantagraph*	57	76
Billings, MT (5)	*Billings Gazette*	56	74
Waterloo, IA (5)	*The Courier*	65	77
Decatur, IL (5)	*Herald & Review*	67	79
Casper, WY (4)	*Casper Star-Tribune*	59	76

(1) 2005 Scarborough Reports Research for Designated Market Area. Use in past 7 days, both newspaper and online
(2) Includes *The Capital Times*
(3) 2003 Marshall market study for Newspaper Designated Market. Use in past 7 days for newspaper, past 30 for online
(4) 2004 Belden market study for Newspaper Designated Market. Use in past 7 days for newspaper, past 30 for online
(5) 2003 Belden market study for Newspaper Designated Market. Use in past 7 days for newspaper, past 30 for online

Exhibit 5 estimates readership customer base, based on historical online penetration. These estimates are conservative, taking into consideration that the growth rates in online readership are rising, yet could plateau around 2008:

EXHIBIT 5: LEE ENTERPRISES' Readership Customer Base

(in millions)	**2006**	**2007** (Readership Customer Base)	**2008**	**2009**	**2010**
Total customers	4.10	4.16	4.22	4.29	4.35
Online penetration %	50%	54%	57%	58%	59%
Online customers	2.05	2.25	2.41	2.49	2.57

Circulation Revenue:

The table above reflects a steadily growing readership base, which should buttress circulation base. Thus far, transition to the online model has only partially contributed to growing newspaper circulation, with the bulk of the effect coming from acquisition strategy. In recent years there has been an 18.1% increase for the company, which was substantially better than for the industry as a whole.[8] The 18.1% can be misleading, however, since it reflects the increase that resulted from Lee's acquisitions. On a same store basis, circulation decreased 1.4% or $1,357,000 for the nine months in 2006.[9] (see the detailed analysis below in Acquisition Strategy section). The resulting projection below takes into account a very conservative increase in circulation.

EXHIBIT 6: LEE ENTERPRISES' Circulation Revenue Growth

(in thousands)	2005	2006	2007	2008
		Circulation Revenue Growth		
Circulation Revenue	$154,226	$155,121	$156,020	$156,925

Advertising Revenue:

The advertising revenue at Lee has suffered through similar woes that are found throughout the newspaper publishing industry in 2006. The table below provides the company's performance on a same-store basis for October 2005 and 2006, with October being the company's first reporting month for fiscal 2007. As the table below suggests, total classified revenue has experienced a decline of 1.5% between 2005 and 2006, with employment and real estate advertising taking particular hits (5.9% and 3.6%, respectively). The national advertising revenue declined by 2.3%, while retail advertising revenue suffered rather modestly with a 0.3% decrease. Once again: these results are consistent with other companies in the industry, like Journal Register Company, The New York Times, and Tribune, to name a few.[10]

EXHIBIT 7: LEE ENTERPRISES Operating Revenue Growth

LEE ENTERPRISES, INCORPORATED
Revenue and Statistical Summary[11]
(Unaudited)

OPERATING REVENUE

(Thousands)	October 2006	October 2005	%
Advertising revenue:			
Retail	$43,298	$43,408	(0.3)%
National	6,080	6,222	(2.3)
Classified:			
Daily newspapers:			
Employment	8,036	8,537	(5.9)
Automotive	5,453	5,536	(1.5)
Real estate	6,162	6,389	(3.6)
All other	3,578	3,479	2.8
Other publications	4,301	4,011	7.2
Total classified revenue	27,530	27,952	(1.5)
Online	4,108	2,670	53.9
Niche publications	1,091	1,009	8.1

Total advertising revenue..................	82,107	81,261	1.0
Circulation................................	18,777	18,807	(0.2)
Commercial printing........................	1,449	1,445	0.3
Online services and other..................	2,521	2,206	14.3
Total same property revenue................	104,854	103,719	1.1
Acquisitions & divestitures................	365	20	NM
Total operating revenue	$105,219	103,739	1.4 %

SAME PROPERTY REVENUE BY REGION

	October		
(Thousands)	2006	2005	%
Midwest....................................	66,508	66,224	0.4 %
Mountain West..............................	17,413	16,917	2.9
West.......................................	14,114	13,708	3.0
East/other.................................	6,819	6,870	(0.7)
Total, same property.......................	104,854	103,719	1.1 %

DAILY NEWSPAPER ADVERTISING VOLUME

	October		
(Thousands of Inches)	2006	2005	%
Retail.....................................	1,247	1,254	(0.6)%
National...................................	72	78	(7.7)
Classified.................................	1,533	1,528	0.3
Total, same property.......................	2,852	2,860	(0.3)%

What distinguishes Lee, however, is the substantial impact played by its online sector. While far from being dominant (the print-online transition has just begun - the online advertising capture rate represents 5%), the online advertising growth rate has been phenomenally high at 53.9%.[12] As the print-online transition further takes its course, it is expected that the total advertising revenue will continue to increase. In 2005-2006, it has already went up by about 1%, largely for the reason of the online revenue. Since the latter is expected to go up, so will the total advertising revenue, despite the fluctuations in the seasonal retail advertising.[13] As shown below, we would expect the total advertising revenue growth to stay around an annual 1% figure, which is one of major supporting points for our belief that while the market had a reason for optimism in September 2006, the optimism was a bit excessive.

At the same time, there is a very strong presence of niche publications advertising for Lee Enterprises. The company's platform wisely identifies and nurtures those targeted niche opportunities, which invariably result in growing revenues. Between 2005 and 2006, advertising from niche publications went up by 8.1%.[14] We would expect this growth rate to continue until 2008. At the same time, national, retail, and classified sectors will continue their moderate decline in the years 2006-2010 (such assumption is overly conservative, but it is worth the effort, given our moderate sell recommendation).

It is expected that online revenue will continue to grow and become a greater percentage of the advertising base, although the growth rate shall become more moderate with time. At present, there are signals from the local newspapers that they would be less willing to allow the transition; the online model for the mid-size newspapers has been already in progress throughout much of 2005-2006. Assuming that at least a third of local newspapers do not transition to the online model, we would expect a dampening effect of at least 10% on the online growth. Hence, if historically, revenues have experienced a 14-24% growth, they will currently start adding only 8-18%[15] onto the existing 53.9%. If we take the midpoint of this range and assume a 6-4-2% annual reduction rate due to the online saturation (industry-wide), then we can express the future growth of Lee's online revenues to gradually plateau.

Therefore, in 2006 the bottom line is: Lee Enterprises possesses two very strong segments of advertising revenue (online and niche), which make up 6-7% of total advertising stream. Their strong growth allows Lee to offset negative performance of other classified, retail, and national revenue segments. If we look further into 2007, we can conclude that Lee Enterprises will be able to maintain a moderate growth rate of 0.8-1.2% for total advertising growth rates.

EXHIBIT 8: LEE ENTERPRISES Advertising Revenue Growth

(in thousands)	Advertising Revenue			
	2005	**2006**	**2007**	**2008**
Online penetration %		53.9%	66.9%	72.9%
Online Revenue	$19,294	$29,693	$49,558	$85,686
Retail	$358,253	$357,178	$356,107	$355,038
National	33,075	32,314	30,925	30,213
Classified				
Employment	63,992	60,216	55,459	51,078
Automotive	49,331	48,591	47,376	46,192
Real Estate	47,197	45,498	43,860	42,281
All other	29,240	30,059	28,856	20,777

Other publications	$44,044	$47,215	$45,327	$30,822
Niche Revenue	$13,223	$14,281	$15,423	$16,657
TOTAL	$657,649	$665,046	$672,892	$678,745
Growth Rate	n/a	1.12%	1.18%	0.87%

ACQUISITION STRATEGY

Lee has been very active in acquiring companies. In 2000, the company announced that it would grow Lee by buying companies that published local and specialty newspapers of 30,000 or more. The company believed that the targets have more value under Lee's management than as third party companies. Historically, Lee has acquired companies and then infused its management and operations strategies to generate value for the company. The table below summarizes some recent acquisitions:

EXHIBIT 9: LEE ENTERPRISES Acquisition Details [16]

Year	**Company Purchased**	**Purchase Price**	**Details**
April 2002	15 daily newspapers and Howard Publications		These acquisitions increased the Company's circulation by more than 75 percent, to 1.1 million daily and 1.2 million on Sunday, and increased its revenue by nearly 50 percent. In July 2002, the Company acquired the remaining 50% of SCN.
October 2004	Two publications	$309,000	Acquired businesses were specialty publications.
December 2004	Eight publications	$3,908,000	Acquired businesses were specialty publications.
June 2005	Pulitzer Inc.	$1,461,777,000	Owns 14 daily newspapers and over 100 weekly newspapers and specialty publications
October 2005	Minority interest in INN	$75,000	Lee purchased minority interest in INN in exchange for forgiveness of certain notes receivable.
January 2006	Weekly newspaper	$412,000	Not available
March 2006	Web-hosting business and	$3,800,000	INN purchased these businesses.

	advertising network		

Despite management's self-stated acquisition strategy, we do not believe that it will generate value for Lee. In fact, for our valuation, we did not factor in acquisition growth. We examined the Pulitzer acquisition, which occurred in June 2005, to determine if it did in fact benefit the company. We did so by comparing 2005 pro forma numbers to the 2006 actuals from the 3rd Qtr 2006 10-Q and by comparing 2005 and 2004 pro forma numbers. Although the acquisition increased the company's revenue, the company actually saw a slight decrease in net income. The same happened when we compared 2005 and 2004 pro forma numbers (See Exhibit 10).

Although the acquisitions are generating more revenue, we found that the Pulitzer acquisition does not translate into positive profits. One reason for the decline in net income could be attributed to upfront merger and transition costs. Another reason could be in the high interest expense. However, when one considers the amount that Lee paid for Pulitzer and then compares it to the change in Lee's bottom line, we do not see Lee's acquisitions paying off.

EXHIBIT 10: LEE ENTERPRISES Pro Forma Operating Revenue for Pulitzer[17]

	9 months 2006	9 months 2005	
	Pro Forma	Pro Forma	Change
Operating Revenue	$879,507	$874,400	0.58%
Net Income	$59,916	$60,369	-0.76%

	2005	2004	
	Pro Forma	Pro Forma	Change
Operating Revenue	$1,164,624	$1,122,910	3.71%
Income from Continuing Operations	$69,379	$91,043	-23.80%

VALUATION

We performed an APV-based discounted cash flow analysis and determined that Lee's stock is overvalued. Our valuation generated a price of $23.18. Compared to the current market price of $28.71, Lee's stock is overvalued by approximately 19%. The main assumptions that drove our valuation was the anticipated increase in advertising revenue as a result of the strong online model for 2007-2011. In our analysis regarding revenue growth rates, we stated that we expect total revenue to increase by a little over 1%. For our valuation, we assumed that revenues would grow 2.5% in 2008-2009, and then 3% in 2010-2011. Although this is a bit higher than what we stated earlier, we also incorporated the fact that the Lee's online model will become more robust and mature, particularly in the years 2010-2011. We are also trying to remain conservative, given our SELL recommendation.

For the expense side, we looked at historical numbers. We found that Lee's operating costs were significantly high, hovering between 20-40% year over year. Once again: this increase is misleading, since it results mainly from the company's acquisitions. Every year, Lee is adding new companies to its portfolio and in this way skews the numbers so that costs appear to be growing uncontrollably.

EXHIBIT 11: LEE ENTERPRISES' Operating Expenses

OPERATING EXPENSES										
(Thousands)	2006		2005		2004		2003		2002	
Compensation	435,836	27%	342,237	24%	276,204	1%	272,311	30%	209,263	23%
Newsprint and ink	120,191	41%	85,063	34%	63,502	10%	57,773	32%	43,727	4%
Other operating expenses	280,018	41%	199,237	27%	157,377	5%	150,107	19%	125,645	17%

Because of this situation, we performed same property analysis, which excluded costs from acquisitions. By doing so, we found that the growth in Lee's costs have been averaging -19.1% to 7.9%. We took into account that Lee has a large online audience which implies lower newsprint and compensation costs. At the same time, we also considered the rising costs in benefits, as well as the potential for Lee to engage in further acquisitions. For our analysis, we held the event acquisitions constant (since acquisitions are independent events). Based on these factors and our SELL recommendation, we assumed that costs would grow 1.5% for 2008-2009 and 2% for 2010-2011. Finally, because the newspaper industry is a mature industry, we based our capital expenditures, depreciation and net working capital assumptions on historical trends.

EXHIBIT 12: LEE ENTERPRISES' Same Property Operating Expenses

GROWTH IN SAME PROPERTY OPERATING EXPENSES				
	2005	2004	2003	2002
Compensation	2.30%	3.20%	5.7%	-3.6%
Newsprint and ink	7.90%	4.70%	-2.2%	-19.1%
Other operating expenses	0.20%	5.30%	-0.60%	-4.3%

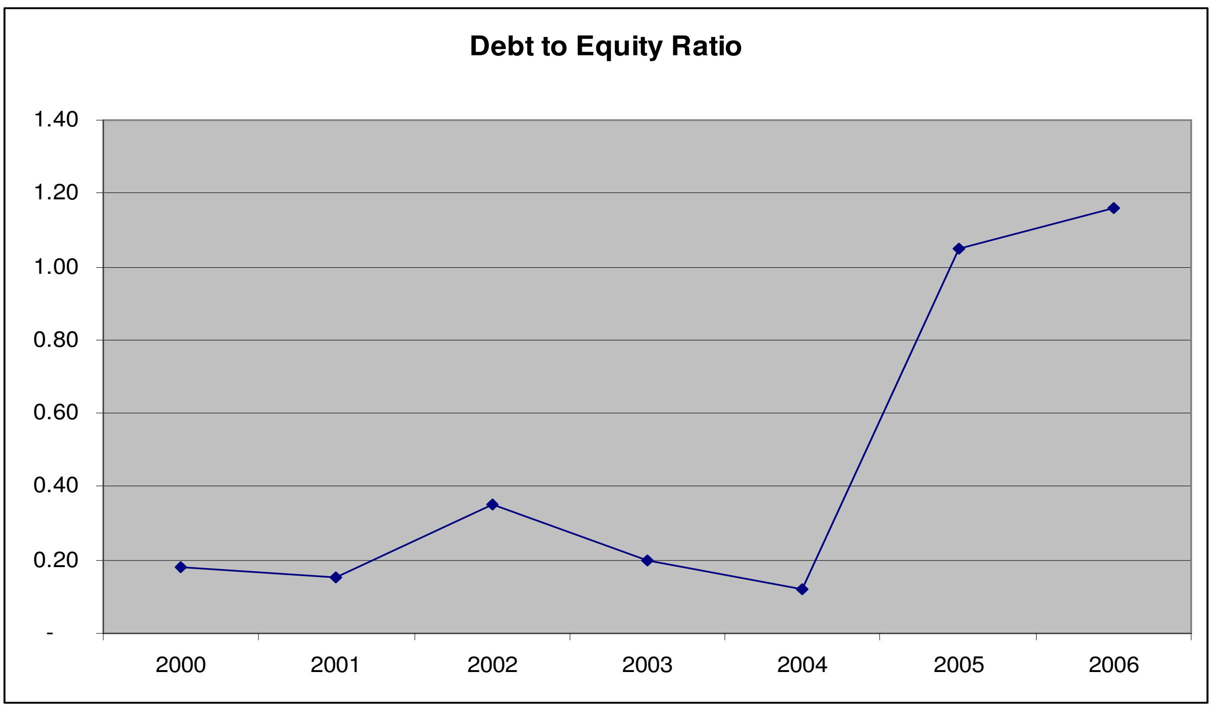
WACC vs. APV

We used an APV based discounted cash flow valuation for our analysis. There were several reasons why we did so. First, we do not believe that management will maintain a constant debt to equity ratio for the next several years. In 2005-2006 the company saw its debt to equity ratio increase due to an increasing amount of leverage. As more acquisitions are considered via debt financing, there is no evidence that the company will maintain a constant capital structure in the future.

EXHIBIT 13: LEE ENTERPRISES's D/E Analysis

DATE	Price	Shares Outstanding	Market Cap	Debt	D/E
2000	28.875	33,050	954.32	173.4	0.18
2001	31.67	33,262	1,053.41	161.8	0.15
2002	32.86	34,384	1,129.86	394.7	0.35
2003	38.67	35,270	1,363.89	268.6	0.20
2004	46.34	36,642	1,697.99	202	0.12
2005	42.48	38,358	1,629.45	1706.02	1.05
2006	28.71	45,880	1,317.21	1,525.00	1.16

EXHIBIT 14: LEE ENTERPRISES's Debt to Equity Ratio Graph



Lee is significantly leveraged, as one can see below: Since 2001, Lee's interest coverage has been fluctuating. In 2004, the interest coverage ratio hit an all time high of 11.57, which was a positive sign. Then, its interest coverage dropped to 4.41 in 2005 after it acquired Pulitzer and then to an all time low of 2.13 in 2006 when the company experienced the full effects of leverage.

EXHIBIT 15: LEE ENTERPRISES's Interest Coverage

Interest Coverage						
(Thousands)	2006	2005	2004	2003	2002	2001
Operating income	204,029	167,844	146,554	137,693	118,407	84,273
Financial expense	95,939	38,038	12,665	16,535	15,777	11,963
Interest Coverage	2.13	4.41	11.57	8.33	7.51	7.04

Because Lee's interest coverage is currently at its lowest, we believe that for the next five years, it is not likely that the company will incur significant debt as it did when it acquired Pulitzer. The company will look to reduce its outstanding debt and bring its debt to equity ratio back to historical 7-11 interest coverage ratio. In fact, in 3rd Qtr 2006 the company repaid and even prepaid its debt of $118 M. Given our assumption that management intends to adjust its capital structure by paying off debt, we do not expect that the company will maintain a constant debt to equity ratio.

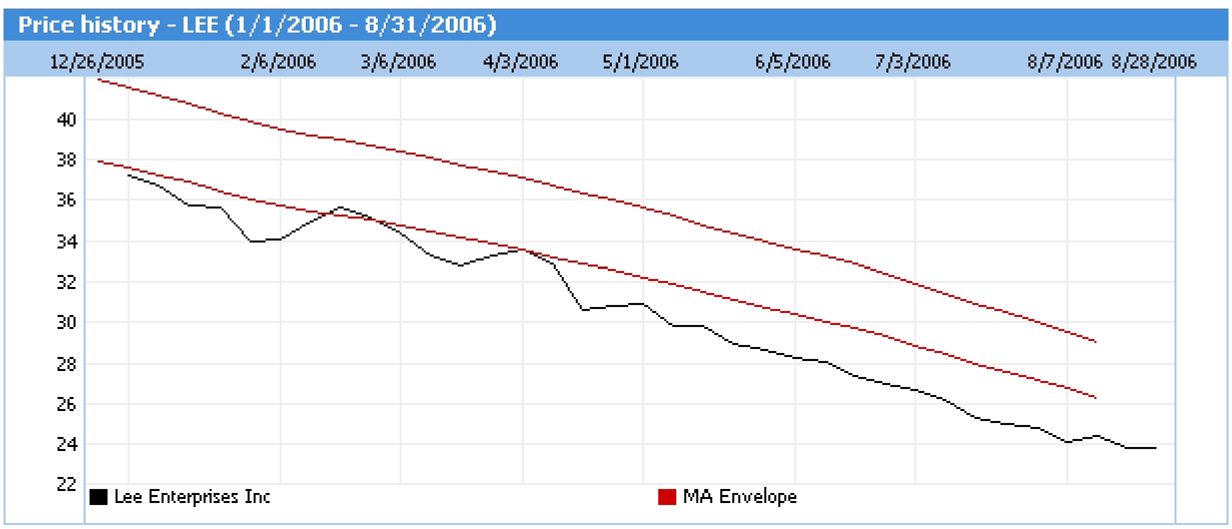
Additionally, we were able to obtain an updated schedule of the company's obligated debt repayment schedule. According to the 3rd Qtr 2006 10Q, aggregate maturities of debt principal during the five years ending June 2011 are $47,500,000, $47,500,000, $448,500,000, $142,500,000 and $237,500,000, respectively. We factored in the impact of the debt tax shield given its debt burden and future intentions of paying off its debt in our valuation. While the company could potentially issue more equity (via shelf registration of $500,000,000), there is no evidence that management intends to do this in the near future. We also considered the likelihood of Lee refinancing its debt, especially in the later years. For the year ended 2004 and 2003, Lee's operating cash flow was $186,241,000 and $175,147,000, respectively. Although its cash flows is steadily increasing (3rd Qtr 2006 year to date operating cash flow was $162,641,000), we find that it is possible that Lee may refinance a small portion of its debt. However, in light of the fact that the company has never maintained a constant D/E ratio, we decided that the APV based discounted cash flow valuation was reasonable and assumed that management will follow the prepayment schedule above.

CONCLUSION: **Overvalued!**

In concluding that Lee Enterprises' share price is overvalued, we have incorporated both the successful transition to the online model into our analysis, as well as the growing advertising revenue. It is our belief that the market became overly optimistic about Lee's share price, once the company posted positive advertising growth earlier in 2006. The cannibalization effects and the declining trends in non-online segments would prevent the advertising revenue as a whole to experience an increasing growth in 2007-2008. The online revenue, meanwhile, makes up at least three quarters of the company's revenues.

What implications do these results hold for our projections? The advertising revenue has been undergoing fluctuations in 2005-2006, which was reflected in the declining share price. Lee's stock went down from about $37 in January 2006 to about $24 in September 2006.

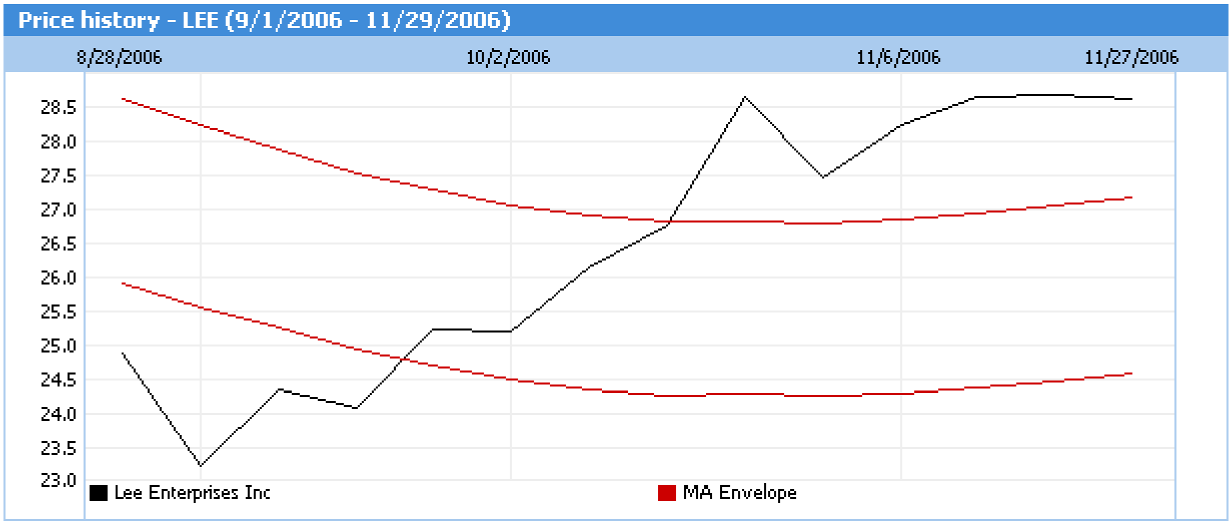
EXHIBIT 16: LEE ENTERPRISES's Share Price History in Jan-Aug 2006



However, with the online sector posting a healthy 53.9% increase for the third quarter results, Lee's stock price began to increase. "We're pleased with this good start to our new fiscal year, "[18] noted Mary Junck, Lee's Chairman and CEO.

It is our view that as of November 30, 2006 the stock price of over $28 has incorporated not only positive results from the previous earnings announcements, but also some excessive optimism regarding the future online model.

EXHIBIT 17: LEE ENTERPRISES's Share Price History in Aug-Nov 2006



In this report we have shown that this optimism is unwarranted. The valuation supports our conclusion, showing an approximately $22 as the fair price for this security.[19]

ADDITIONAL EXHIBITS:

EXHIBIT 18: Valuation Assumptions

Credit Spread (A)	0.85%
B_L	0.70
B_u	0.56
rm	7.20%
rf	4.60%
re	6.07%
E_{market}	1,477.47
D_{book}	547.40
D/D+E	27.03%
E/D+E	72.97%
rd	5.45%
ro	5.95%
Tax Rate	35.00%

Notes:

(1) Yahoo Finance, Lee Enterprise 2005 10-K Report, Lee Enterprise 2006 10-Q Reports, 4th Qtr 06 Earnings Release and Bloomberg.

(2) Beta calculated based on daily data starting from 2000 using Lee returns and index returns (NYSE,NASDEQ, AMEX), source: CRSP

(3) rm is used based on historical Rm in the United States

(4) rf is based on the 5 year Treasury rate per Yahoo Finance

(5) re is calculated based on the CAPM equation, using unlevered beta

(6) rd is calculated based on the Rf and an adjustment (per Lehman Brothers) based on Lee's credit-based rating (Ba3) derived from Bloomberg

(7) Debt represents average of 5 years book debt; Equity is the average of 5 year market value

(8) Tax rate is derived from Bloomberg

Equations

$B_u=B_L/(1+(1-t)*D_{book}/E_{market})$

$ra=re*[E/(E+D(1-tc)]+rd*[D(1-tc)/(E+D(1-tc)]$

EXHIBIT 19: LEE ENTERPRISES Debt Repayment Plan					
(in thousands)	2007	2008	2009	2010	2011
Aggregate Maturities	47,500	47,500	448,500	142,500	237,500
Cumulative Amount Paid To Be Paid	47,500	95,000	543,500	686,000	923,500

According to te 3rd Qtr 2006 10Q, aggregate maturities of debt during the five years ending June 2011 are $47,500,000, $47,500,000, $448,500,000, $142,500,000 and $237,500,000, respectively.

EXHIBIT 20: LEE ENTERPRISES Estimated Debt Outstanding						
(in thousands)	2006	2007	2008	2009	2010	2011
Debt Amount Outstanding at Beg of Year		1,525,000	1,477,500	1,430,000	981,500	839,000
Amount Paid		47,500	47,500	448,500	142,500	237,500
Debt Amount Outstanding at End of Year	1,525,000	1,477,500	1,430,000	981,500	839,000	601,500

(1) source: Debt outstanding of 1.5M is derived from 4th Qtr 2006 Earnings Release.
(2) We are assuming that Lee management will follow the schedule repayment plan and will not prepay outstanding principal amounts going forward.

EXHIBIT 21: LEE ENTERPRISES Debt Tax Shield						
(in thousands)	2006	2007	2008	2009	2010	2011
Debt Amount Outstanding at Beg of Year	1,525,000	1,477,500	1,430,000	981,500	839,000	601,500
Interest Rate	6.20%	6.20%	6.20%	6.20%	6.20%	6.20%
Interest Expense	94,550	91,605	88,660	60,853	52,018	37,293
Debt Tax Shield	33,093	32,062	31,031	21,299	18,206	13,053
PV Debt Tax Shield (discounted at rd)	33,093	30,405	27,906	18,164	14,724	10,011
Total PV of Debt Tax Shield	134,302					

(1) Per Credit Agreement in Annual Report, the interest rate for its outstanding debt amount is 6.1-6.31%.
We assumed an interest rate of 6.2%.

EXHIBT 22: LEE ENTERPRISE Valuation Summary

	Enterprise Value in millions	Debt Value in millions	Equity Value in millions	PV of Debt Tax Shield	Shares Outstanding in millions	Share Price
Actual	$ 2,920.00	$ 1,600.00	$ 1,320.00	n/a	45.88	$28.71
Estimated	$ 2,529.07	$ 1,600.00	$ 929.07	$ 134.30	45.88	$23.18

(1) Shares outstanding is derived from Yahoo Finance on 12/1/2006
(2) Debt value represents book value debt per Yahoo Finance
(4) Actual share price of $28.71 reflects price as of close on December 1, 2006.

Exhibit 23 : LEE ENTERPRISE Valuation Model

Assumptions

	2007	**2008-2009**	**2010-2011**	**2007 - 2011**
Revenue Growth Rate	1.0%	2.5%	3.0%	
COGS Growth Rate	1.5%	1.5%	2.0%	
SG&A Expense Growth Rate	1.5%	1.5%	2.0%	
Depr as % of Sales	7.0%	7.0%	7.0%	
Tax Rate				35.0%
Capital Expenditures as % of Sales				7.0%
Net Working Capital as % of Sales				8.0%
Terminal Growth Rate				3.5%
Ro				5.95%

(in $ millions)	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Revenues	525.9	656.7	683.3	860.9	1,128.6	1,139.9	1,168.4	1,197.6	1,233.5	1,270.5
Cost of Goods	378.1	330.1	339.7	427.3	556.0	564.3	572.8	581.4	593.0	604.9
Gross Profit	147.8	326.7	343.6	433.6	572.6	575.5	595.6	616.2	640.5	665.6
Operating Expenses										
SG&A	0.0	150.1	157.4	199.2	293.2	297.6	302.1	306.6	312.7	319.0
Depreciation	35.1	46.6	48.0	60.8	96.1	79.8	81.8	83.8	86.3	88.9
Interest Expenses	15.8	16.5	12.7	38.0	95.9	91.6	88.7	60.9	52.0	37.3
Other Income (Expense)	14.1	8.1	9.1	(14.1)	23.4	24.1	24.8	25.6	26.3	27.1
Earnings Before Taxes	111.1	121.5	134.7	121.4	110.8	106.6	123.1	164.9	189.4	220.4
Taxes	30.0	43.5	48.2	44.4	39.7	37.3	43.1	57.7	66.3	77.2
Discountinued and Extraoridinary	0.9	(0.0)	(0.4)	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0
Net Income	82.0	78.0	86.1	77.0	70.8	69.3	80.0	107.2	123.1	143.3
Net Income as % of Revenues	15.6%	11.9%	12.6%	8.9%	6.3%	6.1%	6.8%	9.0%	10.0%	11.3%
EBITDA	176.9	192.8	204.1	206.2	325.9	302.1	318.3	335.2	354.1	373.8
Working Capital	48.0	49.5	55.9	132.2	90.3	91.2	93.5	95.8	98.7	101.6
Capital Expenditures	13.5	16.1	19.2	24.7	79.0	79.8	81.8	83.8	86.3	88.9
Tax and Tax Shield Adjustment	35.6	49.2	52.6	57.7	73.3	69.4	74.1	79.0	84.5	90.2
FCF	$79.9	$77.9	$76.4	($8.3)	$83.3	$61.7	$69.0	$76.5	$84.6	$93.0
PV (FCF)						$58.2	$61.5	$64.3	$67.1	$69.7
Terminal Value	$ 2,947.65									
PV (Terminal Value)	$ 2,208.22									

NET PRESENT VALUE: $ 2,529.07

EXHIBIT 24: LEE ENTERPRISES

DAILY NEWSPAPERS AND MARKETS

Newspaper	City	State	Paid Circulation Daily	Paid Circulation Sunday
St. Louis Post-Dispatch [2]	St. Louis	Missouri	278,531	428,601
Arizona Daily Star [2][3]	Tucson	Arizona	103,708	161,975
Capital Newspapers [4]				
Wisconsin State Journal	Madison	Wisconsin	91,164	146,439
The Capital Times	Madison	Wisconsin	18,640	-
Daily Citizen	Beaver Dam	Wisconsin	10,318	-
Portage Daily Register	Portage	Wisconsin	4,905	-
Baraboo News Republic	Baraboo	Wisconsin	4,193	-
North County Times [6]	Oceanside and Escondido	California	88,648	93,151
The Times [6]	Munster, Valparaiso, and Crown Point	Indiana	81,392	89,241
Lincoln Group				
Lincoln Journal Star	Lincoln	Nebraska	73,689	82,800
Columbus Telegram	Columbus	Nebraska	9,035	9,996
Fremont Tribune	Fremont	Nebraska	8,210	-
Beatrice Daily Sun	Beatrice	Nebraska	7,716	-
Quad-Cities Group				
Quad-City Times	Davenport	Iowa	52,182	69,003
Muscatine Journal	Muscatine	Iowa	7,822	-
Billings Gazette	Billings	Montana	46,365	52,765
The Pantagraph [2]	Bloomington	Illinois	45,980	50,245
Sioux City Journal [6]	Sioux City	Iowa	43,007	41,562
The Courier [6]	Waterloo and Cedar Falls	Iowa	40,736	50,664
The Post-Star [6]	Glens Falls	New York	34,345	36,897
Central Illinois Newspaper Group				
Herald & Review	Decatur	Illinois	33,692	42,942
Journal Gazette [6]	Mattoon	Illinois	10,294	-
Times-Courier [6]	Charleston	Illinois	6,457	-

River Valley Newspaper Group				
La Crosse Tribune	La Crosse	Wisconsin	32,838	40,902
Winona Daily News	Winona	Minnesota	11,303	12,705
The Daily Herald [2]	Provo	Utah	30,695	37,476
Casper Star-Tribune [6]	Casper	Wyoming	30,560	32,943
Missoula Group				
Missoulian	Missoula	Montana	30,378	34,541
Ravalli Republic	Hamilton	Montana	5,186	-
Rapid City Journal	Rapid City	South Dakota	30,093	34,492
The Journal Times	Racine	Wisconsin	28,848	30,546
The Bismarck Tribune	Bismarck	North Dakota	27,548	30,867
The Southern Illinoisan	Carbondale	Illinois	27,446	36,491
The Daily News [6]	Longview	Washington	21,442	21,480
Magic Valley Group				
The Times-News [6]	Twin Falls	Idaho	20,514	21,049
Elko Daily Free Press [8]	Elko	Nevada	5,870	-
South Idaho Press [8]	Burley	Idaho	3,232	2,763
Globe Gazette	Mason City	Iowa	18,743	23,174
Napa Valley Register [2]	Napa	California	17,299	17,876
Central Coast Newspapers				
Santa Maria Times [2]	Santa Maria	California	18,293	17,895
The Lompoc Record [2]	Lompoc	California	6,529	6,775
Mid-Valley News Group				
Albany Democrat-Herald	Albany	Oregon	17,239	17,730
Corvallis Gazette-Times	Corvallis	Oregon	11,524	12,021
The Times and Democrat [6]	Orangeburg	South Carolina	17,040	16,876
Independent Record	Helena	Montana	14,328	14,878
The Montana Standard	Butte	Montana	14,236	14,402
The Sentinel [6]	Carlisle	Pennsylvania	14,235	14,650
The Sentinel [2]	Hanford	California	13,248	13,010
The World [2]	Coos Bay	Oregon	12,562	-
The Citizen [6]	Auburn	New York	11,912	13,781
Arizona Daily Sun [2]	Flagstaff	Arizona	11,189	12,389
Daily Chronicle [2]	DeKalb	Illinois	9,211	10,511
The Garden Island [2]	Lihue	Hawaii	8,647	9,093

The Ledger Independent [6]	Maysville	Kentucky	8,580	-
Daily Journal [2]	Park Hills	Missouri	8,046	8,232
The Chippewa Herald	Chippewa Falls	Wisconsin	6,893	7,050
Shawano Leader [4]	Shawano	Wisconsin	6,324	6,768
The Daily News [2]	Rhinelander	Wisconsin		

[1] Ahrens, Frank. "With Tribune on Block, L.A. Times Circulation Down 8%." Washington Post**.** October 31, 2006.
[2] S&P Analyst Report, November 25, 2006
[3] S&P Analyst Report, November 25, 2006
[4] www.moneycentral.com
[5] Business Wire: Lee Enterprises Reports Revenue Growth In October, 11/21/06.
[6] http://www.onlinenewspapers.com/
[7] Lee Enterprises 2005 10-K Report
[8] Lee Enterprises 2005 10-K Report
[9] Lee Enterprises 2006 3rd Qtr 2006 10-Q Report
[10] Market Watch: Lee Enterprises Advertising Revenue Rises, 11/21/06; Business Wire: Lee Enterprises Reports Revenue Growth In October, 11/21/06.
[11] 5%=4,108 / 82,107 (See Exhibit 7).
[12] Market Watch: Lee Enterprises Advertising Revenue Rises, 11/21/06; Business Wire: Lee Enterprises Reports Revenue Growth In October, 11/21/06.
[13] According to Lee's 10-K Annual Report, "The Company's largest source of publishing revenue, retail advertising, is seasonal and tends to fluctuate with retail sales in markets served. Historically, retail advertising is higher in the first and third fiscal quarters. Advertising revenue is lowest in the second quarter." Lee Enterprises 2005 10-K Report.
[14] Yahoo Finance, www.moneycentral.com.
[15] Lee Enterprises 2005 10-K Report
[16] Lee Enterprises 3rd Qtr 2006 10-Q
[17] Leen Enterprises 2005 Annual Report and 3rd Qtr 2006 10-Q
[18] Business Wire: Lee Enterprises Reports Revenue Growth In October, 11/21/06.
[19] www.moneycentral.com