UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 28, 2008

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-6227

LEE ENTERPRISES, INCORPORATED

(Exact name of Registrant as specified in its charter)

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

201 N. Harrison Street, Suite 600, Davenport, Iowa 52801

(Address of principal executive offices)

(563) 383-2100

Registrant s telephone number, including area code

Title of Each Class	Name of Each Exchange On Which Registered
Securities registered pursuant to Section 12(b) of the Act:	
Common Stock - $2 par value	New York Stock Exchange
Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Class B Common Stock - $2 par value

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this Chapter) is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [   ]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act:

Large accelerated filer [   ]   Accelerated filer [X]   Non-accelerated filer [   ]

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant s most recently completed second fiscal quarter. Based on the closing price of the Registrant s Common Stock on the New York Stock Exchange on March 30, 2008: approximately $445,331,000. For purposes of the foregoing calculation only, as required, the Registrant has included in the shares owned by affiliates the beneficial ownership of Common Stock and Class B Common Stock of officers and directors of the Registrant and members of their families, and such inclusion shall not be construed as an admission that any such person is an affiliate for any purpose.

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of November 30, 2008. Common Stock, $2 par value, 39,142,452 shares and Class B Common Stock, $2 par value, 5,931,150 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Lee Enterprises, Incorporated Definitive Proxy Statement to be filed in January 2009 are incorporated by reference in Part III of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. This report contains information that may be deemed forward-looking, that is based largely on the Company s (as defined below) current expectations, and is subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those anticipated.

Among such risks, trends and other uncertainties, which in some instances are beyond its control, are the Company s ability to generate cash flows and maintain liquidity sufficient to service its debt, and comply with or obtain amendments or waivers of the financial covenants contained in its credit facilities, if necessary. Other risks and uncertainties include the impact of continuing adverse economic conditions, potential changes in advertising demand, newsprint and other commodity prices, energy costs, interest rates and the availability of credit due to instability in the credit markets, labor costs, legislative and regulatory rulings and other results of operations or financial conditions, difficulties in maintaining employee and customer relationships, increased capital and other costs, competition and other risks detailed from time to time in the Company s publicly filed documents.

The words may , will , would , could , believes , expects , anticipates , intends , plans , projects , considers and simila generally identify forward-looking statements. Readers are cautioned not to place undue reliance on such forward-looking statements, which are made as of the date of this report. The Company does not undertake to publicly update or revise its forward-looking statements.

PART I

The Company experienced significant net losses in 2008, due to impairment of goodwill and other assets, and its financial position and liquidity have deteriorated. The information included herein should be evaluated in that context. See Item 1A, Risk Factors , and Notes 6 and 7 of the Notes to Consolidated Financial Statements, included herein, for additional information.

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

ITEM 1. BUSINESS

Lee Enterprises, Incorporated (Company), is a premier provider of local news, information and advertising in primarily midsize markets, with 49 daily newspapers and a joint interest in four others, rapidly growing online sites and more than 300 weekly newspapers and specialty publications in 23 states.

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

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

Certain aspects of these priorities are discussed below.

The Company was founded in 1890, incorporated in 1950, and listed on the New York Stock Exchange (NYSE) in 1978. Before 2001, the Company also operated a number of network-affiliated and satellite television stations. The Company has acquired and divested a number of businesses since 2001. The most significant of these transactions is discussed below.

PULITZER ACQUISITION

In 2005, the Company acquired Pulitzer Inc. (Pulitzer). Pulitzer published 14 daily newspapers and more than 100 weekly newspapers and specialty publications. Pulitzer also owned a 50% interest in TNI Partners, as described more fully below. The acquisition of Pulitzer increased the Company s paid circulation by more than 50% to more than 1.6 million daily and 1.9 million Sunday, and revenue by more than 60% at that time.

Pulitzer newspaper operations include St. Louis, Missouri, where its subsidiary, St. Louis Post-Dispatch LLC (PD LLC), publishes the *St. Louis Post-Dispatch,* the only major daily newspaper serving the greater

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St. Louis metropolitan area, and a variety of specialty publications, and operates its related websites. St. Louis newspaper operations also include the Suburban Journals of Greater St. Louis, a group of 30 weekly newspapers and nine niche publications that focus on separate communities within the metropolitan area. In 2008, the Suburban Journals had average unduplicated circulation of approximately 0.6 million, resulting in the delivery of approximately 1.0 million copies per week.

Pulitzer holds a 95% interest in the results of operations of PD LLC, and The Herald Publishing Company, LLC (Herald) holds a 5% interest.

Pulitzer s wholly-owned subsidiary, Pulitzer Newspapers, Inc. (PNI), and its subsidiaries currently publish ten daily newspapers and operate the related websites as well as publish more than 75 weekly newspapers, shoppers and niche publications that serve markets in the Midwest, Southwest and West. In 2006, the Company sold the assets of *The Daily News* in Rhinelander, Wisconsin, the smallest of these newspapers. In 2008, the Company sold the assets of *The Daily Chronicle* in DeKalb, Illinois.

TNI Partners

As a result of the acquisition of Pulitzer, the Company owns a 50% interest in TNI Partners (TNI), the Tucson, Arizona, newspaper partnership. TNI, acting as agent for the Company s subsidiary, Star Publishing Company (Star Publishing), and the owner of the remaining 50%, Citizen Publishing Company (Citizen), a subsidiary of Gannett Co., Inc., is responsible for printing, delivery, advertising and circulation of the *Arizona Daily Star* and the *Tucson Citizen* as well as their related online operations and specialty publications. TNI collects all receipts and income and pays substantially all operating expenses incident to the partnership s operations and publication of the newspapers and other media. Each newspaper is solely responsible for its own news and editorial content. Under the amended and restated joint operating agreement between Star Publishing and Citizen (the Agency Agreement), the *Arizona Daily Star* remains the separate property of Star Publishing. Income or loss of TNI (before income taxes) is allocated equally to Star Publishing and Citizen. Results of TNI are accounted for using the equity method.

The Newspaper Preservation Act of 1970 permits joint operating agreements between newspapers under certain circumstances without violation of the Federal antitrust laws. Agency agreements generally allow newspapers operating in the same market to share certain printing and other facilities and to pool certain revenue and expenses in order to decrease aggregate expenses and thereby allow the continuing operation of multiple newspapers in the same market. Newspapers in several cities operate under joint operating or agency agreements.

The Agency Agreement has governed the joint operations of the *Arizona Daily Star* and *Tucson Citizen* since 1940. The Board of Directors of TNI consists of three directors chosen by Star Publishing and three chosen by Citizen. Budgetary, key personnel and other non-news and editorial policy matters, such as advertising and circulation policies and rates or prices, are determined by the Board of Directors of TNI. Both the Company and Citizen incur certain administrative costs and capital expenditures that are reported by their individual companies. The *Arizona Daily Star* and the *Tucson Citizen* benefit from increases, and can be adversely affected by decreases, in each other s circulation. The Agency Agreement expires in 2015, but contains an option, which may be exercised by either party, to renew the agreement for successive periods of 25 years each.

Due to the agency relationship existing in Tucson, the *Arizona Daily Star* and *Tucson Citizen* cannot be viewed as competitors for advertising or circulation revenue. The *Arizona Daily Star* and *Tucson Citizen* compete primarily against other media, suburban, neighborhood and national newspapers, and other publications.

MADISON NEWSPAPERS

The Company owns 50% of the capital stock of Madison Newspapers, Inc. (MNI) and 17% of the nonvoting common stock of The Capital Times Company (TCT). TCT owns the remaining 50% of the capital stock of MNI. MNI publishes daily and Sunday newspapers, and other publications in Madison, Wisconsin, and other Wisconsin locations, as well as their related online operations. MNI conducts business under the trade name Capital Newspapers. The Company has a contract to furnish the editorial

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and news content for the *Wisconsin State Journal,* which is published by MNI, and periodically provides other services to MNI. The *Wisconsin State Journal* is classified as one of the Lee group of newspapers in the newspaper business and in the rating services. Results of MNI are accounted for using the equity method. Net income or loss of MNI (after income taxes) is allocated equally to the Company and TCT. In 2006, MNI sold the assets of its Shawano, Wisconsin, daily newspaper. In 2008, one of MNI s daily newspapers in Madison, *The Capital Times*, decreased print publication from six days per week to one day.

ADVERTISING

More than 76% of the Company s 2008 revenue was derived from advertising. The Company s strategies are to increase its share of local advertising through increased sales activities in its existing markets and, over time, to increase its print and online audiences through internal expansion into existing and contiguous markets and enhancement of online offerings. The Company s advertising results consistently outperform national averages, as compiled by the Newspaper Association of America (NAA).

Several of the Company s businesses operate in geographic groups of publications, or clusters which provide operational efficiencies and extend sales penetration. Operational efficiencies are obtained through consolidation of sales forces, back office operations such as finance or human resources, management or production of the publications. Sales penetration can improve if the sales effort is successful in cross-selling advertising into multiple publications and online. A table under the caption Daily Newspapers and Markets in Item 1 identifies those groups of the Company s newspapers operating in clusters.

The Company s newspapers and classified and specialty publications compete with newspapers having national or regional circulation, magazines, radio, network and cable television, other advertising media such as billboards, other classified and specialty publications, direct mail, yellow pages directories, as well as other information content providers such as online sites. Competition for advertising is based on audience size and composition, circulation levels, readership demographics, distribution and display mechanisms, price and advertiser results. In addition, several of the Company s daily and Sunday newspapers compete with other local daily or weekly newspapers. The Company estimates that it captures a substantial share of the total advertising dollars spent in all of its markets.

The number of competitors in any given market varies, and cannot be estimated with any degree of certainty. However, all of the forms of competition noted above exist to some degree in the Company s markets, including those listed in the table under the caption Daily Newspapers and Markets in Item 1.

The following broadly define major categories of advertising revenue, in descending order of importance:

Retail advertising is revenue earned from sales of display advertising space in the publication, or for preprinted advertising inserted in the publication, to local accounts or regional and national businesses with local retail operations.

Classified advertising, which includes employment, automotive, real estate for sale or rent, and other categories, is revenue earned from sales of advertising space in the classified section of the publication or from publications consisting primarily of such advertising. Classified publications are periodic advertising publications available in racks or delivered free, by carriers or third-class mail, to all, or selected, households in a particular geographic area. Classified publications offer advertisers a cost-effective local advertising vehicle and are particularly effective in larger markets with high media fragmentation.

Online advertising consists of display, banner, rich media, directories, classified or other advertising on websites associated and integrated with the Company s print publications and on third party affiliated websites, such as Yahoo! Inc. (Yahoo!).

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National advertising is revenue earned from display advertising space, or for preprinted advertising inserted in the publication, to national accounts, if there is no local retailer representing the account in the market.

Niche publications are specialty publications, such as lifestyle, business, health or home improvement publications that contain significant amounts of advertising.

The Company s many geographic markets have differences in their advertising rate structures, some of which are highly complex. A single operation often has scores of rate alternatives.

The advertising environment is influenced by the state of the overall economy, including unemployment rates, inflation, energy prices and consumer interest rates. The Company s enterprises are generally located in midsize and smaller markets. Generally these markets have been more stable than major metropolitan markets during the current downturn in advertising spending but may not experience increases in such spending as significant as those in major metropolitan markets in periods of economic improvement.

ONLINE ADVERTISING AND SERVICES

The Company s online activities include websites supporting each of its daily newspapers and certain of its other publications. Internet activities of the newspapers, except for TNI and MNI, are reported and managed as a part of the Company s publishing operations.

In 2007, the Company, in conjunction with several other major publishing organizations, announced a strategic alliance with Yahoo!, in which the publishing consortium offers its classified employment advertising customer base the opportunity to also post job listings on Yahoo! s HotJobs national platform. In addition, the consortium and Yahoo! have worked together to provide new search, content and local applications across the newspapers online sites, further enhancing the value of these sites as a destination for online users. The Yahoo! consortium currently includes more than 30 companies and approximately 800 daily newspapers across the United States.

The Company also owns 82.5% of an Internet service company, INN Partners, L.C. (doing business as TownNews.com), which provides online infrastructure and online publishing services for more than 1,500 daily and weekly newspapers and shoppers, including those of the Company.

Until 2008, online businesses of the Company experienced rapid growth. Online advertising represented 7.0% of total advertising revenue in 2008, compared to 6.5% in 2007. Online page views increased 26% between September 2007 and September 2008.

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AUDIENCES

Based on independent research, the Company estimates that, in an average week, its newspapers and online sites reach approximately 71% of adults in its larger markets, up significantly from 65.7% a year ago. In the St. Louis market, Scarborough Research estimates the *St. Louis Post Dispatch* and STLToday.com reach 63% of adults, ranking second for combined reach in the 25 most populated U.S. markets. The Company s extensive array of suburban newspapers and other publications further increases reach in St. Louis. Readership by young adults is also significant in the Company s larger markets, and is also growing, as summarized in the table below. The Company is reaching an increasingly larger share of the market through modest growth in newspaper readership and rapid online audience growth, as illustrated in the table below, as well as through additional specialty and niche publications.

PRINT PLUS ONLINE REACH PAST SEVEN DAYS

	All Adults		Age 18-29	
	2008	2007	2008	2007
Print only	48.5%	47.8%	37.5%	34.7%
Print and online	16.4	13.4	17.6	12.9
Online only	6.1	4.5	9.4	5.9
Total reach	71.0%	65.7%	64.5%	53.5%

Source: Lee Enterprises Audience Report, Wilkerson & Associates. January June 2008 and 2007.
Markets: St. Louis, MO, Madison, WI, Oceanside/Escondido, CA, Northwest Indiana,
Lincoln, NE, Davenport, IA, Billings, MT, Bloomington, IL, Sioux City, IA, Waterloo, IA

After advertising, print circulation is the Company s largest source of revenue. According to Editor and Publisher International Yearbook data, nationwide daily newspaper circulation unit sales have decreased 20% cumulatively through 2007 since their peak in 1984 and Sunday circulation unit sales have decreased 18% since their peak in 1990. The number of daily newspapers declined 16% from 1984 to 2007. For the six months ended September 2008, the Company s daily circulation, which includes TNI and MNI, as measured by the Audit Bureau of Circulations (ABC) declined 3.7%, and Sunday circulation declined 1.5%, outperforming the industry as a whole, which experienced 4.5% declines both daily and Sunday. Since September 2001, the Company s daily and Sunday circulation have declined cumulatively by 8.1% and 5.1%, respectively. These changes represent average annual declines of 1.2% and 0.7%, respectively. Such results are, in substantially all reporting periods, better than industry averages.

Growth in print and online audiences can, over time, also positively impact advertising revenue. The Company s strategies to improve audiences include continuous improvement of content and promotional efforts. Content can include focus on local news, features, scope of coverage, headline accuracy, presentation, writing style, tone, type style and reduction of factual errors. Promotional efforts include advertising, contests and other initiatives to increase awareness of the products. Customer service can also influence print circulation.

The Company s enterprises are also focused on increasing the number of subscribers who pay for their subscriptions via automated payment mechanisms, such as credit cards or bank account withdrawals. Customers using these payment methods have historically higher retention. Other initiatives vary from location to location and are determined principally by management at the local level in collaboration with senior management of the Company. Competition for print circulation is generally based on the content, journalistic quality and price of the publication.

Audience competition exists in all markets, even from unpaid products, but is most significant in markets with competing local daily newspapers. These markets tend to be near major metropolitan areas, where the size of the population is sufficient to support more than one daily newspaper.

The Company s circulation sales channels continue to evolve through an emphasis on targeted direct mail and email to acquire new subscribers and retain current subscribers.

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DAILY NEWSPAPERS AND MARKETS

The Company, TNI and MNI publish the following daily newspapers and maintain the following primary online sites:

Newspaper	Primary Website	Location	Paid Circulation [1] Daily	Sunday
St. Louis Post-Dispatch	stltoday.com	St. Louis, MO	240,796	423,588
Capital Newspapers [2]				
Wisconsin State Journal	madison.com	Madison, WI	99,197	137,609
Daily Citizen	wiscnews.com/bdc	Beaver Dam, WI	9,759	-
Portage Daily Register	wiscnews.com/pdr	Portage, WI	4,839	-
Baraboo News Republic	wiscnews.com/bnr	Baraboo, WI	4,251	-
Arizona Daily Star [3]	azstarnet.com	Tucson, AZ	94,055	147,558
North County Times	nctimes.com	Oceanside and Escondido, CA	85,970	85,156
The Times	nwitimes.com	Munster, Valparaiso, and Crown Point, IN	83,516	91,763
Lincoln Group				
Lincoln Journal Star	journalstar.com	Lincoln, NE	77,120	82,719
Columbus Telegram	columbustelegram.com	Columbus, NE	8,694	9,549
Fremont Tribune	fremonttribune.com	Fremont, NE	7,940	-
Beatrice Daily Sun	beatricedailysun.com	Beatrice, NE	7,126	-
Quad-Cities Group				
Quad-City Times	qctimes.com	Davenport, IA	50,820	67,929
Muscatine Journal	muscatinejournal.com	Muscatine, IA	6,831	-
The Pantagraph	pantagraph.com	Bloomington, IL	45,287	48,241
Billings Gazette	billingsgazette.com	Billings, MT	43,860	50,326
The Courier	wcfcourier.com	Waterloo and Cedar Falls, IA	39,819	50,432
Sioux City Journal	siouxcityjournal.com	Sioux City, IA	39,517	40,978
Central Illinois Newspaper Group				
Herald & Review	herald-review.com	Decatur, IL	31,457	47,341
Journal Gazette	jg-tc.com	Mattoon, IL	9,477	-
Times-Courier	jg-tc.com	Charleston, IL	6,026	-
The Post-Star	poststar.com	Glens Falls, NY	31,418	34,174
River Valley Newspaper Group				
La Crosse Tribune	lacrossetribune.com	La Crosse, WI	31,114	40,707
Winona Daily News	winonadailynews.com	Winona, MN	11,009	12,207
The Daily Herald	heraldextra.com	Provo, UT	30,489	38,987
Missoula Group				
Missoulian	missoulian.com	Missoula, MT	28,313	32,274
Ravalli Republic	ravallinews.com	Hamilton, MT	5,188 [4]	-
The Journal Times	journaltimes.com	Racine, WI	28,039	29,947
Casper Star-Tribune	trib.com	Casper, WY	27,989	30,088
Rapid City Journal	rapidcityjournal.com	Rapid City, SD	27,827	32,638
The Bismarck Tribune	bismarcktribune.com	Bismarck, ND	26,861	30,730

The Southern Illinoisan	thesouthern.com	Carbondale, IL	26,256		36,743
The Daily News	tdn.com	Longview, WA	20,634		21,733
Magic Valley Group					
The Times-News	magicvalley.com	Twin Falls, ID	19,110		22,824
Elko Daily Free Press	elkodaily.com	Elko, NV	5,803	(4)	-
Central Coast Newspapers					
Santa Maria Times	santamariatimes.com	Santa Maria, CA	18,823		17,555
The Lompoc Record	lompocrecord.com	Lompoc, CA	5,331		5,248

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Newspaper	Primary Website	Location	Paid Circulation [1] Daily	Sunday
Globe Gazette	globegazette.com	Mason City, IA	17,435	22,049
Mid-Valley News Group				
Albany Democrat-Herald	democratherald.com	Albany, OR	16,638	17,586
Corvallis Gazette-Times	gazettetimes.com	Corvallis, OR	11,559	11,788
Napa Valley Register	napavalleyregister.com	Napa, CA	15,236	15,452
The Times and Democrat	thetandd.com	Orangeburg, SC	14,905	15,661
The Montana Standard	mtstandard.com	Butte, MT	14,367	14,625
Independent Record	helenair.com	Helena, MT	14,252	15,210
The Sentinel	cumberlink.com	Carlisle, PA	13,872	15,334
The Sentinel	hanfordsentinel.com	Hanford, CA	11,799	10,499
The World	theworldlink.com	Coos Bay, OR	11,502	-
Arizona Daily Sun	azdailysun.com	Flagstaff, AZ	11,292	12,047
The Citizen	auburnpub.com	Auburn, NY	10,594	12,618
The Garden Island	kauaiworld.com	Lihue, HI	10,075	9,474
The Ledger Independent	maysville-online.com	Maysville, KY	8,422	-
Daily Journal	dailyjournalonline.com	Park Hills, MO	8,023	8,294
The Chippewa Herald	chippewa.com	Chippewa Falls, WI	6,310	6,466
			1,536,842	1,856,147

(1) Source: ABC: Six months ended September 2008, unless otherwise noted.
(2) Owned by MNI.
(3) Owned by Star Publishing but published through TNI.
(4) Source: Company statistics.

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COMMERCIAL PRINTING

The Company offers commercial printing services through the following entities:

	Location
Selma Enterprises	Selma, CA
William Street Press	Decatur, IL
Hawkeye Printing and Trico Communications	Davenport, IA
Platen Press	Butte, MT
Farcountry Press	Helena, MT
Journal Star Commercial Printing	Lincoln, NE
Plaindealer Publishing	Tekamah, NE
Triangle Press	Chippewa Falls, WI
Wingra Printing [(1)]	Madison, WI

(1) Owned by MNI, which is 50% owned by the Company.

Certain of the Company s newspapers also directly provide commercial printing services. Commercial printing business is highly competitive and generally has lower operating margins than newspapers.

NEWSPRINT

The basic raw material of newspapers, and classified and specialty publications, is newsprint. The Company and its subsidiaries purchase newsprint from U.S. and Canadian producers. The Company believes it will continue to receive a supply of newsprint adequate for its needs and considers its relationships with newsprint producers to be good. Newsprint prices are volatile and fluctuate based upon factors that include foreign currency exchange rates and both foreign and domestic production capacity and consumption. Between September 2007 and September 2008, the FOEX 30-pound newsprint price index increased 31%. Price fluctuations can have a significant effect on the results of operations. The Company has not entered into derivative contracts for newsprint. For the quantitative impacts of these fluctuations, see Quantitative And Qualitative Disclosures About Market Risk under Item 7A, included herein.

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EXECUTIVE TEAM

The following table lists executive team members of the Company as of November 30, 2008:

Name	Age	Service with the Company	Named to Current Position	Current Position
Mary E. Junck	61	June 1999	January 2002	Chairman, President and Chief Executive Officer
Joyce L. Dehli	50	August 1987	February 2006	Vice President News
Paul M. Farrell	52	May 2007	May 2007	Vice President Sales & Marketing
Suzanna M. Frank	38	December 2003	March 2008	Vice President Audience
Karen J. Guest	55	July 2006	July 2006	Vice President Law and Chief Legal Officer
Michael R. Gulledge	48	October 1982	May 2005	Vice President Publishing
Daniel K. Hayes	63	September 1969	September 2005	Vice President Corporate Communications
Brian E. Kardell	45	January 1991	August 2003	Vice President Production and Chief Information Officer
Vytenis P. Kuraitis	60	August 1994	January 1997	Vice President Human Resources
Kevin D. Mowbray	46	September 1986	November 2004	Vice President Publishing
Gregory P. Schermer	54	February 1989	November 1997	Vice President Interactive Media
Carl G. Schmidt	52	May 2001	May 2001	Vice President, Chief Financial Officer and Treasurer
Greg R. Veon	56	April 1976	November 1999	Vice President Publishing

Mary E. Junck was elected Chairman, President and Chief Executive Officer in 2002. From 2001 to 2002 she served as President and Chief Executive Officer. From 2000 to 2001 she served as President and Chief Operating Officer. From 1999 to 2000 she served as Executive Vice President and Chief Operating Officer.

Joyce L. Dehli was appointed Vice President News in February 2006. From April 2005 to February 2006, she served as Director of Editorial Development. From October 2004 to April 2005 she served as Editorial Training Manager. From August 2003 to October 2004 she served as Managing Editor of the *Wisconsin State Journal*. From 2001 to August 2003 she served as Assistant Managing Editor of the *Wisconsin State Journal*.

Paul M. Farrell was appointed Vice President Sales & Marketing in May 2007. From July 2004 to May 2007 he served as Senior Vice President of The Providence Journal Co., a subsidiary of Belo Corp. From 1999 to July 2004 he served as Advertising Director of *The Boston Globe*, a division of the New York Times Company.

Suzanna M. Frank was appointed Vice President Audience in March 2008. From December 2003 to March 2008 she served as Director of Research and Marketing. From October 2001 to December 2003 she served as Market Research Manager for the *San Diego Union-Tribune*.

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Karen J. Guest was appointed Vice President Law and Chief Legal Officer in July 2006. From April 2003 until July 2006, she served as General Counsel to PAJ, Inc. Prior to April 2003, she served as Vice-President/General Counsel for United Advertising Publications, Inc.

Michael R. Gulledge was elected a Vice President Publishing in May 2005 and named Publisher of the *Billings Gazette* in 2000. From 2002 to May 2005 he served as a Group Publisher.

Daniel K. Hayes was appointed Vice President Corporate Communications in September 2005. From 1998 to September 2005 he served as Director of Communications.

Brian E. Kardell was appointed Vice President Production and Chief Information Officer in August 2003. From 2001 to August 2003, he served as Vice President Information Systems and Chief Information Officer.

Vytenis P. Kuraitis was elected Vice President Human Resources in 1997.

Kevin D. Mowbray was elected a Vice President Publishing in November 2004 and named Publisher of the *St. Louis Post-Dispatch* in May 2006. From November 2004 to May 2006 he served as Publisher of *The Times*. From 2002 to November 2004 he served as Vice President Sales & Marketing.

Gregory P. Schermer was elected Vice President Interactive Media in 1997. He was elected to the Board of Directors of the Company in 1999. From 1989 to July 2006, he also served as Corporate Counsel of the Company.

Carl G. Schmidt was elected Vice President, Chief Financial Officer and Treasurer in 2001.

Greg R. Veon was elected a Vice President Publishing in 1999.

EMPLOYEES

At September 28, 2008, the Company had approximately 8,200 employees, including approximately 2,000 part-time employees, exclusive of MNI and TNI. Full-time equivalent employees at September 28, 2008, totaled approximately 7,500. The Company considers its relationships with its employees to be good.

Bargaining unit employees represent approximately 740, or 71%, of the total employees of the *St. Louis Post-Dispatch*. The *St. Louis Post-Dispatch* has contracts with substantially all bargaining unit employees with expiration dates through January 2011. New contracts were reached with various units in the last several years: the Graphic Communications International Union (GCIU) Local No 6-505 M (1 employee) was signed in May 2007 and expires in 2010; the International Association of Machinists & Aerospace Workers, District No. 9 (12 machinists), was signed in March 2008 and expires in 2011; and the International Association of Machinists & Aerospace Workers, District No. 9 (11 electricians), was signed in October 2008 and expires in 2011. Additionally, the union representing the paperhandlers, GCIU Local 38N, disclaimed interest in the unit (30 part time employees). Two contracts expire in 2009: the St. Louis Newspaper Guild, Local 36047, representing 355 employees and the St. Louis Typographical Union No. 8/CWA 14616, representing 11 employees. All *St. Louis Post-Dispatch* labor contracts contain no-strike clauses.

Approximately 95 employees in six additional locations are represented by collective bargaining units. Contracts at four of these locations have expired and negotiations are ongoing.

In December 2008, employees of selected departments of *The Pantagraph*, in an election conducted by the National Labor Relations Board, overwhelming rejected an organization attempt by the St. Louis Newspaper Guild.

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CORPORATE GOVERNANCE AND PUBLIC INFORMATION

The Company has a long, substantial history of progressive corporate governance practices. The Board of Directors has a lead independent director, and has had one for many years. Currently, eight of ten members of the Board of Directors are independent, as are all members of the Board s Audit, Executive Compensation and Nominating and Corporate Governance committees. The Audit Committee approves all services to be provided by the Company s independent registered public accounting firm and its affiliates.

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

OTHER MATTERS

In the opinion of management, compliance with present statutory and regulatory requirements respecting environmental quality will not necessitate significant capital outlays, materially affect the earnings of the Company, or cause material changes in the Company s business, whether present or intended.

ITEM 1A. RISK FACTORS

Risk exists that the Company s past results may not be indicative of future results. A discussion of certain of the most significant of these risks follows. See also, Forward-Looking Statements , included herein. In addition, a number of other factors (those identified elsewhere in this document and others, both known and unknown) may cause actual results to differ materially from expectations.

DEBT AND LIQUIDITY

The Company has a substantial amount of debt, as more fully discussed (and capitalized terms used below defined) under Item 7, Liquidity and Capital Resources and Note 7 of the Notes to Consolidated Financial Statements, included herein. In 2009, the Company amended the terms of its Credit Agreement, which, among other changes, increases the Company s future borrowing costs in relation to LIBOR, and reduces the amount available under the Company s revolving credit facility. In December 2008, certain covenant violations related to the Credit Agreement and Pulitzer Notes were waived until March 30, 2009 and January 16, 2009, respectively.

The Company s ability to operate as a going concern is dependent on its ability to refinance or amend its debt agreements as they become due, or earlier if available liquidity is consumed.

The Company s indebtedness could adversely affect its financial health in any or all of the following ways:

- Substantially all of the cash flows of the Company are required to be applied to payment of debt interest and principal, reducing funds available for investment, capital expenditures and other purposes;
- The Company reported significant net losses in 2008, due to impairment of goodwill and other assets resulting from the continuing and increasing difference between its stock price and the per share carrying value of its net assets. Reduced expectations of future cash flows were also an important factor in the determination of such impairment charges;
- The Company s flexibility to react to changes in economic and industry conditions may be more limited;
- Increasing leverage could make the Company more vulnerable in the event of additional deterioration of general economic conditions or other adverse events; and
- There could be a material impact on the Company s business if it is unable to meet the conditions of its debt agreements or obtain replacement financing.

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The Company generated cash flows in 2008 sufficient to reduce net debt by $102,225,000, pay dividends totaling $32,573,000 and acquire shares of its Common Stock in the amount of $19,483,000. The Company does not have sufficient cash flows to meet both its requirements for 2009 operations and repayment of the Pulitzer Notes.

2009 principal payments required under the Credit Agreement totaling $142,500,000 are expected to exceed the Company s cash flows available for such payments. As a result, the Company expects to utilize a portion of its capacity under its revolving credit facility to fund a portion of the 2009 principal payments required. At September 28, 2008, the Company had $207,000,000 outstanding under the revolving credit facility, and after consideration of the 2009 Amendments, letters of credit and other commitments, has approximately $162,000,000 available for future use.

Principal payments under the Credit Agreement totaling $166,250,000 are due in 2010. The Company expects to utilize the remainder of its capacity under its revolving credit facility to fund a portion of the 2010 principal payments required.

The Pulitzer Notes mature in April 2009. The Company is actively engaged in discussions with the Noteholders, and to the extent their approval may also be required, the Lenders under the Credit Agreement, to extend or refinance the Pulitzer Notes. The Company has also initiated discussions with the Lenders related to changes to the Credit Agreement to maintain sufficient long-term liquidity. However, the timing and ultimate outcome of such discussions cannot be determined at this time due, in part, to the abnormal condition of the domestic credit markets and the overall recessionary operating environment in which the Company, Pulitzer, and other publishing companies are currently operating. Continuing instability or further disruptions of these markets could prohibit or make it more difficult for the Company to access new capital, increase the cost of capital or limit its ability to refinance existing indebtedness.

There are numerous potential consequences under the Credit Agreement, and Guaranty Agreement and Note Agreement related to the Pulitzer Notes, if an Event of Default, including expiration of existing waivers, occurs and is not remedied. Many of those consequences are beyond the control of the Company, Pulitzer, and PD LLC, respectively. The occurrence of one or more Events of Default would give rise to the right of the Lenders or the Noteholders, or both of them, to exercise their remedies under the Credit Agreement and the Note and Guaranty Agreements, respectively, including, without limitation, the right to accelerate all outstanding debt and take actions authorized in such circumstances under applicable collateral security documents, any of which would impair the ability of the Company to operate its business as a going concern.

See Item 7, Liquidity and Capital Resources included herein, for additional information on the risks associated with the Company s financing arrangements.

Approximately one half of the Company s debt is subject to changes in market interest rates. See Item 7A, Interest Rates included herein, for additional information on the risks associated with floating rate debt.

ECONOMIC CONDITIONS

The United States economy has been in a recession since December 2007, according to the National Bureau of Economic Research, and it is widely believed that certain elements of the economy, such as housing, were in decline before that time. 2008 revenue, operating results and cash flows were significantly impacted by the recession. The duration and depth of an economic recession in markets in which the Company operates may further reduce its future advertising and circulation revenue, operating results and cash flows.

OPERATING REVENUE

A significant portion of the Company s revenue is derived from advertising. The demand for advertising is sensitive to the overall level of economic activity, both nationally and locally.

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Operating revenue in most categories decreased in 2008 and may decrease in the future. Such decreases may not be offset by growth in advertising in other categories, such as online revenue, which, until 2008, has been rising significantly over the last several years. There can also be no assurance such online growth will resume. Historically, newspaper publishing has been viewed as a cost-effective method of delivering various forms of advertising. There can be no guarantee that this historical perception will guide future decisions on the part of advertisers. To the extent that advertisers shift advertising expenditures to other media outlets, including the Internet, the profitability of the Company s business may continue to be impacted.

The rates the Company charges for advertising are, in part, related to the size of the audience of its publications and websites. There is significant competition for readers and viewers from other media. The Company s business may be adversely affected to the extent individuals decide to obtain news, entertainment, classified listings and local shopping information from Internet-based or other media, to the exclusion of the Company s outlets for such information.

Retail Advertising

Major retail store chains have experienced significant merger and acquisition activity over the last several years, and some have gone out of business, effectively reducing the number of brand names under which the merged entities operate. The Company s retail revenue is also being impacted by the current recession. For example, a decline in the housing market negatively impacts retail advertising related to home improvement, furniture and home electronics.

Classified Advertising

Classified advertising is the category that has been most significantly impacted by the current economic environment. In 2008, as the recession accelerated, employment classified advertising, including both print and online, declined as unemployment increased.

In 2008 and 2007, real estate classified advertising also suffered declines due primarily to cyclical issues, such as declining sale prices and an increase in unsold homes, affecting the residential real estate market nationally.

Automotive classified advertising revenue declined in 2008, 2007 and 2006, due to industry-wide issues affecting certain domestic auto manufacturers and the overall decline in economic conditions leading to the current recession.

See Item 1, Advertising , included herein, for additional information on the risks associated with advertising revenue.

Circulation

Though the Company s audience is growing, and its circulation unit results have outperformed the industry, circulation unit sales have nonetheless been declining fractionally for several years. The possibility exists that future circulation price increases may be delayed or reduced as a result of future declines in circulation unit sales, and that price decreases may be necessary to retain or grow circulation unit volume. The Company is reaching increasingly larger audiences through modest growth in newspaper readership and rapid online audience growth, as well as through additional specialty and niche publications. Nonetheless, declines in circulation unit sales could also adversely impact advertising revenue.

See Item 1, Audiences , included herein, for additional information on the risks associated with circulation revenue.

OPERATING EXPENSES

The Company reduced operating expenses, excluding depreciation, amortization and unusual costs (and cost reductions), by 3.2% in 2008 and expects to reduce such operating expenses by an additional 7-8% in 2009. Such expense reductions are not expected to significantly impact the Company s ability to deliver advertising and content to its customers.

The results of future labor negotiations could affect the Company s operating results. For additional information concerning the Company s labor relations, see Item 1, Employees , included herein.

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Newsprint comprises a significant amount of the Company s operating costs. See Item 1, Newsprint and Item 7A, Commodities included herein, for additional information on the risks associated with changes in newsprint costs.

GOODWILL AND OTHER INTANGIBLE ASSETS

The Company has significant amounts of goodwill and identified intangible assets. In 2008, the Company recorded substantial impairment charges to reduce the value of certain of these assets. Should general economic, market or business conditions continue to decline, and continue to have a negative impact on the Company s stock price, the Company may be required to record additional impairment charges in the future. See Item 7, Critical Accounting Policies , included herein, for additional information on the risks associated with such assets.

EQUITY CAPITAL

As of December 24, 2008, the Company s Common Stock traded at an average 30-day closing market price of less than $1 per share. The Company s equity market capitalization may also fall under the $25,000,000 minimum requirement of the NYSE at some future date. Under the NYSE listing standards, if the Company s Common Stock fails to maintain an adequate per share price and total market capitalization, the Company s Common Stock could be removed from the NYSE and traded in the over the counter market. In a letter dated December 30, 2008 the NYSE notified the Company that it does not meet the NYSE continued listing standard due to its failure to maintain an adequate share price. The Company may be given a six month period of time to cure issues relating to its ability to meet NYSE listing standards. All of these factors, along with otherwise volatile equity market conditions, could limit the Company s ability to raise new equity capital in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company s executive offices are located in leased facilities at 201 North Harrison Street, Suite 600, Davenport, Iowa. The lease expires in 2019.

All of the Company s principal printing facilities except Madison, Wisconsin (which is owned by MNI), Tucson (which is jointly owned by Star Publishing and Citizen), St. Louis as described below, and leased land for the Helena, Montana and Lihue, Hawaii plants, are owned. All facilities are well maintained, in good condition, suitable for existing office and publishing operations and adequately equipped. With the exception of St. Louis, none of the Company s facilities is individually significant to its business.

Information related to St. Louis facilities at September 28, 2008 is as follows:

(Square Feet)	Owned	Leased
PD LLC	755,000	52,000
Suburban Journals	121,000	55,000

The *Baraboo News Republic, Beatrice Daily Sun, Corvallis Gazette-Times, Daily Citizen, Journal Gazette, The Lompoc Record, Muscatine Journal, Ravalli Republic, The Courier, Times Courier* and *Winona Daily News,* as well as many of the Company s and MNI s more than 300 other publications, are printed at other Company facilities, or outsourced, to enhance operating efficiency.

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

ITEM 3. LEGAL PROCEEDINGS

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

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In 2008, the Company was served with a lawsuit by a group of California newspaper carriers claiming to be employees and not independent contractors of the Company. Since the suit is in the earliest of phases, the Company is unable to predict whether the ultimate economic outcome, if any, could have a material effect on the Company s Consolidated Financial Statements, taken as a whole. The Company denies the allegations of employee status, consistent with past practices of the Company and the industry, and intends to vigorously contest the action, which is not covered by insurance.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the three months ended September 28, 2008.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON STOCK

AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF COMMON STOCK

Common Stock of the Company is listed on the NYSE. Class B Common Stock is not traded on an exchange but is readily convertible to Common Stock. Class B Common Stock was issued to stockholders of record of the Company in 1986 pursuant to a 100% stock dividend and is converted at sale, or at the option of the holder, into Common Stock. The table below includes the high and low prices of Common Stock for each quarter during the past three years, the closing price at the end of each quarter and dividends per common share.

	Quarter			
	1st	2nd	3rd	4th
STOCK PRICES				
2008				
High	$ 17.96	$ 14.91	$ 11.32	$ 5.00
Low	13.61	9.26	4.21	2.22
Closing	14.53	10.76	4.40	3.35
2007				
High	$ 32.13	$ 35.65	$ 30.92	$ 21.48
Low	24.55	29.48	20.50	14.58
Closing	31.06	30.05	20.86	15.57
2006				
High	$ 43.05	$ 37.43	$ 33.74	$ 27.61
Low	36.36	32.26	26.95	22.98
Closing	36.91	33.29	26.95	25.24
DIVIDENDS				
2008	$ 0.19	$ 0.19	$ 0.19	$ 0.19
2007	0.18	0.18	0.18	0.18
2006	0.18	0.18	0.18	0.18

As of December 24, 2008, the Company s Common Stock traded at an average 30-day closing market price of less than $1 per share. The Company s equity market capitalization may also fall under the $25,000,000 minimum requirement of the NYSE at some future date. Under the NYSE listing standards, if the Company s Common Stock fails to maintain an adequate per share price and total market capitalization, the Company s Common Stock could be removed from the NYSE and traded in the over the counter market. In a letter dated December 30, 2008 the NYSE notified the Company that it does not meet the NYSE continued listing standard due to its failure to maintain an adequate share price. The Company may be given a six month period of time to cure issues relating to its ability to meet NYSE listing standards.

Common Stock and Class B Common Stock have identical rights with respect to cash dividends and upon liquidation. For a more complete description of the relative rights of Common Stock and Class B Common Stock, see Note 12 of the Notes to Consolidated Financial Statements, included herein.

At September 28, 2008, the Company had 7,177 holders of Common Stock, including participants in the Company s employee stock purchase plans, and 1,294 holders of Class B Common Stock.

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

An amendment to the Company s Credit Agreement consummated in October 2008 requires the Company to suspend stockholder dividends and share repurchases until its total leverage ratio is less than 4.5:1. See Note 7 of the Notes to Consolidated Financial Statements, included herein.

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Performance Presentation

The following graph compares the quarterly percentage change in the cumulative total shareholder return of the Company, the Standard & Poor s (S&P) 500 Stock Index, and a Peer Group Index, in each case for the five years ended September 30, 2008 (with September 30, 2003 as the measurement point). Total shareholder return is measured by dividing (a) the sum of (i) the cumulative amount of dividends declared for the measurement period, assuming dividend reinvestment and (ii) the difference between the issuer s share price at the end and the beginning of the measurement period, by (b) the share price at the beginning of the measurement period.

$100 invested on September 30, 2003 in stock of the Company, the Peer Group and in the S&P 500 Stock Index, including reinvestment of dividends.

	September 30					
	2003	2004	2005	2006	2007	2008
Lee Enterprises, Incorporated	$ 100.00	$ 121.74	$ 113.42	$ 68.97	$ 43.81	$ 10.98
Peer Group Index	100.00	110.96	96.87	82.19	69.19	44.87
S&P 500 Stock Index	100.00	113.87	127.82	141.62	164.90	128.66

The S&P 500 Stock Index includes 500 U.S. companies in the industrial, transportation, utilities and financial sectors and is weighted by market capitalization. The Peer Group Index is comprised of ten U.S. publicly traded companies with significant newspaper publishing operations (excluding the Company) and is weighted by market capitalization. The Peer Group Index includes A.H. Belo Corp.(successor to Belo Corp.), Gannett Co., Inc., Journal Communications, Inc., Journal Register Company, The McClatchy Company, Media General, Inc., The New York Times Company, The E.W. Scripps Company, Sun-Times Media Group, Inc., and The Washington Post Company. Dow Jones & Company, Inc. and The Tribune Company, which were previously included in the Peer Group Index, are no longer publicly traded.

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ITEM 6. SELECTED FINANCIAL DATA

Selected financial data is as follows:

(Thousands, Except Per Common Share Data)	2008	2007	2006	2005 (1)	2004
OPERATING RESULTS (2)					
Operating revenue	$ 1,028,868	$ 1,120,194	$ 1,121,390	$ 816,614	$ 643,277
Operating expenses, excluding depreciation, amortization, and impairment of goodwill and other assets	821,846	849,644	843,577	612,425	466,866
Depreciation and amortization	91,078	92,700	90,276	58,958	43,930
Impairment of goodwill and other assets (3)	1,070,808	-	4,837	-	-
Equity in earnings of associated companies	10,211	20,124	20,739	12,784	8,523
Reduction in investment in TNI (3)	104,478	-	-	-	-
Operating income (loss)	(1,049,131)	197,974	203,439	158,015	141,004
Financial income	5,857	7,613	6,054	2,824	1,066
Financial expense	(71,472)	(90,341)	(95,939)	(38,038)	(12,665)
Income (loss) from continuing operations	$ (880,194)	$ 80,328	$ 70,778	$ 70,681	$ 82,973
Discontinued operations	285	671	54	6,197	3,098
Net income (loss)	$ (879,909)	$ 80,999	$ 70,832	$ 76,878	$ 86,071
Income (loss) available to common stockholders	$ (888,747)	$ 80,999	$ 70,832	$ 76,878	$ 86,071
EARNINGS (LOSS) PER COMMON SHARE					
Basic:					
Continuing operations	$ (19.84)	$ 1.76	$ 1.56	$ 1.57	$ 1.85
Discontinued operations	0.01	0.01	-	0.14	0.07
	$ (19.83)	$ 1.77	$ 1.56	$ 1.70	$ 1.92
Diluted:					
Continuing operations	$ (19.84)	$ 1.75	$ 1.55	$ 1.56	$ 1.84
Discontinued operations	0.01	0.01	-	0.14	0.07
	$ (19.83)	$ 1.77	$ 1.56	$ 1.70	$ 1.91
Weighted average common shares:					
Basic	44,813	45,671	45,421	45,118	44,792
Diluted	44,813	45,804	45,546	45,348	45,092
Dividends per common share	$ 0.76	$ 0.72	$ 0.72	$ 0.72	$ 0.72
BALANCE SHEET INFORMATION (End of Year)					
Total assets	$ 2,016,367	$ 3,260,963	$ 3,329,809	$ 3,445,200	$ 1,403,844
Debt, including current maturities (4)	1,332,375	1,395,625	1,525,000	1,688,000	213,600
	1,182,856	1,284,565	1,420,302	1,599,397	205,590

Debt, net of cash and restricted cash and investments (4)					
Stockholders equity	147,087	1,086,442	990,625	936,410	876,843

(1) Includes four months of operations of Pulitzer, which was acquired in June 2005.
(2) Results of DeKalb have been treated as a discontinued operation for all periods presented.

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(3) In 2008 the Company recorded pretax, non-cash charges to reduce the carrying value of goodwill by $908,977,000. The Company also recorded pretax, non-cash charges of $13,027,000 and $143,785,000 to reduce the carrying value of nonamortized and amortizable intangible assets, respectively. $104,478,000 of additional pretax charges were recorded as a reduction in the carrying value of the Company s investment in TNI. The Company also recorded additional, pretax non-cash charges of $5,019,000 to reduce the carrying value of property and equipment.

(4) Principal amount, excluding fair value adjustments in 2008, 2007, 2006 and 2005. See Note 7 of the Notes to Consolidated Financial Statements, included herein.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion includes comments and analysis relating to the Company s results of operations and financial condition as of, and for each of the three years ended, September 2008. This discussion should be read in conjunction with the Consolidated Financial Statements and related Notes thereto, included herein.

NON-GAAP FINANCIAL MEASURES

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

Operating Cash Flow and Operating Cash Flow Margin

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

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

(Thousands)	2008	Percent of Revenue	2007	Percent of Revenue	2006	Percent of Revenue
Operating cash flow	$ 207,022	20.1%	$ 270,550	24.2%	$ 277,813	24.8%
Less depreciation and amortization	91,078	8.9	92,700	8.3	90,276	8.1
Less impairment of goodwill and other assets	1,070,808	NM	-	-	4,837	0.4
Plus equity in earnings of associated companies	10,211	1.0	20,124	1.8	20,739	1.8
Less reduction in investment in TNI	104,478	NM	-	-	-	-
Operating income (loss)	$ (1,049,131)	NM	$ 197,974	17.7%	$ 203,439	18.1%

Adjusted Net Income and Adjusted Earnings Per Common Share

Adjusted net income and adjusted earnings per common share, which are defined as income (loss) available to common stockholders and earnings (loss) per common share adjusted to exclude unusual matters and those of a substantially non-recurring nature, are non-GAAP financial measures that are used in the analysis below. The Company believes these measures provide meaningful supplemental

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information by identifying matters that are not indicative of core business operating results or are of a substantially non-recurring nature.

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

SAME PROPERTY COMPARISONS

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

CRITICAL ACCOUNTING POLICIES

The Company s discussion and analysis of its financial condition and results of operations are based upon the Company s Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Additional information follows with regard to certain of the most critical of the Company s accounting policies.

Goodwill and Other Intangible Assets

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

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

The Company analyzes its goodwill and other nonamortized intangible assets for impairment on an annual basis at the end of its fiscal year, or more frequently if impairment indicators are present. See Note 6 of the Notes to Consolidated Financial Statements, included herein, for a more detailed explanation of the Company s intangible assets. Such indicators of impairment include, but are not limited to, changes in business climate and operating or cash flow losses related to such assets. Due primarily to the continuing, and increasing difference between its stock price and the per share carrying value of its net assets, the Company analyzed the carrying value of its net assets as of March 30, 2008 and again as of September 28, 2008. Deterioration in the Company s revenue and the overall recessionary operating environment for the Company and other publishing companies were also factors in the timing of the analyses. The Company concluded the fair value of its business did not exceed the carrying value of its net assets as of March 30, 2008 and again as of September 28, 2008.

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As a result, in 2008 the Company recorded pretax, non-cash charges to reduce the carrying value of goodwill by $908,977,000. The Company also recorded pretax, non-cash charges of $13,027,000 and $143,785,000 to reduce the carrying value of nonamortized and amortizable intangible assets, respectively. $104,478,000 of additional pretax charges were recorded as a reduction in the carrying value of the Company s investment in TNI. The Company also recorded additional, pretax non-cash charges of $5,019,000 to reduce the carrying value of property and equipment. The Company recorded $281,564,000 of income tax benefit related to these charges.

The Company reviews its amortizable intangible assets for impairment when indicators of impairment are present. The Company assesses recovery of these assets by comparing the estimated undiscounted cash flows associated with the asset or asset group with their carrying amount. The impairment amount, if any, is calculated based on the excess of the carrying amount over the fair value of those assets.

The Company also periodically evaluates its determination of the useful lives of amortizable intangible assets. Any resulting changes in the useful lives of such intangible assets will not impact the cash flows of the Company. However, a decrease in the useful lives of such intangible assets would increase future amortization expense and decrease future reported operating results and earnings per common share. The Company tested such assets for impairment, and concluded no adjustments to the useful lives of such assets were required.

Pension, Postretirement and Postemployment Benefit Plans

The Company evaluates its liability for pension, postretirement and postemployment benefit plans based upon computations made by consulting actuaries, incorporating estimates and actuarial assumptions of future plan service costs, future interest costs on projected benefit obligations, rates of compensation increases, employee turnover rates, anticipated mortality rates, expected investment returns on plan assets, asset allocation assumptions of plan assets, and other factors. If the Company used different estimates and assumptions regarding these plans, the funded status of the plans could vary significantly, resulting in recognition of different amounts of expense over future periods. Increases in market interest rates, which may impact plan assumptions, generally result in lower service costs for current employees, higher interest expense and lower liabilities. Actual returns on plan assets that are lower than the plan assumptions will generally result in decreases in a plan s funded status.

Income Taxes

Deferred income taxes are provided using the liability method, whereby deferred income tax assets are recognized for deductible temporary differences and loss carryforwards and deferred income tax liabilities are recognized for taxable temporary differences. Temporary differences are the difference between the reported amounts of assets and liabilities and their tax basis. Deferred income tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Recent changes in accounting for uncertain tax positions can result in significant variability in the Company s effective income tax rate.

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

Revenue Recognition

Advertising revenue is recorded when advertisements are placed in the publication or on the related online site. Circulation revenue is recorded as newspapers are distributed over the subscription term. Other revenue is recognized when the related product or service has been delivered. Unearned revenue arises in the ordinary course of business from advance subscription payments for publications or advance payments for advertising.

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Uninsured Risks

The Company is self-insured for health care, workers compensation and certain long-term disability costs of its employees, subject to stop loss insurance, which limits exposure to large claims. The Company accrues its estimated health care costs in the period in which such costs are incurred, including an estimate of incurred but not reported claims. Other risks are insured and carry deductible losses of varying amounts. An increasing frequency of large claims or deterioration in overall claim experience could increase the volatility of expenses for such self-insured risks.

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

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In 2006, the FASB issued Statement 158, *Employer s Accounting for Defined Benefit Pension Postretirement Plans*, which amends Statements 87, 88, 106 and 132(R). The Company adopted the recognition and disclosure provisions of Statement 158 as of September 30, 2007.

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

In 2006, the FASB issued Statement 157, *Fair Value Measurements*, which defines fair value, provides guidelines for measuring fair value and expands disclosure requirements. Statement 157 does not require any new fair value measurement but applies to the accounting pronouncements that require or permit fair value measurement. Statement 157 is effective for the Company in 2009. The Company does not anticipate that the implementation of Statement 157 will have a material impact on its financial position, results of operation, or cash flows. The FASB has deferred the effective date of this pronouncement until 2010 for non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements.

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

In 2008, the FASB issued Statement 141(R), *Business Combinations* and Statement 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51*. Statement 141(R) establishes requirements for how an acquirer in a business combination recognizes and measures the assets acquired, liabilities assumed, and any noncontrolling interests. For the Company, the provisions of Statement 141(R) are effective for business combinations occurring in 2010. Statement 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of stockholders equity. Statement 160 is effective for the Company in 2010. The Company has not completed its evaluation of the effects of Statements 141(R) and 160 on its Consolidated Financial Statements.

In 2008, the FASB issued Statement 161, *Disclosures About Derivative Instruments and Hedging Activities*, an amendment of FASB Statement 133. Statement 161 requires disclosure regarding the objectives and strategies for using derivative instruments and the credit-risk-related features. Statement 161 also requires disclosure of the fair value amounts and the gains and loses on derivative instruments in tabular form. Statement 161 is effective for the Company in 2010.

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CONTINUING OPERATIONS

2008 vs. 2007

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

			Percent Change	
(Thousands, Except Per Common Share Data)	2008	2007	Total	Same Property
Advertising revenue:				
Retail	$ 434,069	$ 455,802	(4.8)%	(4.7)%
National	44,143	54,901	(19.6)	(19.6)
Classified:				
Daily newspapers:				
Employment	59,457	81,683	(27.2)	(27.2)
Automotive	45,388	55,308	(17.9)	(17.9)
Real estate	43,282	58,529	(26.1)	(26.1)
All other	43,006	39,284	9.5	9.5
Other publications	43,361	47,737	(9.2)	(9.6)
Total classified	234,494	282,541	(17.0)	(17.1)
Online	55,119	56,074	(1.7)	(1.7)
Niche publications	15,874	16,094	(1.4)	(1.4)
Total advertising revenue	783,699	865,412	(9.4)	(9.4)
Circulation	195,457	203,481	(3.9)	(3.9)
Commercial printing	15,993	16,541	(3.3)	(3.3)
Online services and other	33,719	34,760	(3.0)	(3.0)
Total operating revenue	1,028,868	1,120,194	(8.2)	(8.1)
Compensation	421,652	439,426	(4.0)	(3.8)
Newsprint and ink	103,926	111,842	(7.1)	(10.0)
Other operating expenses	292,840	294,145	(0.4)	(0.7)
Curtailment gains	-	(3,731)	NM	NM
Workforce adjustments and early retirement programs	3,428	7,962	NM	NM
	821,846	849,644	(3.3)	(3.8)
Operating cash flow	207,022	270,550	(23.5)	(20.3)
Depreciation and amortization	91,078	92,700	(1.7)	
Impairment of goodwill and other assets	1,070,808	-	NM	
Equity in earnings of associated companies	10,211	20,124	(49.3)	
Reduction in investment in TNI	104,478	-	NM	
Operating income (loss)	(1,049,131)	197,974	NM	
Non-operating expense, net	64,730	82,749	(21.8)	
Income (loss) from continuing operations before income taxes	(1,113,861)	115,225	NM	
Income tax expense (benefit)	(234,202)	33,828	NM	
Minority interest	535	1,069	(50.0)	
Income (loss) from continuing operations	(880,194)	80,328	NM	
Discontinued operations, net	285	671	NM	

Net income (loss)		(879,909)		80,999	NM
Increase in redeemable minority interest		8,838		-	NM
Income (loss) available to common stockholders	$	(888,747)	$	80,999	NM
Earnings (loss) per common share:					
Basic	$	(19.83)	$	1.77	NM
Diluted		(19.83)		1.77	NM

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The Company s 2008 fiscal year ended on the last Sunday in September. Beginning in 2008, all of the Company s enterprises use period accounting. The Company and its enterprises owned before the Pulitzer acquisition, which accounted for approximately 63% of revenue in 2008, used calendar accounting prior to 2008, with a September 30 fiscal year end. Pulitzer used period accounting for 2007. The table below summarizes days of business activity in years presented:

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

In total, acquisitions and divestitures accounted for $664,000 of operating revenue in 2008 and $817,000 of operating revenue in 2007.

Economic Conditions

The United States economy has been in a recession since December 2007, according to the National Bureau of Economic Research, and it is widely believed that certain elements of the economy, such as housing, were in decline before that time. 2008 revenue, operating results and cash flows were significantly impacted by the recession. The duration and depth of an economic recession in markets in which the Company operates may further reduce its future advertising and circulation revenue, operating results and cash flows.

Advertising Revenue

In 2008, advertising revenue decreased $81,713,000, or 9.4%, and same property advertising revenue decreased $81,566,000, or 9.4%. On a combined basis, same property print and online retail advertising decreased 3.5%. Same property print retail revenue decreased $21,381,000, or 4.7%, in 2008. A 5.0% decrease in daily newspaper retail advertising lineage contributed to the decrease. Same property average retail rates, excluding preprint insertions, decreased 0.8% in 2008. Retail preprint insertion revenue decreased 2.6%. Online retail advertising increased 19.0%.

The table below combines print and online advertising revenue and reclassifies certain print retail revenue to classified based on the primary business of the advertiser:

(Thousands, Same Property)	2008	2007	Percent Change
Retail	$ 439,477	$ 455,308	(3.5)%
Classified:			
Employment	$ 90,822	$ 116,859	(22.3)%
Automotive	62,918	72,901	(13.7)
Real estate	57,294	76,114	(24.7)
Other	72,175	72,435	(0.4)
Total classified revenue	$ 283,209	$ 338,309	(16.3)%

Same property print classified advertising revenue decreased $48,254,000, or 17.1%, in 2008. On a combined basis, print and online classified revenue decreased 16.3%. Higher rate print employment advertising at the daily newspapers decreased 27.2% for the year on a same property basis. Same property print automotive advertising decreased 17.9% amid an industry-wide decline. Same property print real estate advertising decreased 26.1% in a weak housing market nationally, which also negatively impacted the home improvement, furniture and home electronics categories of retail revenue. Other daily newspaper print classified advertising increased 9.5% on a same property basis. Same property classified advertising rates decreased 9.4%.

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

(Thousands of Inches)	2008	2007	Percent Change
Retail	12,639	13,305	(5.0)%
National	612	677	(9.6)
Classified	14,317	15,833	(9.6)
	27,568	29,815	(7.5)%

Online advertising revenue decreased 1.7% on a same property basis, due to decreases in online classified sales, partially offset by a 19.0% increase in retail revenue. In addition, the Company began offering online employment advertising in Yahoo! Hot Jobs in 2007.

National advertising decreased $10,757,000, or 19.6%, on a same property basis due to a 9.6% decline in lineage and a 19.5% decrease in average national rate. Advertising in niche publications decreased 1.4% on a same property basis.

The Company s year-over-year advertising results in 2008 and 2007 compare favorably to national statistics published by the NAA.

Circulation and Other Revenue

Circulation revenue decreased $8,024,000, or 3.9% in 2008, and same property circulation revenue decreased $8,018,000, or 3.9%. The Company s total average daily newspaper circulation units, including TNI and MNI, as measured by the ABC, declined 3.7% for the six months ended September 2008, compared to the same period in the prior year, and Sunday circulation declined 1.5%, significantly outperforming the industry as a whole, which experienced 4.5% declines both daily and Sunday. For the six months ended March 2008, total average daily circulation units including TNI and MNI, declined 2.9% and Sunday circulation decreased 0.8%, again outperforming the industry. In spite of modest declines in circulation, Company research in its larger markets indicates it is reaching an increasingly larger audience in these markets through modest growth in newspaper readership and rapid online growth, as well as through additional specialty and niche publications.

Same property commercial printing revenue decreased $548,000, or 3.3%, in 2008. Same property online services and other revenue decreased $1,043,000, or 3.0%, in 2008.

Operating Expenses

Costs other than depreciation, amortization and unusual costs (and cost reductions) decreased $26,995,000, or 3.2%, in 2008, and decreased $29,699,000, or 3.6%, on a same property basis. In total, acquisitions and divestitures accounted for $814,000 of operating expenses, excluding depreciation and amortization, in 2008 and $1,123,000 in 2007.

Compensation expense decreased $17,774,000, or 4.0%, in 2008 and same property compensation expense decreased 3.8% driven by a decline in same property full time equivalent employees of 4.3%.

Newsprint and ink costs decreased $7,916,000, or 7.1%, in 2008 due to decreased usage from lower advertising, reduced page sizes and some reduction of content, partially offset by higher unit prices. Costs decreased 10.0% on a same property basis and volume decreased 11.2% on a same property basis. See Item 7A, Commodities , included herein.

Other operating costs, which are comprised of all operating expenses not considered to be compensation, newsprint, depreciation, amortization, or unusual costs (or cost reductions) decreased $1,305,000, or 0.4%, in 2008 and decreased 0.7% on a same property basis.

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

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

In 2008, reductions in staffing resulted in workforce adjustment costs totaling $3,428,000. In 2007, the *St. Louis Post-Dispatch* concluded an offering of early retirement incentives that resulted in an adjustment of staffing levels. 60 employees volunteered to take advantage of the offer, which included enhanced pension and insurance benefits, and lump-sum cash payments based on continuous service. The initial cost totaled $10,704,000 before income tax benefit of which $7,962,000 was recorded as expense. The $2,742,000 remaining cost was offset against previously existing unrecognized gains in certain of the Company s defined benefit plans. Approximately $3,700,000 of the cost represents cash payments, with the remainder due primarily to enhancements of pension and other postretirement benefits.

In October and December 2008, the Company notified certain participants in its postretirement medical plans of administrative changes to be made to the plans, effective in January 2009, including increases in employee premiums, changes in the plans reimbursement of medical expenses covered by Medicare, elimination of certain coverage options and the establishment of an account based structure. The changes are expected to reduce annual net periodic postretirement medical cost by approximately $5,400,000, beginning in January 2009, and will reduce the benefit obligation by approximately $27,500,000, effective in January 2009.

The Company is engaged in various efforts to continue to reduce its operating expenses in 2009 and beyond, including staff reductions and newsprint conservation. The Company expects its operating expenses, excluding depreciation, amortization and unusual costs (and cost reductions), to decline approximately 7-8% in 2009.

Results of Operations

As a result of the above, operating cash flow decreased 23.5% to $207,022,000 in 2008 from $270,550,000 in 2007, and decreased 20.3% on a same property basis. Operating cash flow margin decreased to 20.1% from 24.2% in the prior year reflecting a larger decrease in operating revenue than the decrease in operating expenses, as well as unusual costs (and cost reductions) in both years.

Depreciation expense increased $1,715,000, or 5.2%, and amortization expense decreased $3,337,000, or 5.6%, in 2008.

The Company analyzes its goodwill and other nonamortized intangible assets for impairment on an annual basis at the end of its fiscal year, or more frequently if impairment indicators are present. Such indicators of impairment include, but are not limited to, changes in business climate and operating or cash flow losses related to such assets. Due primarily to the continuing, and increasing difference between its stock price and the per share carrying value of its net assets, the Company analyzed the carrying value of its net assets as of March 30, 2008 and again as of September 28, 2008. Deterioration in the Company s revenue and the overall recessionary operating environment for the Company and other publishing companies were also factors in the timing of the analyses. The Company concluded the fair value of its business did not exceed the carrying value of its net assets as of March 30, 2008 and again as of September 28, 2008.

As a result, in 2008 the Company recorded pretax, non-cash charges to reduce the carrying value of goodwill by $908,977,000. The Company also recorded pretax, non-cash charges of $13,027,000 and $143,785,000 to reduce the carrying value of nonamortized and amortizable intangible assets, respectively. $104,478,000 of additional pretax charges were recorded as a reduction in the carrying value of the Company s investment in TNI. The Company also recorded additional, pretax non-cash charges of $5,019,000 to reduce the carrying value of property and equipment.

Equity in earnings in associated companies decreased $9,913,000, or 49.3% in 2008. Operations of these businesses were similarly impacted by the recession. In April 2008, one of MNI s daily newspapers, *The*

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Capital Times, decreased print publication from six days per week to one day. The change resulted in severance and other transition costs of $2,578,000. MNI expects the change will result in annual cost savings of $3,500,000 to $4,000,000, beginning in 2009. The Company s 50% share of TNI s curtailment gain increased 2007 results by $1,037,000.

The above resulted in an operating loss of $1,049,131,000, compared to operating income of $197,974,000 in the prior year.

Non-Operating Income and Expense

Financial expense decreased $18,869,000, or 20.9%, to $71,472,000 due to debt reduction of $63,250,000 funded primarily by cash generated from operations, as well as lower interest rates. LIBOR in 2008 decreased substantially from its 2007 levels.

Amendments to the Company s Credit Agreement consummated in 2009 will increase financial expense in 2009 in relation to LIBOR. Under the amendments, the Company s credit spreads will generally increase 200 basis points from the current pricing grid. The maximum rate will be increased to LIBOR plus 400 basis points. At the September 2008 leverage level, the Company s debt under the Credit Agreement will be priced at LIBOR plus 300 basis points.

Overall Results

Income tax expense (benefit) was (21.0%) of loss from continuing operations before income taxes in 2008 and 29.4% of income from continuing operations before income taxes in 2007. The favorable resolution of federal and state tax audits and other matters increased income tax benefit by $2,811,000 in 2008 and reduced income tax expense by $6,880,000 in 2007. In 2008, the Company reduced certain deferred income tax assets by an increase in the valuation allowance of $29,502,000 due to the uncertainty that such assets will be realized.

On May 1, 2010, Herald will have a one-time right (the 2010 Redemption) to require PD LLC to redeem Herald s interest in PD LLC, together with Herald s interest, if any, in DS LLC, another limited liability company in which Pulitzer is the managing member and which is engaged in the business of delivering publications and products in the greater St. Louis metropolitan area.

Recording of the liability for the 2010 Redemption resulted in an increase of loss available to common stockholders in 2008 of $8,838,000 and an increase in loss per common share of $0.20. The Company estimates the ongoing impact on earnings per common share from accounting for the 2010 Redemption of up to $0.10 per year through April 2010. There is no impact on net income based on the application of current accounting standards. Also, under such standards, if the 2010 Redemption does not occur, the liability and earnings per common share impact discussed above will be reversed for all periods.

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As a result of all of the above, loss available to common stockholders totaled $888,747,000 in 2008 compared to income available to common stockholders of $80,999,000 in 2007. The Company recorded a loss per diluted common share of $19.83 in 2008 compared to earnings of $1.77 in 2007. Excluding unusual costs (and cost reductions), as detailed in the table below, diluted earnings per common share, as adjusted, were $0.97 in 2008, compared to $1.66 in 2007.

	2008		2007	
(Thousands, Except Per Share Data)	Amount	Per Share	Amount	Per Share
Income (loss) available to common stockholders, as reported	$ (888,747)	$ (19.83)	$ 80,999	$ 1.77
Adjustments:				
Impairment of goodwill and other assets	1,070,808		-	
Reduction of investment of TNI	104,478		-	
Workforce adjustments, early retirement programs and transition costs	4,463		7,962	
Curtailment gains	-		(3,731)	
Curtailment gains, TNI	-		(1,037)	
	1,179,749		3,194	
Income tax benefit of adjustments, net of impact on minority interest	(283,012)		(1,406)	
	896,737	20.01	1,788	0.04
Benefit of other federal and state tax adjustments	(2,811)	(0.06)	(6,880)	(0.15)
Increase in deferred tax valuation allowance	29,502	0.66	-	
	34,681	0.77	75,907	1.66
Change in redeemable minority interest liability	8,838	0.20	-	
Net income, as adjusted	$ 43,519	$ 0.97	$ 75,907	$ 1.66

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2007 vs. 2006

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

(Thousands, Except Per Common Share Data)	2007	2006	Percent Change Total	Percent Change Same Property
Advertising revenue:				
Retail	$ 455,802	$ 460,849	(1.1)%	(1.1)%
National	54,901	57,864	(5.1)	(5.1)
Classified:				
Daily newspapers:				
Employment	81,683	89,871	(9.1)	(9.1)
Automotive	55,308	60,811	(9.0)	(9.0)
Real estate	58,529	63,329	(7.6)	(7.6)
All other	39,284	38,715	1.5	1.5
Other publications	47,737	45,078	5.9	5.8
Total classified	282,541	297,804	(5.1)	(5.1)
Online	56,074	35,610	57.5	57.5
Niche publications	16,094	16,381	(1.8)	(1.7)
Total advertising revenue	865,412	868,508	(0.4)	(0.4)
Circulation	203,481	204,807	(0.6)	(0.7)
Commercial printing	16,541	17,194	(3.8)	(1.9)
Online services and other	34,760	30,881	12.6	9.6
Total operating revenue	1,120,194	1,121,390	(0.1)	(0.2)
Compensation	439,426	432,708	1.6	0.7
Newsprint and ink	111,842	119,506	(6.4)	(4.7)
Other operating expenses	294,145	278,120	5.8	6.0
Curtailment gains	(3,731)	-	NM	NM
Early retirement programs	7,962	8,654	NM	NM
Transition costs	-	4,589	NM	NM
	849,644	843,577	0.7	1.3
Operating cash flow	270,550	277,813	(2.6)	(4.1)
Depreciation and amortization	92,700	90,276	2.7	
Impairment of other assets	-	4,837	NM	
Equity in earnings of associated companies	20,124	20,739	(3.0)	
Operating income	197,974	203,439	(2.7)	
Non-operating expense, net	82,749	91,922	(10.0)	
Income from continuing operations before income taxes	115,225	111,517	3.3	
Income tax expense	33,828	39,508	(14.4)	
Minority interest	1,069	1,231	(13.2)	
Income from continuing operations	80,328	70,778	13.5	
Discontinued operations, net	671	54	NM	
Net income	$ 80,999	$ 70,832	14.4%	

Earnings per common share:

Basic	$	1.77	$	1.56	13.5%
Diluted		1.77		1.56	13.5