

LEE ENTERPRISES INC
Form PRE 14A
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials

.. Soliciting Material Pursuant to §240.14a-12

LEE ENTERPRISES, INCORPORATED

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

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4) Proposed maximum aggregate value of transaction:

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.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

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VIA EDGAR

Securities and Exchange Commission

450 Fifth Street, N.W.

Washington, D.C. 20549-1004

Re: LEE ENTERPRISES, INCORPORATED
Commission File No. 1-6227

Gentlemen:

Pursuant to Rule 14a-6(a), we enclose Preliminary Copy of Notice of Annual Meeting and Proxy Statement, a definitive copy of which is scheduled to be mailed January 17, 2005 to stockholders of the captioned corporation in connection with the Annual Meeting of the Stockholders to be held February 23, 2005. Attached thereto as an Appendix is a Preliminary Copy of the Combined Proxy for Common Stock and Class B Common Stock.

If you have any comments, please direct them to the undersigned at 563/333-6608, or to Carl G. Schmidt, Vice President, Chief Financial Officer and Treasurer of the Company, at 563/383-2179.

Sincerely yours,

LEE ENTERPRISES, INCORPORATED

By

C. D. Waterman III,
Secretary

LEE ENTERPRISES, INCORPORATED

201 N. Harrison Street, Suite 600

Davenport, Iowa 52801-1924

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD FEBRUARY 23, 2005

TO THE STOCKHOLDERS:

The Annual Meeting of Stockholders of Lee Enterprises, Incorporated, a Delaware corporation (the Company), will be held at the Radisson Quad City Plaza Hotel, 111 E. 2nd Street, Davenport, Iowa, on February 23, 2005, at 9:00 a.m., for the following purposes:

- (1) To elect two directors for terms of three years;
- (2) To consider and act upon a proposal to approve the Company's Incentive Compensation Program;
- (3) To consider and act upon a proposal to amend the Company's Restated Certificate of Incorporation to increase the authorized shares of Common Stock; and
- (4) To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has fixed January 3, 2005 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting.

We encourage you to attend the Annual Meeting. However, it is important that your shares be represented whether or not you plan to attend. You may vote by marking, signing and dating the enclosed proxy card and returning it in the postage paid envelope. Stockholders may also vote by telephone or via the Internet. If you attend the meeting, you may withdraw your proxy at that time and vote your shares in person.

**C. D. Waterman III,
Secretary**

Davenport, Iowa

January 17, 2005

LEE ENTERPRISES, INCORPORATED

2005 ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of the Company to be voted at the Annual Meeting of Stockholders to be held at the Radisson Quad City Plaza Hotel, 111 East 2nd Street, Davenport, Iowa on Wednesday, February 23, 2005, at 9:00 a.m., for the purposes set forth in the Notice of Annual Meeting of Stockholders.

The principal executive offices of the Company are located at 201 N. Harrison Street, Suite 600, Davenport, Iowa 52801-1924. This Proxy Statement and the enclosed form of proxy are being mailed to stockholders on or about January 17, 2005, together with a copy of the Company's Annual Report for the fiscal year ended September 30, 2004.

PROXIES

Your vote is very important. For this reason, the Board of Directors is requesting that you use the enclosed proxy card to vote your shares. If the accompanying proxy is executed, the shares represented by the proxy will be voted as specified below. You may also vote your shares by delivering your proxy by telephone or via the Internet.

If a broker, bank or other nominee holds your Common Stock, you will receive instructions from them that you must follow in order to have your shares voted. If you hold certificate(s) in your own name as a holder of record, you may vote your Common Stock or Class B Common Stock by signing, dating and mailing the proxy card in the postage paid envelope provided. Alternatively, you may vote your shares in person at the Annual Meeting.

You may revoke the proxy before the Annual Meeting, whether delivered by telephone, Internet or through the mail, by using the telephone voting procedures, the Internet voting procedures or by mailing a signed instrument revoking the proxy to: C. D. Waterman III, Corporate Secretary, Lee Enterprises, Incorporated, 201 N. Harrison Street, Suite 600, Davenport, IA 52801-1924. To be effective, a mailed revocation must be received by the Secretary on or before February 22, 2005. A stockholder may also attend the Annual Meeting in person, withdraw the proxy and vote in person.

VOTING PROCEDURES

Stockholders of record at the close of business on January 3, 2005 will be entitled to vote at the Annual Meeting or any adjournment thereof. As of November 30, 2004, there were 38,117,166 shares of Common Stock and 7,246,328 shares of Class B Common Stock outstanding. Each share of Common Stock is entitled to one vote at the Annual Meeting; each share of Class B Common Stock is entitled to ten votes at the meeting. The holders of Common Stock and Class B Common Stock will vote as a single class on all matters to be considered at the Annual

Meeting.

The presence, in person or by proxy, of a majority of the voting power of Common Stock and Class B Common Stock of the Company issued and outstanding and entitled to vote is necessary to constitute a quorum at the Annual Meeting. The affirmative vote of the holders of a plurality of the voting power of Common Stock and Class B Common Stock represented in person or by proxy at the Annual Meeting is required to elect directors, and the affirmative vote of the holders of a majority of the voting power of Common Stock and Class B Common Stock represented at the Annual Meeting is required to act on Proposal 2 and Proposal 3 as more fully set forth in this Proxy Statement and on any other matter properly brought before the meeting.

Abstentions from voting will be included for purposes of determining whether the requisite number of affirmative votes is received on any matters other than the election of directors submitted to the stockholders for vote and, accordingly, will have the same effect as a vote against such matters. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a

particular matter, those shares will be considered as present and entitled to vote, but will have no effect on the vote, with respect to that matter.

In voting by proxy with regard to the election of directors, stockholders may vote in favor of all nominees, withhold their votes as to all nominees, or withhold their votes as to specific nominees. Stockholders should specify their choices on the accompanying proxy card or by using the telephone or Internet voting procedures. All properly executed proxies delivered by stockholders to the Company and not revoked will be voted at the Annual Meeting in accordance with the directions given. If no specific instructions are given on a proxy card with regard to the matters to be voted upon, the shares represented by a signed proxy card will be voted FOR the election of all directors and the approval of Proposal 2 and Proposal 3 as more fully set forth in this Proxy Statement. If any other matters properly come before the Annual Meeting, the persons named as proxies will vote upon such matters according to their judgment.

PROPOSAL 1 - ELECTION OF DIRECTORS

Two directors are to be elected at the Annual Meeting to hold office for three-year terms expiring at the Annual Meeting of Stockholders in 2008.

Proxies will be voted for the election of the nominees unless the stockholder giving the proxy withholds such authority. If as a result of circumstances not now known any of such nominees shall be unable to serve as a director, proxies will be voted for the election of such other person as the Board of Directors may select. Information about the nominees and directors continuing in office, including business experience for at least the last five years, is set forth below:

Nominees for Election as Directors with Terms Expiring in 2008

Each of the individuals named below is a nominee of the Nominating and Corporate Governance Committee of the Board of Directors. Ms. Donovan and Mr. Moloney are presently directors whose current terms expire February 23, 2005.

Nancy S. Donovan, 53, Director since 2003

Ms. Donovan is a founding partner in Circle Financial Group, LLC, New York, NY, a wealth advisory and private equity firm and the founding partner of Oakmont Partners, LLC, Lake Forest, IL, a private equity firm. From 1989 to 2001 Ms. Donovan was President and Chief Operating Officer of Morgan Stanley Credit Corporation, Riverwoods, IL.

Ms. Donovan is a member of the Audit Committee.

Herbert W. Moloney III, 53, Director since 2001

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Mr. Moloney is the Chief Operating Officer, North America, of Vertis, Inc., Baltimore, MD (Vertis), a privately held company that provides targeted advertising, media and marketing services. Prior to the formation of Vertis in 2000, Mr. Moloney was Executive Vice President, Marketing and Sales, of TC Advertising, a predecessor entity. Mr. Moloney has announced his intention to resign from Vertis, effective in March 2005.

Mr. Moloney is a member of the Audit Committee and the Nominating and Corporate Governance Committee.

The Board of Directors recommends a vote FOR Proposal 1 for the election of each of the nominees listed herein.

INCUMBENT DIRECTORS WITH TERMS EXPIRING IN 2006

William E. Mayer, 64, Director since 1998

Mr. Mayer is a founding partner of Park Avenue Equity Partners, L.P., New York, NY, a private equity firm. He was a founding partner of Development Capital, LLC, a company that invested in private and public companies, from 1996 to 1999. He is also a director of First Health Group Corp. and The Reader's Digest Association, Inc., and a trustee of the Columbia Mutual Funds.

Mr. Mayer is Chairman of the Executive Compensation Committee and a member of the Nominating and Corporate Governance Committee. Mr. Mayer has been designated as the Company's lead director by the independent directors to preside over executive sessions of non-management directors.

Gregory P. Schermer, 50, Director since 1999

Mr. Schermer is Vice President-Interactive Media and Corporate Counsel of the Company. He is also a director of Madison Newspapers, Inc., which is owned 50% by the Company.

Mark Vittert, 56, Director since 1986

Mr. Vittert is a private investor.

Mr. Vittert is Chairman of the Nominating and Corporate Governance Committee and a member of the Executive Compensation Committee.

INCUMBENT DIRECTORS WITH TERMS EXPIRING IN 2007

Mary E. Junck, 57, Director since 1999

Ms. Junck was elected Chairman, President and Chief Executive Officer of the Company in January 2002. From January 2001 to January 2002, she served as President and Chief Executive Officer of the Company. She became Executive Vice President and Chief Operating Officer of the Company in May 1999 and President in January 2000. From May 1996 to April 1999 she was Executive Vice President of The Times Mirror Company and President of Eastern Newspapers. She was named Publisher and Chief Executive Officer of *The Baltimore Sun* in 1993. She is also a director of Madison Newspapers, Inc., which is owned 50% by the Company.

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Ms. Junck is Chairman of the Executive Committee.

Andrew E. Newman, 60, Director since 1991

Mr. Newman is Chairman and Chief Executive Officer of Race Rock International, Inc. and Culinary Essence, LLC, with principal offices in St. Louis, MO, both of which are privately held companies that own and operate restaurants.

Mr. Newman is Chairman of the Audit Committee and a member of the Executive Compensation Committee.

Gordon D. Prichett, 63, Director since 1998

Mr. Prichett is a partner in Cairnwood Cooperative, Boston, MA, a private investment group. He is also Professor of Mathematics, Statistics and Information Systems at Babson College, Babson Park, MA.

Mr. Prichett is a member of the Audit Committee and the Executive Committee.

DIRECTORS MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

The Company's Board of Directors met four times in fiscal 2004.

The Company's Board of Directors has four committees. With the exception of the Executive Committee, each is composed of at least three independent directors and operates under a written charter, which are all available on the Company's website www.lee.net by clicking on Governance. The Board of Directors of the Company has examined the relationship between each director and the Company and has determined that Ms. Donovan and Messrs. Mayer, Newman, Prichett and Vittert do not have any direct or material indirect relationship with the Company, other than in their respective capacities as directors, which would compromise their ability to act as independent directors as contemplated under the Listing Standards of the New York Stock Exchange. Vertis, of which Mr. Moloney is Chief Operating Officer, North America, provides the Company, in the normal course of business, with an Internet subscription service that allows access to advertising prototypes. Fees paid by the Company to Vertis for its services totaled \$95,000 in fiscal 2004. In 2003, Vertis acquired The Newspaper Network, Inc. (TNN), which is in the business of placing advertising, including advertising in the Company's newspapers, for its clients. TNN customarily receives fees from its clients for such services but receives no compensation from the Company. The Board of Directors does not consider the relationship between the Company and Vertis to be material to either party, and also considers Mr. Moloney an independent director of the Company.

No incumbent director attended fewer than 75% of the aggregate of (1) the total number of meetings of the Board of Directors and (2) the total number of meetings held by all committees of the Board on which he or she served during fiscal 2004. All of the incumbent directors attended the Company's January 21, 2004 Annual Meeting of Stockholders. All directors are expected to attend each meeting of the Company's Board of Directors and the committees on which they serve and are also expected to attend the Company's annual meeting of stockholders.

Audit Committee

The Company's Audit Committee met seven times in fiscal 2004. The Audit Committee has the responsibilities set forth in its Charter with respect to the quality and integrity of the Company's financial statements; the Company's compliance with legal and regulatory requirements; the Company's overall risk management profile; the independent auditor's qualifications and independence; the performance of the Company's internal audit function and independent auditors; and preparation of the annual Audit Committee Report to be included in the Company's Proxy Statement.

Executive Compensation Committee

The Company's Executive Compensation Committee met five times in fiscal 2004. Its functions are to administer the Company's Retirement Account Plan, Supplementary Benefit Plan as Amended and Restated on April 26, 1990 and the 1990 Long-Term Incentive Plan as amended, restated and extended on January 26, 1999; to establish salary ranges and salaries, bonus formulae and bonuses, and participation in other benefit plans or programs for executive officers; to review employment terminations involving payment to any officer or other key executive in excess of \$200,000; to approve employment contracts for executives extending beyond one year; and to approve the position description, performance standards and key result areas for bonus criteria for the Chief Executive Officer of the Company and to measure her related performance. In addition, the Committee recommends to the Board of Directors significant employee benefit programs and bonus or other benefit plans affecting individuals on the executive payroll other than elected officers.

Nominating and Corporate Governance Committee

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The Nominating and Corporate Governance Committee (NCGC) met three times in fiscal 2004. Its functions are to consider and recommend to the Board all nominees for possible election and re-election to the Board of Directors, and to consider all matters relating to the size, composition and governance of the Board and the general subject matter, size and composition of Board committees.

The NCGC regularly reviews the composition of the Board of Directors, anticipated openings and whether the addition of directors with particular experiences, skills or characteristics would make the Board of

Directors more effective. The NCGC has not established any specific minimum criteria or qualifications that a nominee must possess. Rather, the NCGC seeks directors who possess integrity and other character traits, broad experience, expertise in their field, capacity to understand the Company's business, willingness to devote adequate time to duties of the Board of Directors and their ability to make independent judgments. The NCGC also considers if a potential nominee will otherwise qualify for membership on the Board of Directors and if the potential nominee will satisfy independence requirements of the New York Stock Exchange. In determining whether to recommend a director for re-election, the NCGC also considers the director's past attendance at meetings and participation in and contributions to the Board of Directors.

Consideration of a nominee for the Board of Directors typically involves a series of internal discussions, review of a nominee's background and experience and interviews of the nominee. In general, nominees are suggested by members of the Board of Directors or officers of the Company. The NCGC then meets to consider and approve the final nominees, and either makes its recommendation to the Board of Directors to fill a vacancy, add an additional member or recommends a slate of nominees to the Board of Directors for nomination or election to the Board of Directors. Director nominees recommended to the NCGC for election at an annual meeting of the stockholders are subject to approval by the full Board of Directors.

The NCGC will consider nominees recommended by the stockholders. The NCGC evaluates nominees proposed by stockholders using the same criteria as other nominees. A written nomination should be mailed or delivered to Mark Vittert, Chairman, NCGC, in care of the Company, at the address shown on the cover of this Proxy Statement. The nomination should include the stockholder's name, address and the class and number of shares of the Company's Common Stock owned. It should also include the name, age, business and residence address of the individual being nominated, the nominee's principal occupation or employment and the class and number of shares of the Company's Common Stock or Class B Common Stock, if any, owned by the nominee, together with a statement indicating the nominee's willingness to serve, if elected. To assist in the evaluation of nominees recommended by the stockholders, the NCGC may require the nominee to provide any additional information about the nominee as the NCGC may determine appropriate or desirable, including information required to be disclosed in the Company's proxy statement under Regulation 14A of the Securities Exchange Act of 1934. To be considered by the NCGC for the slate recommended in the proxy statement for the 2006 annual meeting, stockholders must submit the required information to Mr. Vittert by September 15, 2005.

CORPORATE GOVERNANCE

The Company maintains a corporate governance page on its website which includes key information about its corporate governance initiatives, including the Company's Corporate Governance Guidelines, Code of Business Conduct and Ethics, and charters for the committees of the Board of Directors. The corporate governance page can be found at www.lee.net by clicking on Governance. The documents noted above will also be provided without charge to any stockholder who requests them. Any changes to these documents, and any waivers granted by the Company with respect to its Code of Business Conduct and Ethics, will be posted on the Company's website.

The Company's policies and practices reflect corporate governance initiatives that are in compliance with the listing requirements of the New York Stock Exchange and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

The Board of Directors has adopted clear corporate governance policies;

A majority of the board members are independent of the Company and its management;

The independent directors meet regularly without the presence of management;

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All members of the Audit Committee, Executive Compensation Committee, and Nominating and Corporate Governance Committee are independent;

The independent directors have designated an independent lead director to chair their meetings and consult with the Company's Chief Executive Officer regarding matters considered by the independent directors;

The charters of the board committees clearly establish their respective roles and responsibilities;

The Company has a Code of Business Conduct and Ethics that is monitored by its Audit Committee and is annually affirmed by its directors and executive officers;

The Company's Code of Business Conduct and Ethics applies to its principal executive officer and all members of its finance staff, including the principal financial and accounting officer;

The Company has a hotline available to all employees, and the Company's Audit Committee has procedures in place for the anonymous submission of employee complaints on accounting, internal controls, or auditing matters; and

The Company's internal audit function maintains critical oversight over the key areas of its business and financial processes and controls, and reports directly to the Company's Audit Committee.

Stockholder communications to either the Board of Directors or the lead director should be sent to William E. Mayer, Lead Director, in care of the Company, at the address shown on the cover of this Proxy Statement.

COMPENSATION OF DIRECTORS

No Company employee receives any remuneration for acting as a director.

For fiscal 2004, in consideration of the increasing responsibilities being placed on directors by the New York Stock Exchange, the Securities and Exchange Commission and the Sarbanes-Oxley Act of 2002, the Company paid all non-employee directors a \$35,000 annual retainer. The Lead Director received an additional annual retainer of \$10,000. The Chairman of the Audit Committee received a \$10,000 annual retainer for acting as such and other committee chairmen received an annual retainer of \$5,000. Non-employee directors received \$1,000 for each Board or committee meeting attended and \$500 for each Board or committee telephonic meeting. Effective December 1, 2004, fees for telephonic meetings have been increased to \$1,000. Directors engaged to provide consultative services are normally compensated at the rate of \$1,500 per diem. No non-employee director provided such compensated consultative services in fiscal 2004.

Under the Amended and Restated 1996 Stock Plan for Non-Employee Directors, non-employee directors receive an annual grant of 1,500 shares of Common Stock, and may elect to receive all or 50% of the cash retainer and meeting fees described above in Common Stock of the Company.

The Board of Directors has authorized non-employee directors, prior to the beginning of any Company fiscal year, to elect to defer receipt of all or any part of the compensation a director might earn during such year. Amounts so deferred will be paid to the director upon his or her ceasing to be a director or upon attaining any specified age between 60 and 70, together with interest thereon at the average rate of interest earned by the Company on its invested funds during each year. Alternatively, directors may elect to have deferred compensation credited to a rabbi trust established by the Company with an independent trustee, which administers the investment of amounts so credited for the benefit and at the direction of the trust beneficiaries until their accounts are distributed under the deferred compensation plan.

PROPOSAL 2 - APPROVAL OF INCENTIVE COMPENSATION PROGRAM

Under section 162(m) of the Internal Revenue Code, in order for compensation in excess of \$1 million for any taxable year paid to a person named in the Summary Compensation Table and employed by the Company on the last day of the taxable year to be deductible by the Company, such compensation must qualify as performance-based. At the 2004 Annual Meeting, the stockholders of the Company approved the Annual Incentive Bonus Program, under which annual cash incentive compensation to be paid to executive officers subject to section 162(m) would be performance-based for purposes of exemption from the limitations of section 162(m). In November, 2004, the Executive Compensation Committee approved, subject to stockholder approval, the Company's Incentive Compensation Program (the Program), which

extends the authority of the Committee to pay annual bonus compensation and/or make incentive-based restricted stock awards that constitute performance-based compensation within the meaning of section 162(m). Such restricted stock awards may be granted to executives by the Committee, in its discretion, under the Company's 1990 Long-Term Incentive Plan based on terms and conditions, including performance-based goals, established by the Committee. See "Long-Term Incentive Compensation" below. Prior to the inception of the Program, restricted stock awards were not tax-deductible under section 162(m). A copy of the Program is included as Appendix A to this Proxy Statement. The principal terms of the Program adopted by the Committee are as follows:

The class of persons covered consists of those key executives of the Company who are from time to time designated by the Committee.

The performance criteria for the Program applicable to covered executives for performance years 2005 and thereafter will be limited to objective tests based on one or more of the following: net earnings, operating cash flow, customer satisfaction, revenue, financial growth, operating income, return and margin ratios, market performance, and total shareholder return, any of which may be measured either in absolute terms or as compared to another company or companies. Use of any other criterion will require ratification by stockholders if failure to obtain such approval would jeopardize the tax deductibility of future incentive payments.

In administering the Program and determining incentive awards, the Committee will not have the flexibility under the Program to pay a covered executive an incentive payment or grant a restricted stock award greater than the incentive award indicated by his or her attainment under the applicable standards. The Committee will have the flexibility, based on its business judgment, to reduce an award of cash or restricted stock. The Committee also has the flexibility to make other compensation payments outside the Program at its discretion.

There will be a maximum individual annual cash incentive amount limit equal to 200% of the annual base salary of any covered executive for any performance year. No participant may receive an annual cash incentive compensation award under the Program in excess of \$2 million.

The maximum incentive-based restricted stock award for any fiscal year of the Program shall not exceed 100,000 shares of Common Stock of the Company.

If the Program is approved by the stockholders, the Company's Board of Directors may from time to time amend, suspend or terminate the Program in whole or in part, except that stockholder approval shall be required for any amendment to the Program that would be required by section 162(m) or the related Internal Revenue Service regulations.

The Program is unchanged from provisions approved by stockholders January 21, 2004 with regard to payments of annual incentive bonuses.

It should be noted that it is the Committee's intent to prevent section 162(m) from limiting the deductibility of incentive compensation payments. However, because of possible unforeseen future events, it is impossible to be certain that all incentive compensation paid by the Company to named executive officers will be tax-deductible. The foregoing shall not preclude the Committee from making other compensation payments under different terms even if they do not qualify for tax deductibility under section 162(m).

Hypothetical Payments Based on 2004 Results

As discussed above, awards under the terms adopted by the Committee will be based upon performance goals established with respect to fiscal 2005 and future years. No incentive-based restricted stock awards under the Program have been earned by any covered executive, since the performance period has not concluded. Additionally, the amount of annual incentive compensation to be paid in the future to the Company's

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current or future executive officers subject to section 162(m) cannot be determined at this time, since actual amounts will depend on actual performance measured against the attainment of the Committee's pre-established performance goals and to the Committee's discretion to reduce such amounts.

The only participant under the Program in fiscal 2004 was Mary E. Junck, the Company's Chief Executive Officer. Based upon attainment of pre-established performance goals established by the Committee, Mary E. Junck's annual cash incentive compensation was \$1,080,000.

If the Program is not approved, in fiscal 2005 and thereafter, the Company will not be entitled to a deduction to the extent that the aggregate of salary, discretionary compensation payments, if any, and the value of restricted stock awards vesting in that year, exceeds \$1 million to a named executive officer.

The affirmative vote of a majority of the voting power of all Common Stock and Class B Common Stock present in person or by proxy, voting as a single class, a quorum being present, will be required for the approval of the foregoing proposal.

The Board of Directors recommends a vote FOR Proposal 2 to approve the Company's Incentive Compensation Program.

**PROPOSAL 3 - TO AMEND THE COMPANY'S
RESTATED CERTIFICATE OF INCORPORATION**

The following proposal will be presented for action at the Annual Meeting by direction of the Board of Directors:

RESOLVED, That the first paragraph of Article FOURTH of the Restated Certificate of Incorporation of Lee Enterprises, Incorporated is hereby amended to read as follows:

FOURTH: The total number of shares of all classes of stock which the Corporation shall have authority to issue is 150,500,000, consisting of 500,000 shares of Serial Convertible Preferred Stock, without par value, 120,000,000 shares of Common Stock, par value \$2.00 per share (Common Stock), and 30,000,000 shares of Class B Common Stock, par value \$2.00 per share (Class B Common Stock).

FURTHER RESOLVED, that the Board of Directors and the appropriate officers of the Company are authorized and directed to take appropriate steps to make effective the foregoing amendment to the Restated Certificate of Incorporation of the Company including filing such amendment in the office of the Secretary of State of the State of Delaware.

The proposed amendment to Article FOURTH would change the number of authorized shares of Common Stock without par value from 60,000,000 shares to 120,000,000 shares. This change is recommended by the Board of Directors in order to increase authority for the issuance of Common Stock. There would be no change in the number of authorized shares of Serial Convertible Preferred Stock.

The aggregate number of issued and outstanding shares of Common Stock and Class B Common Stock at the close of business on November 30, 2004 were 38,117,166 and 7,246,328, respectively. Under Section (D)(1) of the Company's Restated Certificate of Incorporation, the holder of outstanding shares of Class B Common Stock has the right at any time, and from time to time, to convert those shares into an equivalent number of shares of Common Stock. In addition, the stockholders have previously authorized the Company to reserve for issuance (i) 1,400,000 shares

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of Common Stock under the 1977 Employee Stock Purchase Plan (of which 760,700 shares remain unissued), (ii) 3,875,700 shares of Common Stock under the Restated 1990 Long-Term Incentive Plan (of which 3,270,600 shares remain unissued), and (iii) 150,000 shares of Common Stock under the 1996 Non-Employee Director Stock Plan (of which 90,500 shares remain unissued). After determination of the shares of Common Stock which remain reserved for issuance upon conversion of Class B Common Stock or pursuant to the foregoing plans, the Company has an unused balance of 10,515,000 shares.

This amount of unused authority to issue Common Stock represents a significant limitation in authorized but unissued shares available for future corporate purposes. The Board of Directors believes it would be in the best interest of the Company and its stockholders to increase the amount of authorized but unissued shares of Common Stock available under the Restated Certificate of Incorporation as described above. The Company and the Board of Directors have no current plans to use the additional shares for any particular

purpose, but the Board of Directors believes it is desirable to have such shares available for possible use in future acquisitions or for a future split of the Company's Common Stock by means of a stock dividend, or for other purposes within the limitations of Delaware law. Issuance of newly authorized shares will be within the Board of Directors' discretion, unless other authority is required by applicable laws.

The affirmative vote of a majority of the voting power of all Common Stock and Class B Common Stock present in person or by proxy, voting as a single class, a quorum being present, will be required for the approval of the foregoing proposal.

The Board of Directors recommends a vote FOR Proposal 3 to amend the Company's Restated Certificate of Incorporation to increase the authorized shares of Common Stock.

EQUITY COMPENSATION PLAN INFORMATION

Information as of September 30, 2004 with respect to equity compensation plans is as follows:

<u>Plan Category</u>	<u>Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance</u>
Equity compensation plans approved by stockholders ⁽¹⁾⁽²⁾	921,604	\$ 35.65	2,349,029

⁽¹⁾ 1990 Long-Term Incentive Plan.

⁽²⁾ Excludes purchase rights accruing under the Company's Employees' Stock Purchase Plan (Purchase Plan), which has a stockholder-approved reserve of 761,000 shares. Under the Purchase Plan, each eligible employee may purchase shares up to 5% of base compensation not to exceed \$25,000 on the last business day of April each year at a purchase price per share equal to 85% of the lower of the average of the high and low market price on either the first or last business day of the plan year.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The following table sets forth information as of November 30, 2004 as to each person known by the Company to own beneficially more than five (5%) percent of the Common Stock or Class B Common Stock of the Company. Holders of Class B Common Stock are entitled to ten votes per share on all matters.

<u>Beneficial Owners</u>	<u>Common Stock</u>	<u>Percent ⁽¹⁾ of Class</u>	<u>Class B Common Stock</u>	<u>Percent of Class</u>
Ariel Capital Management, Inc. ⁽²⁾ 200 E. Randolph Street Suite 2900 Chicago, IL 60601	7,499,150	19.5%		%
Private Capital Management, L.P. ⁽³⁾ 8889 Pelican Bay Blvd. Naples, FL 34108	6,308,135	16.4		
Schermer Management Corporation ⁽⁴⁾ General Partner Schermer Investment Partnership, L.P. c/o Advisory Research, Inc. 180 N. Stetson, Suite 5780 Chicago, IL 60601-6795			1,163,966	16.1
Lloyd G. Schermer ⁽⁴⁾⁽⁵⁾ c/o Advisory Research, Inc. 180 North Stetson, Suite #5780 Chicago, IL 60601-6795			520,036(4)	7.2(4)
Betty A. Schermer ⁽⁴⁾⁽⁶⁾ c/o Advisory Research, Inc. 180 North Stetson, Suite #5780 Chicago, IL 60601-6795			410,016(4)	5.7(4)
Gregory P. Schermer ⁽⁴⁾⁽⁷⁾	62,518	*	528,970(4)	7.3(4)

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c/o Lee Enterprises, Incorporated

201 North Harrison Street

Davenport, IA 52801-1924

Grant E. Schermer ⁽⁴⁾⁽⁸⁾

c/o Advisory Research, Inc.

180 North Stetson, Suite #5780

Chicago, IL 60601-6795

99

*

513,346(4)

7.1(4)

U.S. Bancorp ⁽⁹⁾

800 Nicollet Mall

Minneapolis, MN 55402-7020

503,833

1.3

712,258

9.8

Lee Endowment Foundation ⁽¹⁰⁾

c/o First Citizens National Bank

2601 Fourth Street

P.O. Box 1708

Mason City, IA 50402

517,648

7.1

* Less than one percent of the class.

⁽¹⁾ The Class B Common Stock is convertible on a share-for-share basis into Common Stock at the option of the stockholder. As a result, pursuant to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934, a stockholder is deemed to have beneficial ownership of the shares of Common Stock which such stockholder may acquire upon conversion of the Class B Common Stock. In order to avoid overstatement, the amount of Common

Stock beneficially owned does not take into account such shares of Common Stock which may be acquired upon conversion (an amount which is equal to the number of shares of Class B Common Stock held by a stockholder). The percentage of outstanding Common Stock does not take into account shares of Common Stock which may be issued upon conversion of the Class B Common Stock.

- (2) The information is based solely on a report on Schedule 13G, dated as of December 31, 2003, filed by Ariel Capital Management, Inc. (Ariel) with the Securities and Exchange Commission. Ariel reported sole voting power with respect to 6,218,700 of the reported shares and sole dispositive power with respect to 7,495,335 shares.
- (3) The information is based solely on a report on Schedule 13G, dated February 13, 2004, filed by Private Capital Management, L.P. (Private Capital) with the Securities and Exchange Commission. Private Capital reported sole voting power with respect to no shares and sole dispositive power with respect to 6,308,135 shares.
- (4) Schermer Investment Partnership, L.P. (SIP), a limited partnership established for family investment planning, owns 1,163,966 shares of Class B Common Stock. Schermer Management Corporation, a Colorado corporation (SMC), is the sole general partner of SIP charged with management of the business of SIP, including voting and investment powers with regard to the Class B Common Stock held by SIP. SMC has four equal stockholders: Gregory P. Schermer and trusts for the benefit of Lloyd G. Schermer, Betty A. Schermer and Grant E. Schermer. The Board of Directors of SMC consists of Lloyd G. Schermer, Betty A. Schermer, Gregory P. Schermer and Grant E. Schermer (collectively, the SMC Directors). No SMC Director may act individually with regard to voting or investment of the shares of Class B Common Stock held by SIP. Such actions require the majority vote of three SMC directors. By virtue of these actions with regard to the shares held by SIP, Lloyd G. Schermer, Betty A. Schermer, Gregory P. Schermer and Grant E. Schermer could be deemed to comprise a group within the meaning of SEC regulations. If deemed such a group, Gregory P. Schermer, Lloyd G. Schermer, Betty A. Schermer and Grant E. Schermer, individually or through trusts, may each be deemed to be the beneficial owner of these 1,163,966 shares of Class B Common Stock, and in the aggregate, this group would beneficially own 2,726,318 shares or 37.6% of the outstanding shares of the Class B Common Stock.
- (5) Class B Common Stock includes (i) 20,000 shares of Class B Common Stock owned by a trust as to which Lloyd G. Schermer possesses sole voting and investment powers; (ii) 110,020 shares of Class B Common Stock held by a trust and 320,700 shares of Class B Common Stock held by a charitable foundation as to which Mr. Schermer shares voting and investment powers; and (iii) 69,316 shares of Class B Common Stock owned by a trust as to which Betty A. Schermer possesses sole voting and investment powers. Mr. Schermer disclaims beneficial ownership of all the shares of Class B Common Stock listed in (ii) and (iii) above and all shares of Class B Common Stock beneficially owned by Betty A. Schermer, Gregory P. Schermer and Grant E. Schermer. See also footnote (4) above with regard to the ownership by SIP of 1,163,966 shares of Class B Common Stock.
- (6) Class B Common Stock includes (i) 69,316 shares of Class B Common Stock owned by a trust as to which Betty A. Schermer possesses sole voting and investment powers; (ii) 320,700 shares of Class B Common Stock held by a charitable foundation as to which Mrs. Schermer shares voting and investment powers; and (iii) 20,000 shares of Class B Common Stock owned by a trust as to which Lloyd G. Schermer possesses sole voting and investment powers. Mrs. Schermer disclaims beneficial ownership of all the shares of Class B Common Stock listed in (ii) and (iii) above and all shares of Class B Common Stock beneficially owned by Lloyd G. Schermer, Gregory P. Schermer and Grant E. Schermer. See also footnote (4) above with regard to the ownership by SIP of 1,163,966 shares of Class B Common Stock.
- (7) Common Stock includes (i) 2,000 shares of Common Stock held by a trust for the benefit of Gregory P. Schermer's minor son as to which Mr. Schermer possesses sole voting and investment power; and (ii) 38,208 shares of Common Stock subject to acquisition within 60 days by the exercise of outstanding stock options. Class B Common Stock includes (i) 522,970 shares of Class B Common Stock over which Mr. Schermer possesses sole voting and investment powers, of which 6,000 shares of Class B Common Stock are held by a trust for the benefit of his minor son and 4,000 shares of Class B Common Stock are held by a trust for the benefit of a minor daughter as to which Mr. Schermer possesses sole voting and investment powers; and (ii) 6,000 shares of Class B Common Stock owned by his spouse. Mr. Schermer disclaims beneficial ownership of all shares of Common Stock and Class B Common Stock held by his spouse and the trusts for the benefit of his son and a minor daughter and all shares of Class B Common Stock beneficially owned by Lloyd G. Schermer, Betty A. Schermer and Grant E. Schermer. See also footnote (4) above with regard to the ownership by SIP of 1,163,966 shares of Class B Common Stock.
- (8)

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Class B Common Stock includes (i) 513,146 shares of Class B Common Stock over which Grant E. Schermer possesses sole voting and investment powers; and (ii) 200 shares of Class B Common Stock held by a trust

as to which Mr. Schermer shares voting and investment powers. Mr. Schermer disclaims beneficial ownership of all shares of Class B Common Stock owned by Lloyd G. Schermer, Betty A. Schermer and Gregory P. Schermer. See also footnote (4) above with regard to the ownership by SIP of 1,163,966 shares of Class B Common Stock.

- (9) The information for Common Stock is based solely on the stock records of the Company. The information for Class B Common Stock is based solely on a report on Schedule 13G, dated January 31, 2004, filed by U.S. Bancorp with the Securities and Exchange Commission. U.S. Bancorp reported sole voting power and sole dispositive power with respect to 712,258 shares.
- (10) The information is based solely on a report on Schedule 13G, dated January 22, 2003, filed by Lee Endowment Foundation (Lee Endowment) with the Securities and Exchange Commission. Lee Endowment reported sole voting power and sole dispositive power with respect to 517,648 shares. It is independently governed and is not an affiliate of the Company.

The following table sets forth information as to the Common Stock and Class B Common Stock of the Company beneficially owned as of November 30, 2004 by each director and nominee, each of the named executive officers listed in the Summary Compensation Table below, and by all directors and executive officers as a group:

Name of Beneficial Owner	Common Stock	Percent of Class	Class B Common Stock	Percent of Class
Nancy S. Donovan	3,973	*		%
James W. Hopson ⁽²⁾	49,744	*		
Mary E. Junck ⁽²⁾	308,586			