LEE ENTERPRISES, INC
Form 10-Q
August 07, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For The Quarterly Period Ended June 28, 2015

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 or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of " large accelerated filer, accelerated filer and small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	[ ]	Accelerated filer	[X]
Non-accelerated filer	[ ] (Do not check if a smaller reporting company)	Smaller reporting company	[ ]

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

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes [X]   No [ ]

As of July 31, 2015, 54,551,666 shares of Common Stock of the Registrant were outstanding.

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References to “we”, “our”, “us” and the like throughout this document refer to Lee Enterprises, Incorporated (the "Company"). References to "2015", "2014" and the like refer to the fiscal years ended the last Sunday in September.

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 our 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 our control, are:

- Our ability to generate cash flows and maintain liquidity sufficient to service our debt;
- Our ability to comply with the financial covenants in our credit facilities;
- Our ability to refinance our debt as it comes due;
- That the warrants issued in our refinancing will not be exercised;
- The impact and duration of adverse conditions in certain aspects of the economy affecting our business;
- Changes in advertising demand;
- Potential changes in newsprint, other commodities and energy costs;
- Interest rates;
- Labor costs;
- Legislative and regulatory rulings;
- Our ability to achieve planned expense reductions;
- Our ability to maintain employee and customer relationships;
- Our ability to manage increased capital costs;
- Our ability to maintain our listing status on the NYSE;
- Competition; and
- Other risks detailed from time to time in our publicly filed documents.

Any statements that are not statements of historical fact (including statements containing the words “may”, “will”, “would”, “could”, “believes”, “expects”, “anticipates”, “intends”, “plans”, “projects”, “considers” and similar expressions) generally sho considered 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. We do not undertake to publicly update or revise our forward-looking statements, except as required by law.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

LEE ENTERPRISES, INCORPORATED
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Thousands of Dollars)	June 28 2015	September 28 2014
ASSETS		
Current assets:		
Cash and cash equivalents	18,904	16,704
Accounts receivable, net	57,712	62,343
Income taxes receivable	48	620
Inventories	4,737	6,655
Deferred income taxes	1,229	1,228
Other	9,275	8,585
Total current assets	91,905	96,135
Investments:		
Associated companies	35,791	37,790
Other	10,177	10,661
Total investments	45,968	48,451
Property and equipment:		
Land and improvements	23,211	23,645
Buildings and improvements	180,611	180,570
Equipment	289,814	292,209
Construction in process	3,321	4,548
	496,957	500,972
Less accumulated depreciation	348,442	343,601
Property and equipment, net	148,515	157,371
Goodwill	243,729	243,729
Other intangible assets, net	192,383	212,657
Postretirement assets, net	15,211	14,136
Debt financing costs and other	34,887	38,796
Total assets	772,598	811,275

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

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(Thousands of Dollars and Shares, Except Per Share Data)	June 28 2015	September 28 2014
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	32,900	31,400
Accounts payable	18,530	27,245
Compensation and other accrued liabilities	24,109	24,348
Accrued interest	14,184	4,812
Unearned revenue	30,322	30,903
Total current liabilities	120,045	118,708
Long-term debt, net of current maturities	712,100	773,350
Pension obligations	47,540	50,170
Postretirement and postemployment benefit obligations	10,582	10,359
Deferred income taxes	22,618	14,766
Income taxes payable	5,689	5,097
Warrants and other	16,519	16,369
Total liabilities	935,093	988,819
Equity (deficit):		
Stockholders' equity (deficit):		
Serial convertible preferred stock, no par value; authorized 500 shares; none issued	—	—
Common Stock, $0.01 par value; authorized 120,000 shares; issued and outstanding:	547	537
June 28, 2015; 54,749 shares;		
September 28, 2014; 53,747 shares		
Class B Common Stock, $2 par value; authorized 30,000 shares; none issued	—	—
Additional paid-in capital	247,408	245,323
Accumulated deficit	(400,847)	(414,282)
Accumulated other comprehensive loss	(10,407)	(9,831)
Total stockholders' deficit	(163,299)	(178,253)
Non-controlling interests	804	709
Total deficit	(162,495)	(177,544)
Total liabilities and deficit	772,598	811,275

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

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

(Thousands of Dollars, Except Per Common Share Data)	13 Weeks Ended June 28 2015	13 Weeks Ended June 29 2014	39 Weeks Ended June 28 2015	39 Weeks Ended June 29 2014
Operating revenue:				
Advertising and marketing services	100,490	110,284	313,632	335,394
Subscription	47,394	43,339	145,904	130,744
Other	9,662	9,502	29,693	28,465
Total operating revenue	157,546	163,125	489,229	494,603
Operating expenses:				
Compensation	58,442	60,330	181,615	181,543
Newsprint and ink	7,421	9,224	23,928	29,120
Other operating expenses	55,405	53,840	170,426	161,708
Depreciation	4,559	5,293	13,860	15,700
Amortization of intangible assets	6,836	6,901	20,597	20,710
Loss (gain) on sales of assets, net	686	9	434	(1,622)
Impairment of goodwill and other assets	—	336	—	336
Workforce adjustments	1,057	419	1,908	925
Total operating expenses	134,406	136,352	412,768	408,420
Equity in earnings of associated companies	1,705	1,836	6,114	6,348
Operating income	24,845	28,609	82,575	92,531
Non-operating income (expense):				
Financial income	79	85	258	306
Interest expense	(18,121)	(19,654)	(55,314)	(61,033)
Debt financing costs and amortization	(1,445)	(21,732)	(4,040)	(21,935)
Other, net	(1,082)	(1,701)	58	(1,579)
Total non-operating expense, net	(20,569)	(43,002)	(59,038)	(84,241)
Income (loss) before income taxes	4,276	(14,393)	23,537	8,290
Income tax expense (benefit)	2,141	(4,882)	9,353	3,995
Net income (loss)	2,135	(9,511)	14,184	4,295
Net income attributable to non-controlling interests	(253)	(235)	(749)	(663)
Income (loss) attributable to Lee Enterprises, Incorporated	1,882	(9,746)	13,435	3,632
Other comprehensive loss, net of income taxes	(192)	(441)	(576)	(1,324)
Comprehensive income (loss) attributable to Lee Enterprises, Incorporated	1,690	(10,187)	12,859	2,308
Earnings (loss) per common share:				
Basic:	0.04	(0.19)	0.26	0.07
Diluted:	0.03	(0.19)	0.25	0.07

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

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

(Thousands of Dollars)	39 Weeks Ended June 28 2015	June 29 2014
Cash provided by operating activities:		
Net income	14,184	4,295
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	34,457	36,410
Loss (gain) on sales of assets, net	434	(1,622)
Impairment of goodwill and other assets	—	336
Amortization of debt present value adjustment	—	2,394
Stock compensation expense	1,645	1,081
Distributions greater than earnings of MNI	1,699	1,518
Deferred income tax expense	8,251	281
Debt financing costs	4,040	21,935
Changes in operating assets and liabilities:		
Decrease in receivables	4,631	1,638
Decrease (increase) in inventories and other	596	(502)
Increase (decrease) in accounts payable, compensation and other accrued liabilities and unearned revenue	(163)	1,097
Decrease in pension, postretirement and postemployment benefit obligations	(4,458)	(4,858)
Change in income taxes receivable or payable	1,164	7,324
Other, net	(331)	(1,744)
Net cash provided by operating activities	66,149	69,583
Cash provided by (required for) investing activities:		
Purchases of property and equipment	(7,686)	(8,204)
Decrease in restricted cash	441	—
Proceeds from sales of assets	3,341	2,192
Distributions greater (less) than earnings of TNI	300	(211)
Other, net	(323)	—
Net cash required for investing activities	(3,927)	(6,223)
Cash provided by (required for) financing activities:		
Proceeds from long-term debt	5,000	800,000
Payments on long-term debt	(64,750)	(832,500)
Debt financing costs paid	(477)	(31,276)
Common stock transactions, net	205	612
Net cash required for financing activities	(60,022)	(63,164)
Net increase in cash and cash equivalents	2,200	196
Cash and cash equivalents:		
Beginning of period	16,704	17,562
End of period	18,904	17,758

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

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LEE ENTERPRISES, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1 BASIS OF PRESENTATION

The accompanying unaudited, interim, Consolidated Financial Statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for quarterly reports. In the opinion of management, these financial statements contain all adjustments (consisting of only normal recurring items) necessary to present fairly the financial position of Lee Enterprises, Incorporated and subsidiaries (the "Company") as of June 28, 2015 and their results of operations and cash flows for the periods presented. The Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's 2014 Annual Report on Form 10-K.

Because of seasonal and other factors, the results of operations for the 13 weeks and 39 weeks ended June 28, 2015 are not necessarily indicative of the results to be expected for the full year.

References to "we", "our", "us" and the like throughout the Consolidated Financial Statements refer to the Company. References to "2015", "2014" and the like refer to the fiscal years ended the last Sunday in September.

The Consolidated Financial Statements include the accounts of our subsidiaries, all of which are wholly-owned, except for our 50% interest in TNI Partners ("TNI"), 50% interest in Madison Newspapers, Inc. ("MNI") and 82.5% interest in INN Partners, L.C. ("TownNews").

Investments in TNI and MNI are accounted for using the equity method and are reported at cost, plus our share of undistributed earnings since acquisition less, for TNI, amortization of intangible assets.

2 INVESTMENTS IN ASSOCIATED COMPANIES

TNI Partners

In Tucson, Arizona, TNI, acting as agent for our subsidiary, Star Publishing Company ("Star Publishing"), and Citizen Publishing Company ("Citizen"), a subsidiary of Gannett Co. Inc., is responsible for printing, delivery, advertising, and subscription activities of the Arizona Daily Star as well as the related digital platforms 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.

Income or loss of TNI (before income taxes) is allocated equally to Star Publishing and Citizen.

Summarized results of TNI are as follows:

(Thousands of Dollars)	13 Weeks Ended June 28 2015	13 Weeks Ended June 29 2014	39 Weeks Ended June 28 2015	39 Weeks Ended June 29 2014
Operating revenue	13,063	13,750	43,035	44,888
Operating expenses, excluding workforce adjustments, depreciation and amortization	10,936	11,449	34,783	36,116
Workforce adjustments	—	—	—	(87)
Operating income	2,127	2,301	8,252	8,859

Company's 50% share of operating income	1,064	1,150	4,127	4,429
Less amortization of intangible assets	105	104	314	313
Equity in earnings of TNI	959	1,046	3,813	4,116

Star Publishing's 50% share of TNI depreciation and certain general and administrative expenses (income) associated with its share of the operation and administration of TNI are reported as operating expenses (benefit) in our Consolidated Statements of Operations and Comprehensive Income. These amounts totaled $45,000

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and $(17,000) in the 13 weeks ended June 28, 2015 and June 29, 2014, respectively, and totaled $(153,000) and $(51,000) in the 39 weeks ended June 28, 2015 and June 29, 2014, respectively.

Annual amortization of intangible assets is estimated to be $418,000 in each of the 52 week periods ending June 2016, June 2017, June 2018 and the 53 week period ending June 2019 and $314,000 in the 52 week period ending June 2020.

Madison Newspapers, Inc.

We have a 50% ownership interest in MNI, which publishes daily and Sunday newspapers, and other publications in Madison, Wisconsin, and other Wisconsin locations, and operates their related digital platforms. Net income or loss of MNI (after income taxes) is allocated equally to us and The Capital Times Company ("TCT"). MNI conducts its business under the trade name Capital Newspapers.

Summarized results of MNI are as follows:

(Thousands of Dollars)	13 Weeks Ended June 28 2015	13 Weeks Ended June 29 2014	39 Weeks Ended June 28 2015	39 Weeks Ended June 29 2014
Operating revenue	16,580	17,278	51,258	50,710
Operating expenses, excluding workforce adjustments, depreciation and amortization	13,518	14,390	42,328	42,246
Workforce adjustments	261	15	318	244
Depreciation and amortization	463	384	1,390	1,179
Operating income	2,338	2,489	7,222	7,041
Net income	1,491	1,579	4,603	4,464
Equity in earnings of MNI	746	790	2,301	2,232

3 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill are as follows:

(Thousands of Dollars)	39 Weeks Ended June 28 2015
Goodwill, gross amount	1,532,458
Accumulated impairment losses	(1,288,729)
Goodwill, beginning of period	243,729
Goodwill, end of period	243,729

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Identified intangible assets consist of the following:

(Thousands of Dollars)	June 28 2015	September 28 2014
Nonamortized intangible assets:		
Mastheads	25,102	25,102
Amortizable intangible assets:		
Customer and newspaper subscriber lists	687,055	686,732
Less accumulated amortization	519,774	499,178
	167,281	187,554
Noncompete and consulting agreements	28,524	28,524
Less accumulated amortization	28,524	28,523
	—	1
Other intangible assets, net	192,383	212,657

Annual amortization of intangible assets for the 52 week periods ending June 2016, June 2017, June 2018, the 53 week period ending June 2019 and the 52 week period ending June 2020, is estimated to be $26,334,000, $25,166,000, $18,685,000, $16,321,000 and $15,249,000, respectively.

4 DEBT

In January 2012, in conjunction with the effectiveness of our plan of reorganization (the "Plan") under Chapter 11 of the U.S. Bankruptcy Code, we refinanced all of our debt. The Plan refinanced our then-existing credit agreement and extended the April 2012 maturity in a structure of first-priority and second-priority lien debt with the existing lenders. We also amended the Pulitzer Notes, as discussed more fully below (and certain capitalized terms used below defined), and extended the April 2012 maturity with the existing Noteholders.

In May 2013, we again refinanced the $94,000,000 remaining balance of the Pulitzer Notes (the “New Pulitzer Notes”).

On March 31, 2014, we completed a comprehensive refinancing of our debt, exclusive of the New Pulitzer Notes (the “2014 Refinancing”), which included the following:

- $400,000,000 aggregate principal amount of 9.5% Senior Secured Notes (the “Notes”), pursuant to an Indenture dated as of March 31, 2014 (the “Indenture”) among the Company, certain subsidiaries party thereto from time to time (the “Subsidiary Guarantors”), U.S. Bank National Association, as Trustee, and Deutsche Bank Trust Company Americas, as Collateral Agent (the "Notes Collateral Agent");

- $250,000,000 first lien term loan (the "1st Lien Term Loan") and $40,000,000 revolving facility (the "Revolving Facility") under a First Lien Credit Agreement dated as of March 31, 2014 (together the “1st Lien Credit Facility”) among the Company, the lenders party thereto from time to time (the “1st Lien Lenders”), and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (the "1st Lien Collateral Agent"); and

- $150,000,000 second lien term loan under a Second Lien Loan Agreement dated as of March 31, 2014 (the “2nd Lien Term Loan”) among the Company, the lenders party thereto from time to time (the “2nd Lien Lenders”), and Wilmington Trust, National Association, as Administrative Agent and Collateral Agent (the "2nd Lien Collateral Agent").

The Notes, 1st Lien Credit Facility and 2nd Lien Term Loan enabled us to repay in full, including accrued interest, and terminate, on March 31, 2014: (i) the remaining principal balance of $593,000,000 under our previous 1st lien agreement, and related subsidiary guaranty, security and pledge agreements, intercompany subordination and intercreditor agreements; and (ii) the remaining principal balance of $175,000,000 under our previous 2nd lien agreement, and related subsidiary guaranty, security and pledge agreements, intercompany subordination

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and intercreditor agreements. We also used the proceeds of the refinancing to pay fees and expenses totaling $30,931,000 related to the 2014 Refinancing.

On June 25, 2015 (the "Pulitzer Debt Satisfaction Date"), we repaid the remaining balance of the New Pulitzer Notes triggering certain changes to the security and collateral of our remaining debt. The effects of such changes are discussed more fully below.

Notes

The Notes are senior secured obligations of the Company and mature on March 15, 2022. The Notes were sold pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended.

Interest

The Notes require payment of interest semiannually on March 15 and September 15 of each year, at a fixed annual rate of 9.5%.

Redemption

We may redeem some, or all, of the principal amount of the Notes at any time on or after March 15, 2018, subject to call premiums as follows:

Period Beginning	Percentage of Principal Amount
March 15, 2018	104.75
March 15, 2019	102.375
March 15, 2020	100

We may also redeem up to 35% of the Notes prior to March 15, 2017 at 109.5% of the principal amount using the proceeds of certain future equity offerings.

If we sell certain of our assets or experience specific kinds of changes of control, we must, subject to certain exceptions, offer to purchase the Notes. Any redemption of the Notes must also satisfy any accrued and unpaid interest thereon.

Security

The Notes are fully and unconditionally guaranteed on a first-priority basis by each of the Company's material domestic subsidiaries in which the Company holds a direct or indirect interest of more than 50% and which guarantee indebtedness for borrowed money, including the 1st Lien Credit Facility (the "Lee Legacy Assignors"), excluding MNI, Pulitzer Inc. ("Pulitzer") and its subsidiaries (collectively, the "Pulitzer Subsidiaries") and TNI.

Following the Pulitzer Debt Satisfaction Date, the Notes are also fully and unconditionally guaranteed, on a second-priority basis, by Pulitzer and each Pulitzer Subsidiary that guarantees the indebtedness under the 2nd Lien Term Loan or other borrowings incurred by the Company or any subsidiary guarantor (collectively, the "Pulitzer Assignors").

The Notes and the subsidiary guarantees are secured, subject to certain exceptions, priorities and limitations in the various agreements, by a lien on all property and assets of the Lee Legacy Assignors (the “Lee Legacy Collateral”), other than the capital stock of MNI and any property and assets of MNI, on a first-priority basis, equally and ratably with all of the Lee Legacy Assignors' existing and future obligations under the 1st Lien Credit Facility, pursuant to a Security Agreement dated as of March 31, 2014 (the "Notes Security Agreement") among the Lee Legacy Assignors and the Notes Collateral Agent.

Also, the Notes are secured, subject to certain exceptions, priorities and limitations in the various agreements, by first-priority security interests in the capital stock of, and other equity interests owned by, the Lee Legacy Assignors pursuant to the Notes Security Agreement.

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Certain of the Lee Legacy Assignors, separately, have granted first-priority lien mortgages or deeds of trust, covering their material real estate and improvements for the benefit of the holders of the Notes.

Following the Pulitzer Debt Satisfaction Date, the Notes and the subsidiary guarantees are also secured, subject to permitted liens, by a second-priority security interest in the property and assets of the Pulitzer Assignors other than assets of or used in the operations or business of TNI (the "Excluded TNI Assets")(collectively, the “Pulitzer Collateral”) owned by each of the Pulitzer Assignors that become subsidiary guarantors, equally and ratably with all of the Pulitzer Assignors' existing and future obligations under the 1st Lien Credit Facility and certain other indebtedness for borrowed money incurred by the Company or any subsidiary guarantor.

Also, the Notes are secured, subject to certain exceptions, priorities, and limitations in the various agreements, by second-priority security interests in the capital stock of, and other equity interests in, the Pulitzer Assignors and Star Publishing’s interest in TNI.

Certain Pulitzer Assignors also granted second-priority mortgages or deeds of trust for the benefit of the holders of the Notes, subject to all relevant terms and conditions of the applicable intercreditor agreements, covering the Pulitzer Assignors’ material real estate and improvements.

The rights of the Collateral Agents with respect to the Lee Legacy Collateral and Pulitzer Collateral are subject to:

- A Pari Passu Intercreditor Agreement dated as of March 31, 2014 (the “Pari Passu Intercreditor Agreement”) among the Company, the other Grantors party thereto, JPMorgan Chase Bank, N.A., U.S. Bank National Association and Deutsche Bank Trust Company Americas;

- A Pulitzer Pari Passu Intercreditor Agreement dated as of June 25, 2015 (the "Pulitzer Pari Passu Intercreditor Agreement") among the Company, the other Grantors party thereto, JPMorgan Chase Bank, N.A., U.S. Bank National Association and Deutsche Bank Trust Company Americas;

- A Junior Intercreditor Agreement dated as of March 31, 2014 (the “Junior Intercreditor Agreement”) among the Company, the other Grantors party hereto, JPMorgan Chase Bank, N.A., U.S. Bank National Association, Deutsche Bank Trust Company Americas and Wilmington Trust, National Association; and

- A Pulitzer Junior Intercreditor Agreement dated as of June 25, 2015 (the “Pulitzer Junior Intercreditor Agreement”) among the Company, Pulitzer, the Pulitzer Subsidiaries, Wilmington Trust, National Association, JPMorgan Chase Bank, N.A., U.S. Bank National Association and Deutsche Bank Trust Company Americas.

Covenants and Other Matters

The Indenture contains certain of the restrictive covenants in the 1st Lien Credit Facility, as discussed more fully below, and limitations on our use of the Pulitzer Subsidiaries’ cash flows. However, many of these covenants will cease to apply if the Notes are rated investment grade by either Moody’s Investors Service, Inc. or Standard & Poor’s Ratings Group and there is no default or event of default under the Indenture.

1st Lien Credit Facility

The 1st Lien Credit Facility consists of the $250,000,000 1st Lien Term Loan that matures in March 2019 and the $40,000,000 Revolving Facility that matures in December 2018. The Revolving Facility may be used for working capital and general corporate purposes (including letters of credit). At June 28, 2015, after consideration of letters of credit, we have approximately $32,935,000 available for future use under the Revolving Facility.

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Interest

Interest on the 1st Lien Term Loan, which has a principal balance of $195,000,000 at June 28, 2015, accrues, at our option, at either (A) LIBOR plus 6.25% (with a LIBOR floor of 1.0%) or (B) 5.25% plus the highest of (i) the prime rate at the time, (ii) the federal funds rate plus 0.5%, or (iii) one month LIBOR plus 1.0% (with a floor of 2.0%). Interest is payable quarterly.

The 1st Lien Term Loan was funded with an original issue discount of 2.0%, or $5,000,000, which is being amortized as interest expense over the life of the 1st Lien Term Loan.

Interest on the Revolving Facility, which has a principal balance of zero at June 28, 2015, accrues, at our option, at either (A) LIBOR plus 5.5%, or (B) 4.5% plus the highest of (i) the prime rate at the time, (ii) the federal funds rate plus 0.5%, or (iii) one month LIBOR plus 1.0%.

Principal Payments

Quarterly principal payments of $6,250,000 are required under the 1st Lien Term Loan, with other payments made based on 90% of excess cash flow of Lee Legacy ("Lee Legacy Excess Cash Flow), as defined, or from proceeds of asset sales, as defined, from our subsidiaries other than the Pulitzer Subsidiaries. We may voluntarily prepay principal amounts outstanding or reduce commitments under the 1st Lien Credit Facility at any time without premium or penalty, upon proper notice and subject to certain limitations as to minimum amounts of prepayments.

Following the Pulitzer Debt Satisfaction Date, the excess cash flow of Pulitzer, as defined ("Pulitzer Excess Cash Flow"), may be used to pay down the 1st Lien Term Loan if not accepted by the 2nd Lien Term Loan lenders, as discussed more fully below under the heading "2nd Lien Term Loan".

2015 payments made, or required to be made for the remainder of the year, under the 1st Lien Term Loan are summarized as follows:

(Thousands of Dollars)	13 Weeks Ended December 28 2014	March 29 2015	June 28 2015	13 Weeks Ending September 27 2015
Mandatory	6,250	6,250	6,250	6,250
Voluntary	5,000	4,000	4,000	—
Asset sales	—	—	—	—
Excess cash flow	—	—	—	7,900
Pulitzer excess cash flow	—	—	—	—
	11,250	10,250	10,250	14,150

For the 13 weeks ended June 28, 2015 the Lee Legacy Excess Cash Flow totaled $7,900,000. This excess cash flow payment is due on or before August 12, 2015.

2014 payments made under the 1st Lien Term Loan or previous 1st lien agreement are summarized as follows:

(Thousands of Dollars)	13 Weeks Ended December 29 2013	March 30 2014	June 29 2014	September 28 2014
Mandatory	3,000	3,000	6,250	6,250
Voluntary	3,350	5,500	10,750	—

Asset sales	150	1,500	—	—
1st Lien Term Loan excess cash flow	—	—	—	—
	6,500	10,000	17,000	6,250

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Security

The 1st Lien Credit Facility is secured, subject to certain priorities and limitations in the various agreements, by perfected security interests in substantially all the assets of the Lee Legacy Assignors, pursuant to a First Lien Guarantee and Collateral Agreement dated as of March 31, 2014 (the "1st Lien Guarantee and Collateral Agreement") among the Company, the Subsidiary Guarantors and JPMorgan Chase Bank, N.A. (the "1st Lien Collateral Agent"), on a first-priority basis, equally and ratably with all of the Company's and the Subsidiary Guarantors' existing and future obligations under the Notes. On the Pulitzer Debt Satisfaction Date, the Pulitzer Assignors became a party to the 1st Lien Guarantee and Collateral Agreement.

The Lee Legacy Assignors' pledged assets include, among other things, equipment, inventory, accounts receivables, depository accounts, intellectual property and certain of their other tangible and intangible assets. Assets of, or used in the operations or business of MNI, and our ownership interest in, MNI are excluded.

Under the 1st Lien Credit Facility, the Lee Legacy Assignors, separately, have granted first-priority lien mortgages or deeds of trust, subject to all relevant terms and conditions of the applicable intercreditor agreements, covering certain real estate and improvements, to the 1st Lien Lenders (excluding the real estate of Pulitzer, the Pulitzer Subsidiaries, TNI and MNI).

The 1st Lien Credit Facility is also secured by a pledge of interests in all of the capital stock, or any other equity interests, owned by the Lee Legacy Assignors (excluding the capital stock of MNI).

Following the Pulitzer Debt Satisfaction Date, the 1st