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FORM 10-Q

A. H. Belo CORP - AHC

Filed: November 14, 2008 (period: September 30, 2008)

Quarterly report which provides a continuing view of a company's financial position

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

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: September 30, 2008

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 1-33741

A. H. Belo Corporation
(Exact name of registrant as specified in its charter)

Delaware	**38-3765318**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. employer identification no.)*
P. O. Box 224866 **Dallas, Texas**	**75222-4866**
(Address of principal executive offices)	*(Zip code)*

Registrant's telephone number, including area code: **(214) 977-4866**

Former name, former address and former fiscal year, if changed since last report.
None

Indicate by check mark whether 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 ☑ **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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ 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** ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2008
Common Stock, $.01 par value	20,478,965

* Consisting of 17,774,549 shares of Series A Common Stock and 2,704,416 shares of Series B Common Stock.

A. H. BELO CORPORATION

FORM 10-Q

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Source: A. H. Belo CORP, 10-Q, November 14, 2008

PART I.

Item 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

A. H. Belo Corporation and Subsidiaries

In thousands, except per share amounts (unaudited)	*Three months ended September 30,* 2008	2007	*Nine months ended September 30,* 2008	2007
Net Operating Revenues				
Advertising	$ 114,811	$ 147,511	$ 364,575	$ 447,160
Circulation	31,563	28,210	90,943	83,721
Other	7,459	6,219	21,757	19,048
Total net operating revenues	153,833	181,940	477,275	549,929
Operating Costs and Expenses				
Salaries, wages and employee benefits	77,804	72,840	220,909	220,631
Other production, distribution and operating costs	60,768	66,243	182,682	192,312
Newsprint, ink and other supplies	23,523	25,037	70,230	77,712
Impairment on printing press	4,535	—	4,535	—
Depreciation	10,962	11,142	35,414	33,854
Amortization	1,625	1,624	4,875	4,874
Total operating costs and expenses	179,217	176,886	518,645	529,383
(Loss) earnings from operations	(25,384)	5,054	(41,370)	20,546
Other Income and Expense				
Interest expense	(52)	(8,768)	(3,283)	(26,547)
Other (expense) income, net	(25)	530	1,237	3,312
Total other expense	(77)	(8,238)	(2,046)	(23,235)
Loss before income taxes	(25,461)	(3,184)	(43,416)	(2,689)
Income tax (benefit) expense	(8,203)	3,097	(14,243)	688
Net loss	$ (17,258)	$ (6,281)	$ (29,173)	$ (3,377)
Net loss per share:				
Basic and diluted	$ (0.84)	$ (0.31)	$ (1.42)	$ (0.17)
Weighted average shares outstanding:				
Basic and diluted	20,479	20,452	20,477	20,452
Dividends declared per share	$ 0.375	N/A	$ 0.625	N/A

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

A. H. Belo Corporation and Subsidiaries

In thousands, except share and per share amounts	September 30, 2008 *(unaudited)*	December 31, 2007
Assets		
Current assets:		
Cash and temporary cash investments	$ 17,712	$ 6,874
Accounts receivable, net	66,289	90,792
Inventories	20,701	11,407
Deferred income taxes	6,763	4,744
Prepaids and other current assets	10,944	8,202
Total current assets	122,409	122,019
Property, plant and equipment at cost:		
Land	31,158	46,403
Buildings and improvements	219,616	232,267
Publishing equipment	359,973	351,323
Other	158,990	144,503
Advance payments on property, plant and equipment	14,548	23,614
Total property, plant and equipment	784,285	798,110
Less accumulated depreciation	519,995	490,322
Property, plant and equipment, net	264,290	307,788
Intangible assets, net	35,552	40,426
Goodwill	119,667	119,667
Long term deferred income taxes	5,254	—
Investments	32,177	22,899
Other assets	9,067	6,911
Total assets	$ 588,416	$ 619,710

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS (continued)

A. H. Belo Corporation and Subsidiaries

In thousands, except share and per share amounts	September 30, 2008 *(unaudited)*	December 31, 2007
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long term debt	$ 10,000	$ —
Accounts payable	28,907	25,384
Accrued compensation and benefits	40,663	31,161
Accrued interest on notes payable	14	35,148
Other accrued expenses	4,506	3,822
Advance subscription payments	26,774	24,495
Dividends payable	2,560	—
Current portion of notes payable to Belo Corp.	—	392
Total current liabilities	113,424	120,402
Notes payable to Belo Corp.	—	378,916
Deferred income taxes	19,888	19,189
Other liabilities	13,511	14,263
Shareholders' equity:		
Preferred stock, $.01 par value. Authorized 2,000,000 shares; none issued.	—	—
Common stock, $.01 par value. Authorized 125,000,000 shares		
Series A: issued 17,774,149 shares at September 30, 2008	176	—
Series B: issued 2,704,816 shares at September 30, 2008	28	—
Additional paid-in capital	483,362	—
Retained deficit	(41,973)	—
Belo Corp. equity	—	86,940
Total shareholders' equity	441,593	86,940
Total liabilities and shareholders' equity	$ 588,416	$ 619,710

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

A. H. Belo Corporation and Subsidiaries

In thousands, except share amounts (unaudited)	*Nine months ended September 30, 2008*						
		Common Stock		*Additional*			
	Shares Series A	*Shares Series B*	*Amount*	*Paid-in Capital*	*Retained Deficit*	*Belo Corp. Equity*	*Total*
Balance at December 31, 2007	—	—	$ —	$ —	$ —	$ 86,940	$ 86,940
Contribution by Belo Corp.	—	—	—	481,300	—	(86,940)	394,360
Issuance of stock in the Distribution	17,603,499	2,848,496	204	(204)	—	—	—
Share-based compensation	—	—	—	2,266	—	—	2,266
Conversion of Series B to Series A	143,680	(143,680)	—	—	—	—	—
Issuance of shares for restricted stock units	26,970	—	—	—	—	—	—
Dividends	—	—	—	—	(12,800)	—	(12,800)
Net loss	—	—	—	—	(29,173)	—	(29,173)
Balance at September 30, 2008	17,774,149	2,704,816	$204	$ 483,362	$ (41,973)	$ —	$ 441,593

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

A. H. Belo Corporation and Subsidiaries

In thousands (unaudited)	*Nine months ended September 30,* 2008	2007
Operations		
Net loss	$ (29,173)	$ (3,377)
Adjustments to reconcile net loss to net cash provided by operations:		
Depreciation and amortization	40,289	38,728
Provision for bad debt	4,689	3,389
Impairment on printing press	4,535	—
Deferred income taxes	(11,656)	(10,235)
Employee retirement benefit expense	(361)	126
Share-based compensation	(521)	748
Other non-cash items	(63)	(3,445)
Net changes in operating assets and liabilities, excluding the effects of the Distribution:		
Accounts receivable	25,276	15,484
Inventories	(9,294)	7,007
Prepaids and other current assets	282	—
Other, net	(2,265)	316
Accounts payable	2,703	(8,912)
Accrued compensation and benefits	(1,490)	(2,776)
Other accrued expenses	1,145	(4,895)
Advance subscription payments	1,336	111
Net cash provided by operations	25,432	32,269
Investments		
Capital expenditures, net	(14,033)	(22,823)
Other, net	(321)	(1,900)
Net cash used for investments	(14,354)	(24,723)
Financing		
Dividends and distributions	(10,240)	(35,312)
Net borrowings from Belo Corp.	—	25,264
Proceeds from credit facility	10,000	—
Net cash used for financing	(240)	(10,048)
Net increase (decrease) in cash and temporary cash investments	10,838	(2,502)
Cash and temporary cash investments at beginning of period	6,874	10,521
Cash and temporary cash investments at end of period	$ 17,712	$ 8,019
Supplemental Disclosures		
Interest paid, net of amounts capitalized	$ —	$ 31,457
Income taxes paid, net of refunds	$ —	$ 10,513

See accompanying Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. H. Belo Corporation and Subsidiaries

(in thousands, except share and per share amounts)

(1) The accompanying unaudited condensed consolidated financial statements of A. H. Belo Corporation and its subsidiaries (the "Company" or "A. H. Belo") have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The balance sheet at December 31, 2007 has been derived from the audited combined financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. Operating results for the three and nine month periods ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

(2) The Company owns three primary daily newspapers: *The Dallas Morning News*, *The Providence Journal*, and *The Press-Enterprise* (Riverside, CA). They publish and distribute local, state, national, and international news. In addition to these three daily newspapers, the Company publishes various niche products in the same or nearby markets where the primary daily newspapers are located. Each of the Company's daily newspapers and niche publications operates and maintains its own Web site. The Company also operates direct mail and commercial printing businesses. The Company's operating segments are defined as its newspapers within a given market. The Company has determined that all of its operating segments meet the criteria under Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information," to be aggregated into one reporting segment.

On February 8, 2008, Belo Corp. ("Belo") contributed all of the stock of its subsidiaries engaged in the newspaper business and related assets to A. H. Belo (hereafter referred to as the "Distribution"). On February 8, 2008 (the "Distribution Date"), Belo also distributed, through a pro rata, tax-free dividend to its shareholders, 0.20 shares of A. H. Belo Series A common stock for every share of Belo Series A common stock, and 0.20 shares of A. H. Belo Series B common stock for every share of Belo Series B common stock, owned as of the close of business on January 25, 2008. As a result of the Distribution, A. H. Belo issued 17,603,499 shares of Series A common stock and 2,848,496 shares of Series B common stock. This resulted in A. H. Belo becoming a separate public company with its own management and board of directors. The assets and liabilities transferred to A. H. Belo were recorded at historical cost as a reorganization of entities under common control. Following the Distribution, Belo does not have any ownership interest in A. H. Belo but will continue to conduct business with A. H. Belo pursuant to various agreements, as more fully described in Note 8, and co-own certain investments.

Operating expenses reflect direct operating expenses of the business together with allocations of certain Belo corporate expenses for the periods prior to the Distribution. For the three and nine months ended September 30, 2007, corporate expenses are based on allocations of Belo corporate expenses. The nine months ended September 30, 2008 include allocated Belo corporate expenses up to the Distribution Date only. Corporate expenses for the remainder of the nine month period (post-Distribution), including the three month period ended September 30, 2008, comprise actual costs incurred by the Company. The allocations from Belo include certain costs associated with Belo's corporate facilities, information systems, legal, internal audit, finance (including public company accounting and reporting), employee compensation and benefits administration, risk management, treasury administration and tax functions, and are based on actual costs incurred by Belo. Allocations of corporate facility costs are based on the actual space used. Information technology costs and employee compensation and benefits administration are allocated based on headcount. Other costs are allocated to A. H. Belo based on the Company's size relative to the Belo subsidiaries. Costs allocated to the Company totaled $7,430 for the 39 days ended February 8, 2008. Corporate allocated costs for the three and nine months ended September 30, 2007 were $12,853 and $39,299, respectively. Transactions between the companies comprising A. H. Belo have been eliminated in the consolidated financial statements.

On the Distribution Date, Belo settled or assigned intercompany indebtedness between and among Belo and its subsidiaries, including Belo's subsidiaries engaged in the newspaper business and related assets. Belo settled accounts through contributions of such indebtedness to the capital of the debtor subsidiaries, distributions by creditor subsidiaries, and other non-cash transfers, or assigned indebtedness to A. H. Belo. As of the effective time of the Distribution, Belo had contributed to the capital of A. H. Belo and its subsidiaries the net intercompany indebtedness owed to Belo by A. H. Belo and its subsidiaries, and A. H. Belo assumed the indebtedness owed by Belo to the A. H. Belo subsidiaries.

All dollar amounts are in thousands, unless otherwise indicated. Certain prior period amounts have been reclassified to conform to the current period presentation.

(3) The following table presents stock-based awards that are excluded for purposes of calculating diluted earnings per share for the three and nine months ended September 30, 2008:

	Three Months Ended September 30, *2008*	Nine Months Ended September 30, *2008*
Options excluded due to exercise price in excess of average market price		
Number outstanding	2,988,880	2,464,380
Weighted average exercise price	$ 18.50	$ 21.04

(4) In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141(R), "*Business Combinations*". SFAS 141(R) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations the Company engages in will be recorded and disclosed following existing accounting principles until January 1, 2009. The Company expects SFAS 141(R) will have an impact on the Company's consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions, if any, consummated after the effective date.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Liabilities*". This statement permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company has elected not to implement the fair value option with respect to any existing assets or liabilities; therefore, the adoption of SFAS 159 had no impact on the Company's financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*". SFAS 157 establishes, among other items, a framework for fair value measurements in the financial statements by providing a single definition of fair value, provides guidance on the methods used to estimate fair value, and increases disclosures about estimates of fair value. SFAS 157 is effective for financial assets and liabilities in financial statements issued for fiscal years beginning after November 15, 2007, and will be effective for non-financial assets and liabilities in financial statements issued for fiscal years beginning after November 15, 2008. Effective January 1, 2008, the Company adopted SFAS 157 for its financial assets and liabilities. The adoption of this standard on January 1, 2008 did not have a material impact on the Company's financial position or results of operations. The Company is currently assessing the impact of SFAS 157 for non-financial assets and liabilities.

(5) Prior to the Distribution, the Company established a long-term incentive plan under which awards may be granted to employees and outside directors in the form of non-qualified stock options, incentive stock options, restricted shares, restricted stock units, performance shares, performance units and stock appreciation rights. In addition, options may be accompanied by stock appreciation rights and limited stock appreciation rights. Rights and limited rights may also be issued without accompanying options. Cash-based bonus awards are also available under the plan.

In connection with the Distribution, holders of outstanding Belo options received an adjusted Belo option for the same number of shares of Belo common stock as held before the Distribution but with a reduced exercise price based on the closing price on February 8, 2008. Holders also received one new A. H. Belo option for every five Belo options held as of the Distribution Date (the distribution ratio) with an exercise price based on the closing share price on February 8, 2008. The Belo Restricted Stock Units ("RSUs") were treated as if they were issued and outstanding shares. Holders of Belo RSUs retained their existing RSUs and also received A. H. Belo RSUs. The number of A. H. Belo RSUs awarded to Belo's RSU holders was determined using the distribution ratio. As a result, the Belo RSUs and the A. H. Belo RSUs, taken together, had the same aggregate value based on the closing prices of the Belo stock and the A. H. Belo stock on the Distribution Date, as the Belo RSUs immediately prior to the Distribution.

Each stock option and RSU (of A. H. Belo and of Belo) otherwise has the same terms as the original awards. The awards continue to vest as under the existing vesting schedule based on continued employment with Belo or A. H. Belo, as applicable.

Share-based compensation cost recognized for awards to A. H. Belo's employees and non-employee directors was $604 and $1,339 for the three and nine months ended September 30, 2008 and $1,171 and $5,777 for the three and nine months ended September 30, 2007, respectively. No compensation cost is recognized related to options issued by A. H. Belo held by employees and non-employee directors of Belo.

A. H. Belo also recognizes compensation expense for any pre-Distribution awards related to its employees that were issued under Belo's long-term incentive plans. A. H. Belo's share-based compensation expense includes $263 and $691 for the three and nine months ended September 30, 2008, related to awards that were issued by Belo.

A. H. Belo Option Activity

The following table summarizes the option activity under A. H. Belo's long-term incentive plan for the period ended September 30, 2008:

	Number of Options	*Weighted Average Exercise Price*
Issued in connection with the Distribution on February 8, 2008	2,496,728	$21.09
Granted	524,500	6.60
Exercised	—	—
Canceled	(32,348)	24.99
Outstanding at September 30, 2008	2,988,880	$18.50

Of the total A. H. Belo options outstanding at September 30, 2008, 1,513,445 options with a weighted average exercise price of $16.22 are held by A. H. Belo employees and non-employee directors.

A. H. Belo RSU Activity

The following table summarizes the RSU activity under A. H. Belo's long-term incentive plan for the period ended September 30, 2008:

	Number of RSU's	*Weighted Average Exercise Price*
Issued in connection with the Distribution on February 8, 2008	391,297	$18.35
Granted	61,398	7.65
Vested	(45,050)	19.10
Canceled	(4,380)	19.15
Outstanding at September 30, 2008	403,265	$16.63

Source: A. H. Belo CORP, 10-Q, November 14, 2008

Of the total A. H. Belo RSUs outstanding at September 30, 2008, 218,267 RSUs are held by A. H. Belo employees and non-employee directors.

(6) As described in Note 6 in the 2007 Annual Report on Form 10-K, Belo retained sponsorship and funding obligations of the G. B. Dealey Pension Plan, in which some of A. H. Belo employees participate. Under the employee matters agreement between the Company and Belo, A. H. Belo will reimburse Belo for 60 percent of each contribution Belo makes to the Pension Plan. In conjunction with the Distribution, the Company recorded a liability of $3,096 for these anticipated future fundings. Both the fair value of the plan assets and the projected benefit obligations are measured annually on December 31, and as such, the funded status (the difference between the fair value of plan assets and the projected benefit obligation) of the Pension Plan as of September 30, 2008, does not reflect changes in the fair value of plan assets or changes in discount rates on benefit obligations. Changes in general market conditions may affect the funded status of the Pension Plan at the December 31 measurement date, which could require funding in 2009. However, we do not anticipate these changes will impact the Company's liquidity.

(7) In 2004, Belo announced that an internal investigation, then ongoing, disclosed practices and procedures that led to an overstatement of previously reported circulation figures at *The Dallas Morning News*, primarily in single copy sales. In response to the overstatement, Belo implemented a voluntary advertiser plan developed by Belo management. The plan included cash payments to advertisers and future advertising credits. Payments under the plan were made without any condition that such advertisers release *The Dallas Morning News* from liability for the circulation overstatement. To use the credits, advertisers generally placed advertising in addition to the terms of the advertiser's current contract. There are no unused credits.

On August 23, 2004, August 26, 2004 and October 5, 2004, three related lawsuits, now consolidated, were filed by purported shareholders of Belo in the United States District Court for the Northern District of Texas against Belo, Robert W. Decherd, and Barry T. Peckham, a former executive officer of *The Dallas Morning News*, arising out of the circulation overstatement at *The Dallas Morning News.* James M. Moroney III, an executive officer of *The Dallas Morning News,* was added later as a defendant. The plaintiffs seek to represent a purported class of shareholders who purchased Belo common stock between May 12, 2003 and August 6, 2004, and allege violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. On April 2, 2008, the court denied plaintiffs' motion for class certification and on April 16, 2008, plaintiffs petitioned the United States Court of Appeals for the Fifth Circuit for permission to appeal that denial. On June 17, 2008, permission was granted and plaintiffs are appealing denial of class certification. No amount of damages has been specified. The Company believes the complaints are without merit and intends to defend vigorously against them.

On June 3, 2005, a shareholder derivative lawsuit was filed by a purported individual shareholder of Belo in the 191st Judicial District Court of Dallas County, Texas, against Robert W. Decherd, John L. Sander, Dunia A. Shive, Dennis A. Williamson, and James M. Moroney III; Barry T. Peckham; and Louis E. Caldera, Judith L. Craven, Stephen Hamblett, Dealey D. Herndon, Wayne R. Sanders, France A. Córdova, Laurence E. Hirsch, J. McDonald Williams, Henry P. Becton, Jr., Roger A. Enrico, William T. Solomon, Lloyd D. Ward, M. Anne Szostak, and Arturo Madrid, current or former directors of Belo. The lawsuit makes various claims asserting mismanagement and breach of fiduciary duty related to the circulation overstatement at *The Dallas Morning News.* On May 30, 2007, after a prior discovery stay ended, the court issued an order administratively closing the case and, as a result, no further action can be taken unless the case is reinstated. The court retained jurisdiction and the case is subject to being reinstated by the court or upon motion by any party. The court's order was not a dismissal with prejudice.

Under the terms of the separation and distribution agreement between A. H. Belo and Belo, A. H. Belo and Belo will share equally in any liabilities, net of any applicable insurance, resulting from the circulation-related lawsuits described above.

On October 24, 2006, 18 former employees of *The Dallas Morning News* filed a lawsuit against various A. H. Belo-related parties in the United States District Court for the Northern District of Texas. The plaintiffs' lawsuit alleges unlawful discrimination and ERISA violations and includes allegations relating to *The Dallas Morning News* circulation overstatement (similar to the circulation-related lawsuits described above). In June 2007, the court issued a memorandum order granting in part and denying in part defendants' motion to dismiss. In August 2007, the court dismissed certain additional claims. A trial date, originally set in January 2009, has been reset to March 2010. The Company believes the lawsuit is without merit and intends to defend vigorously against it.

In addition to the proceedings disclosed above, a number of other legal proceedings are pending against A. H. Belo, including several actions for alleged libel and/or defamation. In the opinion of management, liabilities, if any, arising from these other legal proceedings would not have a material adverse effect on A. H. Belo's results of operations, liquidity, or financial position.

(8) In connection with the Distribution, the Company entered into a separation and distribution agreement; a services agreement; a tax matters agreement; an employee matters agreement, which allocates liabilities and responsibilities regarding employee compensation and benefit plans and related matters; and other agreements with Belo or its subsidiaries. In the separation and distribution agreement, effective as of the Distribution Date, A. H. Belo and Belo have agreed to indemnify each other and certain related parties from all liabilities existing or arising from acts and events occurring, or failing to occur (or alleged to have occurred or to have failed to occur), regarding each other's businesses, whether occurring before, at or after the effective time of the Distribution; provided, however, that under the terms of the separation and distribution agreement, the Company and Belo will share equally in any liabilities, net of any applicable insurance, resulting from certain circulation-related lawsuits.

Under the services agreement, for a period of up to two years after the Distribution Date, A. H. Belo and Belo (or their respective subsidiaries) will provide each other various services and/or support. Payments made or other consideration provided in connection with all continuing transactions between the Company and Belo will be on an arm's-length basis or on a basis consistent with the business purpose of the parties.

The tax matters agreement sets out each party's rights and obligations with respect to payment deficiencies and refunds, if any, of federal, state, local, or foreign taxes for periods before and after the Distribution and related matters such as the filing of tax returns and the conduct of IRS and other audits. Under this agreement, Belo will be responsible for all income taxes prior to the Distribution, except that A. H. Belo will be responsible for its share of income taxes paid on a consolidated basis for the period of January 1, 2008 through February 8, 2008. A. H. Belo will also be responsible for its income taxes subsequent to the Distribution Date.

Belo's Dallas/Fort Worth television station, WFAA-TV, and *The Dallas Morning News,* owned by A. H. Belo, have agreed to provide media content, cross-promotion, and other services to the other. In addition, A. H. Belo and Belo co-own certain downtown Dallas real estate through a limited liability company formed in connection with the Distribution.

(9) On September 12, 2008, the Company completed a voluntary severance offer for newspaper employees. The voluntary severance affected approximately 410 positions. The Company recorded charges in the third quarter of 2008 for severance costs and other expenses related to this reduction in workforce of approximately $11,784, of which $11,053 was paid in the third quarter. Approximately $731 is expected to be paid in the fourth quarter of 2008.

(10) The Company had approximately $784,000 of property, plant and equipment as of September 30, 2008, including approximately $580,000 related to publishing equipment and other fixed assets. In addition to the original cost of these assets, their recorded value is determined by a number of estimates made by the Company, including estimated useful lives. In accordance with SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*", the Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired, the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets and the net book value of the assets exceeds their estimated fair value. In making these determinations, the Company uses certain assumptions, including, but not limited to: (i) the estimated fair value of the assets; and (ii) the estimated future cash flows expected to be generated by the assets, which estimates are based on additional assumptions such as asset utilization, length of service and estimated salvage values.

In the third quarter of 2008, the Company abandoned a printing press. Management determined not to include this printing press in its web width reduction plan, which became the primary indicator of impairment for this printing press. This decision was based on the age of this printing press; that parts are no longer manufactured for this press; and the cost to retrofit other parts to enable the Company to include this press in the web width reduction plan. The impairment charge recognized during the third quarter of 2008 was approximately $4,535. The timing and price of any potential sale of the printing press cannot be estimated at this time.

(11) SFAS No. 142, "*Goodwill and Other Intangible Assets*" requires that goodwill be tested at least annually for impairment or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company measures the fair value of its reporting units annually on December 31. Changes in general market conditions may affect the fair value of a reporting unit at the December 31 measurement date, which could lead to an impairment when the Company completes its annual impairment test. However, any impairment would not impact the Company's liquidity. Please refer to notes 1 and 3 in the 2007 Annual Report on Form 10-K for a full description of the Company's goodwill impairment policies.

Source: A. H. Belo CORP, 10-Q, November 14, 2008

(12) On October 24, 2008, the Company completed an involuntary severance program for newspaper employees. The involuntary severance affected approximately 90 positions. The Company recorded charges in the fourth quarter of 2008 for severance costs and other expenses related to this reduction in workforce of approximately $1,240, all of which is expected to be paid in the fourth quarter of 2008.

As of September 30, 2008, the Company was not in compliance with the fixed charge coverage ratio as required by its credit facility. During the fourth quarter of 2008, the Company's bank group approved an amendment and waiver to its credit facility. The amended credit agreement, effective October 23, 2008, reduces the total commitment amount from $100,000 to $50,000; sets pricing at LIBOR plus a spread of 250 basis points; waives the fixed charge coverage ratio covenant through January 31, 2009; restricts the payment of cash dividends during such period; and, provides the bank group a security interest in the Company's accounts receivable and inventory. The amendment does not apply to the dividend declared on September 24, 2008, which was paid on November 10, 2008. The amendment enables the Company to be in compliance with the credit facility covenants as of September 30, 2008.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (dollars in thousands, except per share amounts)

The following information should be read in conjunction with the Company's Condensed Consolidated Financial Statements and related Notes filed as part of this report.

Overview

A. H. Belo Corporation, headquartered in Dallas, Texas, is a distinguished news and information company that owns and operates three daily newspapers and 12 associated Web sites. A. H. Belo publishes *The Dallas Morning News,* Texas' leading newspaper; *The Providence Journal*, the oldest major daily newspaper of general circulation and continuous publication in the U.S.; and *The Press-Enterprise* (Riverside, CA), serving southern California's Inland Empire region. These newspapers produce extensive local, state, national and international news. In addition, the Company publishes various specialty publications targeting niche audiences, young adults and the fast-growing Hispanic market. A. H. Belo also owns direct mail and commercial printing businesses.

On July 28, 2008, the Company announced a broad restructuring of its newspaper operations intended to change substantially the business model for the Company's print products while accelerating the allocation of resources to promising new products both in print and online. The Company plans to eliminate $50,000 annually of ongoing costs by the end of the first quarter of 2009, exclusive of newsprint price fluctuations. In conjunction with these initiatives, the Company made voluntary severance offers ("VSO") to many employees of A. H. Belo's newspapers and underwent an involuntary reduction in force. On September 12, 2008, the Company completed a VSO for newspaper employees. The voluntary severance affected approximately 410 positions. The Company recorded charges in the third quarter of 2008 for severance costs and other expenses related to this reduction in workforce of approximately $11,784, of which $11,053 was paid in the third quarter. Approximately $731 is expected to be paid in the fourth quarter of 2008. On October 24, 2008, the Company completed an involuntary severance program for newspaper employees. The involuntary severance affected approximately 90 positions. The Company recorded charges in the fourth quarter of 2008 for severance costs and other expenses related to this reduction in workforce of approximately $1,240, all of which is expected to be paid in the fourth quarter of 2008.

The Company intends for the discussion of its financial condition and results of operations that follows to provide information that will assist in understanding A. H. Belo's financial statements, the changes in certain key items in those statements from period to period and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect the Company's financial statements.

Source: A. H. Belo CORP, 10-Q, November 14, 2008

Results of Operations

(Dollars in thousands, except per share amounts)

Consolidated Results of Operations

	Three Months Ended September 30, 2008	Three Months Ended September 30, Percentage Change	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, Percentage Change	Nine Months Ended September 30, 2007
Net operating revenues	$ 153,833	(15.4)%	$ 181,940	$ 477,275	(13.2)%	$ 549,929
Operating costs and expenses	179,217	1.3%	176,886	518,645	(2.0)%	529,383
Other expense	(77)	(99.1)%	(8,238)	(2,046)	(91.2)%	(23,235)
Loss before income taxes	(25,461)	699.7%	(3,184)	(43,416)	1,514.5%	(2,689)
Income tax (benefit) expense	(8,203)	(364.9)%	3,097	(14,243)	(2,170.2)%	688
Net loss	$ (17,258)	174.8%	$ (6,281)	$ (29,173)	763.9%	$ (3,377)

The table below presents the components of net operating revenues for the three and nine months ended September 30, 2008 and 2007, respectively:

Revenues

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2008	*Percentage Change*	*2007*	*2008*	*Percentage Change*	*2007*
Advertising	$ 114,811	(22.2)%	$ 147,511	$ 364,575	(18.5)%	$ 447,160
Circulation	31,563	11.9%	28,210	90,943	8.6%	83,721
Other	7,459	19.9%	6,219	21,757	14.2%	19,048
Net operating revenues	$ 153,833	(15.4)%	$ 181,940	$ 477,275	(13.2)%	$ 549,929

Advertising revenues accounted for 74.6 and 76.4 percent of total revenues for the three and nine months ended September 30, 2008, respectively, compared to 81.1 and 81.3 percent for the same periods in the prior year. Circulation revenues accounted for 20.5 and 19.1 percent of total revenues for the three and nine months ended September 30, 2008, respectively, compared to 15.5 and 15.2 percent for the same periods in the prior year. Total revenue decreased 15.4 and 13.2 percent for the three and nine months ended September 30, 2008, respectively, versus the same periods in the prior year.

The Company's revenues were adversely affected by economic and operating pressures. Advertising expense budgets tend to be reduced more than other expenses in times of economic uncertainty or a recession. The continued economic slowdown adversely affected advertising demand and the Company's business, financial condition and results of operations. Total advertising revenue, including print and Internet revenue, was down 22.2 and 18.5 percent for the three and nine months ended September 30, 2008, respectively. Retail was down 17.3 and 14.7 percent, general was down 23.2 and 20.7 percent, and classified (exclusive of Internet revenue) was down 39.0 and 34.2 percent for the three and nine month periods, respectively. Classified revenue at *The Dallas Morning News* was mainly impacted by a decline in employment advertising while *The Providence Journal and The Press-Enterprise* were predominantly impacted by declines in real estate advertising. *The Dallas Morning News*' advertising revenues were down 22.3 and 17.4 percent for the three and nine months ended September 30, 2008, respectively, when compared to the same periods in the prior year. *The Press-Enterprise's* advertising revenues were down 21.6 and 24.0 percent for the three and nine months ended September 30, 2008, respectively, when compared to the same periods in the prior year. *The Providence Journal's* advertising revenues were down 22.3 and 16.8 percent for the three and nine months ended September 30, 2008, respectively, when compared to the same periods in the prior year. The Company had $11,300 and $35,500 in Internet revenue for the three and nine months ended September 30, 2008, respectively, which accounted for 7.3 and 7.4 percent of total revenues, respectively. Compared to the prior year, Internet revenues decreased 18.7 and 10.7 percent for the three and nine months ended September 30, 2008, respectively. Decreases in Internet revenues resulted from declines in employment and real estate classifieds, which depend on upsells from the same print categories. Internet ad revenue, exclusive of classified revenue, decreased 10.7 and 2.3 percent for the three and nine months ended September 30, 2008, respectively, when compared to the same periods in the prior year.

Circulation revenue increased 11.9 and 8.6 percent for the three and nine months ended September 30, 2008, respectively, primarily due to single-copy and home delivery price increases and less discounting.

Operating Costs and Expenses

The Company's operating costs and expenses increased $2,331, or 1.3 percent, for the three months ended and decreased $10,737, or 2.0 percent, for the nine months ended September 30, 2008, respectively, compared to the same periods in the prior year. The increase during the three months ended September 30, 2008 was primarily due to the VSO of $11,200, and an impairment charge of $4,535 on a printing press. This increase was partially offset by decreases in newsprint costs, salaries and wages, and other production, distribution and operating costs. The decrease in the nine months ended September 30, 2008 was primarily due to decreases in newsprint and other production, distribution and operating costs. This decrease was partially offset by the VSO, an impairment charge on a printing press and an increase in depreciation expense. The decreases of $1,514 and $7,482 in newsprint, ink and supplies for the three and nine month periods, respectively, were primarily due to lower newsprint expenses of $806 and $5,696 respectively, which resulted primarily from lower newsprint volumes consumed during these periods. During the three and nine months ended September 30, 2008, A. H. Belo's operations consumed approximately 26,830 and 85,929 metric tons of newsprint at an average cost of $745 and $679 per metric ton, respectively. Consumption of newsprint for the same periods in the prior year was 34,295 and 102,763 metric tons at an average cost per metric ton of $576 and $602, respectively. Salaries, wages and benefits expenses increased $4,964 and

$278 for the three months and the nine months ended September 30, 2008, respectively, primarily due to the VSO. This increase was partially offset by a reduction in stock-based compensation expense of $567 and $4,430 year over year. This decrease is primarily due to declines in fair market value of A. H. Belo common stock. Depreciation expense increased by $1,560 for the nine month period primarily due to new facilities in Riverside, California and Dallas, Texas.

Interest Expense

Interest expense decreased $8,716, or 99.4 percent, and $23,264, or 87.6 percent, during the three and nine months ended September 30, 2008, respectively, compared to the prior year periods. As of February 8, 2008, in connection with the Distribution of the Company, Belo contributed to the capital of A. H. Belo and its subsidiaries the net intercompany indebtedness owed to Belo by A. H. Belo and its subsidiaries or assigned indebtedness to the Company. This effectively settled A. H. Belo's notes payable balances owed to Belo. As a result, no interest expense for these notes was accrued beyond the Distribution Date, as compared to the interest expense that accrued for the entire three and nine months ended September 30, 2007.

Other Income, Net

Other income, net decreased $555 and $2,075 for the three months and nine months ended September 30, 2008, respectively, compared to the same periods in 2007. The decrease for the nine month period is primarily due to a gain on the disposal of land and a building in Dallas, Texas, in 2007 that was not used in the ordinary course of business.

Income Taxes

Income taxes decreased for the three months and nine months ended September 30, 2008 by $11,300 and $14,931, respectively, compared to the same periods in 2007. The decrease during the three and nine month periods is primarily due to a projected net loss for 2008.

Liquidity and Capital Resources

Operating Cash Flows

Net cash provided by operations was $25,432 for the nine months ended September 30, 2008 compared to net cash provided by operations of $32,269 for the same period last year. The changes in cash flows from operations were caused primarily by changes in normal working capital requirements.

The Company believes its current financial condition and credit relationships are adequate to fund its current obligations.

Investing Cash Flows

Net cash flows used for investments were $14,354 for the nine months ended September 30, 2008 compared to $24,723 for the same period in 2007. The decrease is primarily due to a reduction in capital expenditures.

Capital Expenditures

Total capital expenditures were $14,033 during the first nine months of 2008 compared with $22,823 during the same period in 2007. These were primarily for facilities and equipment and the building projects mentioned below.

During the nine months ended September 30, 2007, the Company completed construction of and moved into a new distribution and production center for *The Dallas Morning News* in southern Dallas. Approximately $51,000 was incurred since the beginning of the project, approximately $4,411 of which was incurred during the nine months ended September 30, 2007.

During the first nine months of 2007, *The Press-Enterprise* completed construction of and moved into a new 150,000 square-foot, five-story office building to centralize all news, editorial, advertising, sales and marketing, technology, production support and administrative functions. Approximately $40,000 was incurred since the beginning of the project, of which approximately $7,748 was incurred in the first nine months of 2007.

Source: A. H. Belo CORP, 10-Q, November 14, 2008

Financing Cash Flows

There was $240 in cash used for financing for the nine months ended September 30, 2008 compared to $10,048 used for financing during the same period in 2007. This change was primarily due to the Company drawing $10,000 on its credit facility to help fund the VSO and reduction in force events that occurred in September and October 2008. During the same period last year the Company relied on Belo for funding of the Company's operations.

As of September 30, 2008, the Company was not in compliance with the fixed charge coverage ratio as required by its credit facility. During the fourth quarter of 2008, the Company's bank group approved an amendment and waiver to its credit facility. The amended credit agreement, effective October 23, 2008, reduces the total commitment amount from $100,000 to $50,000; sets pricing at LIBOR plus a spread of 250 basis points; waives the fixed charge coverage ratio covenant through January 31, 2009; restricts the payment of cash dividends during such period; and, provides the bank group a security interest in the Company's accounts receivable and inventory. The amendment does not apply to the dividend declared on September 24, 2008, which was paid on November 10, 2008. The amendment enables the Company to be in compliance with the credit facility covenants as of September 30, 2008.

Dividends

The Company declared a dividend of 25 cents per share on February 27, 2008, which was paid on June 6, 2008, and 25 cents per share on July 25, 2008, which was paid on September 5, 2008. The Company declared a dividend of 12.5 cents per share on September 24, 2008, which was paid on November 10, 2008.

The First Amendment and Waiver to the Credit Agreement, dated October 23, 2008, restricts payment of cash dividends, exclusive of the dividend paid November 10, 2008, to shareholders during the period covered by the covenant waiver, which is effective through January 31, 2009.

Source: A. H. Belo CORP, 10-Q, November 14, 2008

Other

The Company entered into a Credit Agreement dated as of February 4, 2008 with JPMorgan Chase Bank, N.A., J.P. Morgan Securities Inc., Banc of America Securities LLC, Bank of America, N.A. and certain other lenders (the “Credit Agreement”) effective as of the Distribution Date. The Credit Agreement has a five-year term that expires in February 2013. The facility provided for under the Credit Agreement may be used for working capital and other general corporate purposes, including letters of credit.

The Credit Agreement consists of a $100 million senior unsecured five-year revolving credit facility. Revolving credit borrowings under the Credit Agreement bear interest at a variable interest rate based on either LIBOR or a base rate, in either case plus an applicable margin that varies depending upon the Company’s leverage ratio.

The Credit Agreement contains a number of restrictions on the Company’s business, including, but not limited to, restrictions on the Company’s (and certain of its subsidiaries’) ability to incur indebtedness; grant liens on assets; make certain restricted payments; merge, consolidate, or sell assets; engage in transactions with affiliates; enter into restrictive agreements; enter into sale-leaseback transactions; and to make certain investments. In addition, the Company is subject to a leverage ratio covenant and a fixed charge coverage ratio covenant. The Credit Agreement also contains affirmative covenants and events of default, including a cross-default to certain other debt. Failure to comply with these covenants, or the occurrence of an event of default, could result in acceleration of the Company’s debt and other financial obligations under the Credit Agreement and could limit the Company’s borrowing capacity under the agreement. The Credit Agreement requires the Company’s material subsidiaries to guarantee the obligations of the Company under the Credit Agreement.

The Company drew $10,000 on its credit facility during the nine months ended September 30, 2008 to help fund the VSO and reduction in force. The Company believes its cash on hand, internally generated funds and unused revolving credit facility are adequate to meet its capital and operating commitments.

As of September 30, 2008, the Company was not in compliance with the fixed charge coverage ratio as required by its credit facility. During the fourth quarter of 2008, the Company’s bank group approved an amendment and waiver to its credit facility. The amended credit agreement, effective October 23, 2008, reduces the total commitment amount from $100,000 to $50,000; sets pricing at LIBOR plus a spread of 250 basis points; waives the fixed charge coverage ratio covenant through January 31, 2009; restricts the payment of cash dividends during such period; and, provides the bank group a security interest in the Company’s accounts receivable and inventory. The amendment does not apply to the dividend declared on September 24, 2008, which was paid on November 10, 2008. The amendment enables the Company to be in compliance with the credit facility covenants as of September 30, 2008.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 141(R), “*Business Combinations*”. SFAS 141(R) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for financial statements issued for fiscal years beginning after December 15, 2008. Accordingly, any business combinations the Company engages in will be recorded and disclosed following existing accounting principles until January 1, 2009. The Company expects SFAS 141(R) will have an impact on the Company’s consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions, if any, consummated after the effective date.

In February 2007, the FASB issued SFAS No. 159, “*The Fair Value Option for Financial Assets and Liabilities*”. This statement permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company has elected not to implement the fair value option with respect to any existing assets or liabilities; therefore, the adoption of SFAS 159 had no impact on the Company’s financial position or results of operations.

Source: A. H. Belo CORP, 10-Q, November 14, 2008

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*". SFAS 157 establishes, among other items, a framework for fair value measurements in the financial statements by providing a single definition of fair value, provides guidance on the methods used to estimate fair value, and increases disclosures about estimates of fair value. SFAS 157 is effective for financial assets and liabilities in financial statements issued for fiscal years beginning after November 15, 2007, and will be effective for non-financial assets and liabilities in financial statements issued for fiscal years beginning after November 15, 2008. Effective January 1, 2008, the Company adopted SFAS 157 for its financial assets and liabilities. The adoption of this standard on January 1, 2008 did not have a material impact on the Company's financial position or results of operations. The Company is currently assessing the impact of SFAS 157 for non-financial assets and liabilities.

Forward-Looking Statements

Statements in this communication concerning A. H. Belo Corporation's (the "Company's") business outlook or future economic performance, anticipated profitability, revenues, expenses, dividends, capital expenditures, investments, future financings, and other financial and non-financial items that are not historical facts, are "forward-looking statements" as the term is defined under applicable federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those statements.

Such risks, uncertainties and factors include, but are not limited to, changes in capital market conditions and prospects, and other factors such as changes in advertising demand, interest rates, and newsprint prices; newspaper circulation trends and other circulation matters, including changes in readership patterns and demography, and audits and related actions by the Audit Bureau of Circulations; challenges in achieving expense reduction goals, and on schedule, and the resulting potential effects on operations; technological changes; development of Internet commerce; industry cycles; changes in pricing or other actions by competitors and suppliers; regulatory, tax and legal changes; adoption of new accounting standards or changes in existing accounting standards by the Financial Accounting Standards Board or other accounting standard-setting bodies or authorities; the effects of Company acquisitions, dispositions, co-owned ventures, and investments; general economic conditions; significant armed conflict; and other factors beyond our control, as well as other risks described in the Company's Annual Report on Form 10-K for the year ended December 31, 2007, and other public disclosures and filings with the Securities and Exchange Commission, including the Company's information statement on Form 10 dated January 31, 2008.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Other than as disclosed, there have been no material changes in A. H. Belo's exposure to market risk from the disclosure included in the Annual Report on Form 10-K for the year ended December 31, 2007.

Item 4T. Controls and Procedures

During the three months ended September 30, 2008, there were no changes in A. H. Belo's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

The Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chairman, President and Chief Executive Officer and Senior Vice President/Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as of the end of the period covered by this report. Based upon that evaluation, the Chairman, President and Chief Executive Officer and Senior Vice President/Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective such that information relating to the Company (including its consolidated subsidiaries) required to be disclosed in the Company's SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) is accumulated and communicated to the Company's management, including the Chairman, President and Chief Executive Officer and Senior Vice President/Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

PART II.

Item 1. Legal Proceedings

During the three months ended September 30, 2008, there were no material developments in the litigation matters previously reported (see Note 7 to the Condensed Consolidated Financial Statements in Part I, Item 1).

Source: A. H. Belo CORP, 10-Q, November 14, 2008

Item 1A. Risk Factors

Set forth below is a discussion of the material changes in our risk factors as previously disclosed in Part I "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2007. The information presented below updates and should be read in conjunction with the risk factors and other information disclosed in our 2007 Form 10-K.

The following risk factor is added to the risk factors contained in Item 1A. of our 2007 Form 10-K, as follows:

The continued economic slowdown in the United States and the national and worldwide financial crisis may adversely affect our business, financial condition and results of operations. Among other things, these negative economic trends could adversely affect demand for advertising, reduce the availability and increase the cost of short-term funds for liquidity requirements, and adversely affect our ability to meet long term commitments.

The continued economic slowdown in the United States is likely to adversely affect our business by reducing demand for local and national advertising and making it more difficult for some customers to pay their accounts. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions, as well as budgeting and buying patterns. Further, advertising demand is a factor in determining advertising rates. A decrease in advertising expenditures or reduced demand for advertising in the Company's newspapers can lead to a reduction in pricing and advertising spending, which could have an adverse affect on the Company's business, financial condition, carrying value of assets and results of operation.

Our ability to access funds under our credit facility depends, in part, on our compliance with certain financial covenants in the credit facility, including a leverage ratio covenant and a fixed charge coverage ratio covenant. In October 2008, the Company obtained a waiver of the fixed charge coverage ratio covenant through January 31, 2009. Disruptions in the capital and credit markets, as have been experienced during 2008, could also adversely affect our ability to draw on our credit facility. Our access to funds under the credit facility is dependent on the ability of the banks that are parties to the facility to meet their funding commitments. Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could limit our access to the liquidity needed for our business. Any disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months and nine months ended September 30, 2008, 16,345 and 143,680 shares, respectively, of the Company's Series B common stock were converted, on a one-for-one basis, into shares of Series A common stock. The Company did not register the issuance of these securities under the Securities Act in reliance upon the exemption under Section 3(a)(9) of the Securities Act.

Issuer Purchases of Equity Securities

The Company did not repurchase any of its Series A or Series B common stock during the three months ended September 30, 2008.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

Source: A. H. Belo CORP, 10-Q, November 14, 2008

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibits marked with an asterisk (*) are incorporated by reference to documents previously filed by the Company with the Securities and Exchange Commission, as indicated. All other documents are filed with this report. Exhibits marked with a tilde (~) are management contracts, compensatory plan contracts or arrangements filed pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K.

Exhibit		Description
2.1	*	Separation and Distribution Agreement by and between Belo Corp. and A. H. Belo Corporation dated as of February 8, 2008 (Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2008 (Securities and Exchange Commission File No. 001-33741) (the "February 12, 2008 Form 8-K"))
3.1	*	Amended and Restated Certificate of Incorporation of the Company (Exhibit 3.1 to Amendment No. 3 to the Company's Form 10 dated January 18, 2008 (Securities and Exchange Commission File No. 001-33741) (the "Third Amendment to Form 10"))
3.3	*	Certificate of Designations of Series A Junior Participating Preferred Stock of the Company dated January 11, 2008 (Exhibit 3.2 to Post-Effective Amendment No. 1 to Form 10 dated January 31, 2008 (Securities and Exchange Commission File No. 001-33741))
3.4	*	Amended and Restated Bylaws of the Company, effective January 11, 2008 (Exhibit 3.3 to the Third Amendment to Form 10)
4.1		Certain rights of the holders of the Company's Common Stock are set forth in Exhibits 3.1-3.3 above
4.2	*	Specimen Form of Certificate representing shares of the Company's Series A Common Stock (Exhibit 4.2 to the Third Amendment to Form 10)
4.3	*	Specimen Form of Certificate representing shares of the Company's Series B Common Stock (Exhibit 4.3 to the Third Amendment to Form 10)
4.4	*	Rights Agreement dated as of January 11, 2008 between the Company and Mellon Investor Services LLC (Exhibit 4.4 to the Third Amendment to Form 10)

Source: A. H. Belo CORP, 10-Q, November 14, 2008

Exhibit		Description
10.1		Financing agreements:
	~	(1)* Credit Agreement dated as of February 4, 2008 among the Company, as Borrower, JPMorgan Chase, N.A., as Administrative Agent, JPMorgan Securities Inc. and Banc of America Securities LLC, as Joint Lead Arrangers and Bookrunners, Bank of America, N.A., as Syndication Agent, SunTrust Bank and Capital One Bank, N.A., as Co-Documentation Agents (Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 5, 2008 (Securities and Exchange Commission File No. 001-33741))
	~	(2)* First Amendment and Waiver to the Credit Agreement dated as of October 23, 2008 (Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 24, 2008 (Securities and Exchange Commission File No.001-33741))
10.2		Compensatory plans:
	~	(1)* A. H. Belo Corporation Savings Plan (Exhibit 10.4 to the Company's Current Report on Form 8-K files with the Securities and Exchange Commission on February 12, 2008 (Securities and Exchange Commission File No. 001-33741))
		(a) First Amendment to the A. H. Belo Savings Plan dated September 23, 2008
	~	(2) * A. H. Belo Corporation 2008 Incentive Compensation Plan (Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2008 Securities and Exchange Commission File No. 001-33741))
		* (a) First Amendment to A.H. Belo 2008 Incentive Compensation Plan effective July 23, 2008 (Exhibit 10.2(2)(A) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2008 (Securities and Exchange Commission File No.001-33741))
		* (b) Form of A. H. Belo 2008 Incentive Compensation Plan Non-Employee Director Evidence of Award (Exhibit 10.2(2)(A) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 15, 2008 (Securities and Exchange Commission File No.001-33741))
		* (c) Form of A. H. Belo 2008 Incentive Compensation Plan Evidence of Award (for Employee Awards) (Exhibit 10.2(2)(B) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 15, 2008 (Securities and Exchange Commission File No.001-33741))
	~	(3)* A. H. Belo Pension Transition Supplement Restoration Plan effective January 1, 2008 (Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2008 (Securities and Exchange Commission File No. 001-33741))
	~	(4)* A. H. Belo Corporation Change In Control Severance Plan (Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2008 (Securities and Exchange Commission File No. 001-33741))
10.3		Agreements relating to the distribution of A. H. Belo:
		(1)* Tax Matters Agreement by and between Belo Corp. and A. H. Belo Corporation dated as of February 8, 2008 (Exhibit 10.1 to the Company's Current Report on Form 8-K files with the Securities and Exchange Commission on February 12, 2008 (Securities and Exchange Commission File No. 001-33741))
		(2)* Employee Matters Agreement by and between Belo Corp. and A. H. Belo Corporation dated as of February 8, 2008 (Exhibit 10.2 to the Company's Current Report on Form 8-K files with the Securities and Exchange Commission on February 12, 2008 (Securities and Exchange Commission File No. 001-33741))
		(3)* Services Agreement by and between Belo Corp. and A. H. Belo Corporation dated as of February 8, 2008 (Exhibit 10.3 to the Company's Current Report on Form 8-K files with the Securities and Exchange Commission on February 12, 2008 (Securities and Exchange Commission File No. 001-33741))
		(4)* Separation and Distribution Agreement (See Exhibit 2.1 to the Company's Current Report on Form 8-K files with the Securities and Exchange Commission on February 12, 2008 (Securities and Exchange Commission File No. 001-33741))

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

A. H. BELO CORPORATION

November 14, 2008

By: /s/ Alison K. Engel
Alison K. Engel
Senior Vice President/Chief Financial Officer and Treasurer
(Principal Financial Officer)

November 14, 2008

By: /s/ George F. Finfrock
George F. Finfrock
Vice President/Corporate Controller
(Principal Accounting Officer)

Source: A. H. Belo CORP, 10-Q, November 14, 2008

EXHIBIT 10(2)(1)a

**FIRST AMENDMENT
TO THE
A. H. BELO SAVINGS PLAN**

A. H. Belo Corporation, a Delaware corporation, pursuant to authorization by the Compensation Committee of the Board of Directors, adopts the following amendments to the A. H. Belo Savings Plan (the "Plan").

1. Section 3.5 of the Plan ("Profit Sharing Contributions") is amended by replacing the first sentence thereof with the following:

The Participating Employers may pay to the Trustee as a discretionary profit sharing contribution for each payroll period an amount equal to a specified percentage of the Compensation for the payroll period of each Participant who is eligible to receive a matching contribution under Section 3.4 and who is employed by a Participating Employer on the last day of the payroll period. The amount of such discretionary profit sharing contribution, if any, will be determined by the Compensation Committee of the Board of Directors of the Company.

2. The foregoing amendment will be effective with respect to Plan Years beginning on or after January 1, 2009.

Executed at Dallas, Texas, this 23rd day of September, 2008.

A. H. BELO CORPORATION

By /s/ Sheila Hartley
Sheila Hartley
Vice President/Human Resources

Exhibit 31.1

Section 302 Certification

I, Robert W. Decherd, Chairman of the Board, President and Chief Executive Officer of A. H. Belo Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of A. H. Belo Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2008

/s/ Robert W. Decherd

Robert W. Decherd
Chairman of the Board, President and Chief
Executive Officer

Exhibit 31.2

Section 302 Certification

I, Alison K. Engel, Senior Vice President/Chief Financial Officer of A. H. Belo Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of A. H. Belo Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2008

/s/ Alison K. Engel

Alison K. Engel
Senior Vice President/Chief Financial Officer

Exhibit 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of A. H. Belo Corporation (the "Company") on Form 10-Q for the period ending September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert W. Decherd, Chairman of the Board, President and Chief Executive Officer of the Company, and Alison K. Engel, Senior Vice President/Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-OxleyAct of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert W. Decherd
Robert W. Decherd
Chairman of the Board, President and Chief Executive Officer
November 14, 2008

/s/ Alison K. Engel
Alison K. Engel
Senior Vice President/Chief Financial Officer
November 14, 2008

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