

# BELO

## Important U. S. Federal Income Tax Information for Shareholders Concerning the A. H. Belo Corporation Stock Distribution (the “Spin-Off”)

February 15, 2008

Dear Shareholder:

On February 8, 2008, Belo Corp. (“Belo”) distributed all of the outstanding shares of Series A Common Stock of A. H. Belo Corporation (“A. H. Belo”) to the holders of Series A Common Stock of Belo of record as of the close of business on January 25, 2008 and all of the outstanding shares of Series B Common Stock of A. H. Belo to the holders of Series B Common Stock of Belo of record as of the same date.

In the distribution, you received 0.2 shares of A. H. Belo Series A Common Stock for every share of Belo Series A Common Stock you held as of January 25, 2008, and 0.2 shares of A. H. Belo Series B Common Stock for every share of Belo Series B Common Stock you held. You will receive cash in lieu of the issuance of any fractional shares of A. H. Belo Series A Common Stock or A. H. Belo Series B Common Stock.

This letter is being sent to all Belo shareholders – whether you own shares of one or both series of Common Stock. This letter explains certain U. S. federal income tax consequences of the distribution (the “Spin-Off”) and describes how to allocate your tax basis between your existing Belo stock and the new A. H. Belo stock you received in the Spin-Off.

**Tax Treatment of Spin-Off.** On January 16, 2008, Belo received a ruling from the Internal Revenue Service that the Spin-Off qualifies as a tax-free distribution with respect to the shareholders of Belo for U. S. federal income tax purposes. As a result, you will not recognize gain or loss for U. S. federal income tax purposes upon receipt of the A. H. Belo Series A Common Stock and/or A. H. Belo Series B Common Stock in the Spin-Off. If, however, you receive cash in lieu of fractional shares, you will recognize a very small gain or loss as described below.

**Tax Basis.** Your tax basis in the Belo Series A Common Stock you owned immediately before the Spin-Off must be allocated between your Belo Series A Common Stock and the shares of the A. H. Belo Series A Common Stock you received in the Spin-Off (including any fractional share for which you received cash). Your tax basis in the Belo Series B Common Stock you owned immediately before the Spin-Off must be allocated between your Belo Series B Common Stock and the shares of the A. H. Belo Series B Common Stock you received in the Spin-Off (including any fractional share for which you received cash). These allocations are based on the

relative “fair market values” of your Belo Series A Common Stock and your A. H. Belo Series A Common Stock, or your Belo Series B Common Stock and your A. H. Belo Series B Common Stock. U. S. federal tax law does not specifically identify how you should determine the fair market values of the shares. One method of determining value for both Series A and Series B Common Stock is to use the average of the high and low trading prices of the Belo Series A Common Stock and the A. H. Belo Series A Common Stock on the first regular trading day for the A. H. Belo Series A Common Stock (February 11, 2008). You should contact your tax advisor to make this determination.

If you acquired your Belo Series A Common Stock or Series B Common Stock prior to the Spin-Off at different times and at different prices, you will need to calculate a separate tax basis for each block of Belo Series A Common Stock or Series B Common Stock you owned and then allocate the basis in each block of stock separately to the A. H. Belo Series A Common Stock or A. H. Belo Series B Common Stock you received in the Spin-Off. We suggest that you retain this letter to support your determination of your basis in your Belo Series A Common Stock and A. H. Belo Series A Common Stock and/or your Belo Series B Common Stock and A. H. Belo Series B Common Stock.

**Fractional Shares.** No fractional shares were distributed in the Spin-Off. Instead, all fractional shares of A. H. Belo Series A Common Stock and A. H. Belo Series B Common Stock (after conversion to A. H. Belo Series A Common Stock) were aggregated for all Belo shareholders and sold in the public market. You will receive a check that represents cash in lieu of fractional shares, calculated based on a net price of \$15.21 per share received for the A. H. Belo Series A Common Stock sold on February 11. The taxable gain or loss that you recognize is equal to the difference between the amount of cash you receive and your tax basis (determined as described above) in the fractional shares of A. H. Belo Series A Common Stock or A. H. Belo Series B Common Stock.

**Series A Example:** Assume that you held only Belo Series A Common Stock before the Spin-Off and you choose to use the average high-low trading price on February 11, 2008 as the method of determining the fair market values of your Belo Series A Common Stock and the A. H. Belo Series A Common Stock. Using this method, the fair market value of the Belo Series A Common Stock after the Spin-Off was \$13.190 and the fair market value of the A. H. Belo Series A Common Stock was \$15.375, as shown in Table A in **Exhibit 1**. The implied value of each share of A. H. Belo Series A Common Stock is \$3.075 ( $\$15.375 \text{ per share} \times 0.2 \text{ shares outstanding for each share of Belo Series A Common Stock outstanding}$ ). In such case, the relative fair market values of a single share of Belo Series A Common Stock and a single share of A. H. Belo Series A Common Stock are set forth in Table B of **Exhibit 1**. Your basis in your Belo Series A Common Stock would be apportioned 81.0944% to your Belo Series A Common Stock and 18.9056% to your A. H. Belo Series A Common Stock. This calculation is illustrated as follows:

- You own a single block of 104 shares of Belo Series A Common Stock as of January 25, 2008 with a tax basis of \$10 per share (a total tax basis of \$1,040).
- You received 20.8 shares of A. H. Belo Series A Common Stock in the Spin-Off. Because no fractional shares are being issued, you receive twenty (20) shares of A. H. Belo Series A Common Stock and \$12.17 cash in lieu of the fractional share (net price of \$15.21 per share x 0.8 fractional share).
- Your total tax basis in your Belo Series A Common Stock is allocated \$843.38 to the Belo Series A Common Stock (81.0944% of \$1,040), or \$8.1094 per share, and \$196.62 to the A. H. Belo Series A Common Stock (18.9056% of \$1,040), or \$9.4529 per share. (Please note that the \$196.62 tax basis includes the tax basis allocated to the fractional share sold.)
- The basis allocated to the 0.8 fractional share of A. H. Belo Series A Common Stock for which you received \$12.17 cash is \$7.56 (0.8 fractional share x \$9.4529), resulting in a taxable gain to you of \$4.61 (i.e., \$12.17 sales proceeds minus \$7.56 tax basis).

These calculations are summarized in the following table:

<u>Shares</u>	<u>Number of Shares</u>	<u>Tax Basis Allocation (per share)</u>	<u>Tax Basis Allocation (total)</u>	<u>Cash Received</u>	<u>Taxable Gain</u>
Belo	104	\$8.1094	\$843.38	\$0	\$0
A. H. Belo	20	\$9.4529	\$189.06	\$0	\$0
A. H. Belo (fractional shares)	<u>0.8</u>	<u>\$9.4529</u>	<u>\$7.56</u>	<u>\$12.17</u>	<u>\$4.61</u>
Total Tax Basis			\$1040.00		

**Series B Example:** If you held Belo Series B Common Stock in addition to or instead of Belo Series A Common Stock, your basis would be allocated in a similar manner using the same dollar values as set forth for Series A Common Stock. Accordingly, your basis in your Belo Series B Common Stock would be allocated 81.0944% to your Belo Series B Common Stock and 18.9056% to your A. H. Belo Series B Common Stock.

\* \* \* \* \*

**Additional U. S. Federal Income Tax Reporting Requirements Applicable Only to Certain Large Shareholders (“Significant Distributees”).** If you were a holder of Belo Series A Common Stock and also held at least 5% (by vote or value) of all the outstanding stock of Belo, then you are required to attach a statement describing the details of the Spin-Off to your U. S. federal income tax return for the period that includes the distribution date of February 8,

2008. If you were a holder of Belo Series B Common Stock, the 5% threshold in the preceding sentence is reduced to 1%. This tax reporting applies to the 2008 U. S. federal income tax return for calendar year Significant Distributees. A sample Significant Distributee statement is attached as **Exhibit 2**.

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**THE INFORMATION SET FORTH IN THIS LETTER IS FOR GENERAL INFORMATION PURPOSES ONLY AND DOES NOT PURPORT TO ADDRESS ALL ASPECTS OF FEDERAL TAXATION THAT MAY BE RELEVANT TO A PARTICULAR SHAREHOLDER. THIS INFORMATION DOES NOT CONSTITUTE TAX ADVICE AND MAY NOT BE APPLICABLE TO SHAREHOLDERS WHO ARE NOT CITIZENS OR RESIDENTS OF THE UNITED STATES. NOR DOES IT ADDRESS TAX CONSEQUENCES THAT MAY VARY WITH YOUR INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, YOU ARE URGED TO CONSULT YOUR TAX ADVISOR TO DETERMINE THE APPLICATION OF THE INFORMATION SET FORTH ABOVE TO YOUR INDIVIDUAL CIRCUMSTANCES AND THE PARTICULAR FEDERAL, FOREIGN, STATE AND LOCAL TAX CONSEQUENCES OF THE SPIN-OFF TO YOU.**

**CIRCULAR 230 DISCLAIMER. THIS DOCUMENT WAS NOT WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY PERSON FOR THE PURPOSE OF AVOIDING ANY U. S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON.**

**Determination of the Fair Market Values of  
Belo Stock and A. H. Belo Stock After the Spin-Off**

The Spin-Off occurred as of the close of business on February 8, 2008. The first regular trading day for the A. H. Belo Series A Common Stock was February 11, 2008.

U. S. federal income tax law does not specify how you should determine the “fair market values” of Belo Series A Common Stock and A. H. Belo Series A Common Stock after the Spin-Off, or the values of Belo Series B Common Stock and A. H. Belo Series B Common Stock after the Spin-Off. One method of determining value is to use the average of the high and low trading prices of Belo Series A Common Stock and A. H. Belo Series A Common Stock on the first regular trading day for the A. H. Belo Series A Common Stock (February 11, 2008). In the case of Belo Series B Common Stock and A. H. Belo Series B Common Stock, such stock could be valued as if it were Belo Series A Common Stock and A. H. Belo Series A Common Stock, respectively, at the beginning of the day on February 11, 2008; the result would be that basis allocation percentages for Series B Common Stock are the same as for the Series A Common Stock. The trading prices and basis allocation percentages using this method, which you and your tax advisor may find useful, are set forth in Table A and Table B below.

**Table A  
Trading Prices**

<b><u>Series A Common Stock</u></b>	<b><u>Average High-Low Trading Price on February 11, 2008</u></b>
Belo (value per share)	\$13.190
A. H. Belo (value per share)	\$15.375
A. H. Belo (implied value for each A. H. Belo share as if there were an equal number of A. H. Belo and Belo shares outstanding)	\$3.075 (\$15.375 x 0.2 using the 0.2 to 1 distribution ratio)

**Table B  
Basis Allocation Percentages**

<b><u>Series A Common Stock</u></b>	<b><u>Average High-Low Trading Price Allocation %</u></b>
Belo Value (per share) (a)	\$13.190
A. H. Belo Implied Value (per share) (b)	\$3.075
(a) + (b) = (c)	\$16.265
Belo Basis Allocation % = (a)/(c)	81.0944%
A. H. Belo Basis Allocation % = (b)/(c)	18.9056%

Additional U. S. Federal Income Tax Reporting Requirements Applicable Only to Certain Large Shareholders (“Significant Distributees”)

SAMPLE

SIGNIFICANT DISTRIBUTE STATEMENT PURSUANT TO TREASURY REGULATION § 1.355-5(b)

1. The undersigned, a shareholder who is a significant distributee owning shares of [ ] Series A Common Stock [ ] Series B Common Stock (check one or both as applicable) of Belo Corp. as of January 25, 2008, received a distribution of [ ] Series A Common Stock [ ] Series B Common Stock (check one or both as applicable) of A. H. Belo Corporation, a controlled corporation (“Distributed A. H. Belo Stock”), pursuant to Internal Revenue Code Section 355, as amended.

2. The names, addresses and IRS employer identification numbers of the corporations involved are:

Distributing Corporation: Belo Corp. 400 S. Record Street Dallas, TX 75202 EIN: 75-0135890

Controlled Corporation: A. H. Belo Corporation 400 S. Record Street Dallas, TX 75202 EIN: 38-3765318

3. The date of the distribution of the Distributed A. H. Belo Stock was February 8, 2008.

4. No stock or securities in Belo Corp. were transferred by the undersigned in connection with the distribution. The undersigned received cash in lieu of a fractional share of Distributed A. H. Belo Stock. The aggregate fair market value, determined immediately before the distribution, of the Distributed A. H. Belo Stock and cash received by the undersigned in the distribution was \$\_\_\_\_\_. No other stock or property (including cash) and no securities were received by the undersigned in the distribution.

Date Shareholder’s Signature Taxpayer ID # or Social Security Number if Individual

Date Spouse’s Signature (if stock held jointly) Taxpayer ID # or Social Security Number if Individual