FINAL TRANSCRIPT

Thomson StreetEvents℠

AHC - A. H. Belo Corporation 2011 Investor Day and Q1 2011 Financial Results Review

Event Date/Time: May. 03. 2011 / 1:00PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

David Gross
A.H. Belo - VP - IR, Strategic Analysis

Robert Decherd
A.H. Belo - Chairman, President, CEO

Alison Engel
A.H. Belo - SVP, CFO

James Moroney
A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News

John McKeon
The Dallas Morning News - President, General Manager

Daniel Blizzard
A.H. Belo - SVP, Company Secretary

Guy Kerr
A.H. Belo - Company Counsel

PRESENTATION

David Gross - *A.H. Belo - VP - IR, Strategic Analysis*

Good morning, everyone. Welcome to A.H. Belo Corporation's 2011 Investor Day. My name is David Gross, and I am the Company's vice president of Investor Relations and Strategic Analysis.

After the market closed yesterday we issued a press release announcing a quarterly cash dividend of $0.06 per share and amendment to our credit facility and first quarter 2011 financial results.

Before I turn you over to our chairman, president and chief executive officer, Robert Decherd, I have a few housekeeping items to address and I want to review today's agenda. Today's discussion will include forward-looking statements and non-GAAP measures, which is why you see the statements on safe harbor and non-GAAP measures in front of you.

Following opening comments, we will discuss first quarter financial results and our financial strategy. After a break, we will discuss our operating strategy and our real estate portfolio. We will take a second break before moving on to the most important part of today -- your questions. And then Robert will wrap up the morning with a few concluding remarks.

Now, I would like to introduce our Chairman, President and Chief Executive Officer, Robert Decherd. Robert?

Robert Decherd - *A.H. Belo - Chairman, President, CEO*

Thank you, David.

Good morning, everyone. We really appreciate your coming this morning. As you know, we're also webcasting, so we have a number of people listening in on this discussion this morning. And, really, I probably should say conversation. That's what we hope this will be.

And as I mentioned to a couple of you beforehand, we've been working very hard to put things in order to have this conversation with you. And I think you'll find today there's ample substance behind the idea of asking you all to join us for investor day today.

With that a note about what we believe is a full agenda in mind, let me do a quick introduction. As I think most of you know most of us, but I'm going to ask members of our management to please stand and do a 180 so we can make sure you have faces with names.

First of all, Ali Engel, our senior vice president and chief financial officer, Ali is going to follow me and give you the update on the first quarter results which, just in case you were planning to have a conference call with us this afternoon, will be in substitution for our first quarter conference call.

Jim Moroney, who is the Executive Vice President of the Company and Publisher and Chief Executive Officer of The Dallas Morning News, which is about to be a ten-year experience for Jim this month. He was named publisher of the newspaper in 2001; and we have made a tremendous amount of progress under his leadership and, as we all know, navigated one of the most challenging periods in the newspaper industry's history.

Next to Jim is John McKeon, President and General Manager of The Dallas Morning News. John will be part of the Q&A, of course. And with Jim, has devised the strategy that all of us are focused on -- namely, the transition from a predominantly print-on-paper environment to a digital environment across all platforms.

Dan Blizzard, who is our senior vice president and secretary of the Company, has responsibility for human resources on the operating side of the business; all of our corporate activities and corporate governance activities; and, today, will be briefing you on our real estate assets which he manages for us from a management standpoint.

And I should also introduce Guy Kerr who is here on the second row. Guy attends all of our management committee meetings, is counsel to the Company and under one of the few remaining inter-company agreements we have with Belo Corp. leads the legal department that serves both companies.

Guy has been a part of our team for a very long time. In private practice in the '80s and '90s, he represented us on virtually every transaction that we did as a company and then about ten years ago joined the Company and built our legal team inside. He's a key adviser to me and to other members of the management committee.

Our goals for today, as I noted, we want to report first quarter financial results. We are going to outline the potential upside in this business and also talk about the challenges that we face. And as David said, we're going to have plenty of time to answer your questions and carry on the conversation I noted earlier.

As we proceed, I'd like to ask you to keep a couple of things in mind from a performance standpoint. First of all, if we go to 2009, just two years ago, our company ended the first quarter of that year with $13 million drawn on its credit facility and less than $7 million of cash and cash equivalents.

It's been only six quarters since we paid down the credit facility. And as we have noted on previous calls, the level of cash generation and the cash accumulation in 2010 exceeded expectations.

This quarter, the first quarter of 2011, we've ended with $52 million of cash and cash equivalents and zero debt. From this position of strength, a balance sheet that is unmatched within the industry, A.H. Belo has the flexibility to respond to a wide range of scenarios that may develop. And we'll talk about those scenarios in general terms throughout the morning.

As to the pension, we view the pension -- this company's unfunded pension obligation as debt. We want to reduce this liability to protect shareholders' equity and increase the probability of sustained dividends over the intermediate to long-term.

As you know, we now sponsor two defined benefit pension plans and we control their investment and funding decisions. This year we will contribute around $55 million to these two plans.

The recovery, well, the strength of this economic recovery in our mind is neither certain nor guaranteed. Unemployment remains stubbornly high across the country and dramatically higher than the national average in Providence and Riverside where two of our four newspapers operate.

More recently, rising gas prices are leading economists to question the durability of recent improvements in consumer spending. Against this backdrop the entire newspaper industry is transitioning to a digital operating platform as the world obviously becomes more and more digital.

Digital business models including our own will continue to evolve. And it will take time for the winning business models to become apparent. During this transition, we must reinvest in our print franchises which generate most of our revenue today and be ever mindful of opportunities in the digital space.

With that as a backdrop, let me ask Ali to join me up at the podium. She's going to walk you through the first quarter and then, as the agenda indicates, I'll be back to talk about our financial strategy in some detail. Ali?

Alison Engel - *A.H. Belo - SVP, CFO*

Thank you, Robert. And good morning to everyone. It's great to see everyone this morning.

After the market closed yesterday, A.H. Belo announced the first quarter 2011 results and amended the credit facility and the dividend.

I will focus on the first quarter 2011 results and the amended credit facility, and Robert will cover a new dividend policy in more depth later this morning.

The Board of Directors and Management Committee are pleased with the first quarter results. Our net loss of $0.31 per share in the first quarter of 2011 is an improvement of $0.13 per share compared to the first quarter of 2010. And we beat our internal financial plan by $0.06 per share.

Earnings before interest, taxes, depreciation and amortization or EBITDA was $2.8 million, an increase of 22.6% compared to the prior year. EBITDA includes a $900,000 bonus accrual, a $700,000 gain on the sale of Ancestry.com stock and $600,000 of sales tax recoveries.

When pension charges are added back to EBITDA in both periods, the resulting adjusted EBITDA in the first quarter was $4.5 million which was a decrease of $3.1 million compared to the prior year.

In the first quarter of 2011, higher newsprint and marketing expense offset decreased pension expense related to the Company's move from multi-employer to single employer pension accounting effective January 1, 2011.

The increase in marketing expense is attributable to the $1.2 million spent on television advertising to support the launch of The Dallas Morning News' subscriber content initiative, which we'll go into more detail on later this morning.

Please note that while our adjusted EBITDA figures include adjustments for pension and impairment charges, typically, there were no impairment charges in either the first quarter of 2010 or the first quarter of 2011.

The Company anticipates full year 2011 adjusted EBITDA will be in the $45 million to $50 million range, which is about flat to 2010 when the real estate gains are excluded in both periods.

Total revenue in the first quarter of 2011 was $112.2 million, a decrease of 3.1% compared to 2010. This rate of decline is 300 basis points less than the decline in the fourth quarter of 2010 and the smallest decline since the Company's spin-off in February of 2008.

In Dallas, The Morning News' total revenue decreased only 0.4%, a 340 basis point improvement compared to the fourth quarter of 2010. Strong performance of The Dallas Morning News, where advertising revenue declined only 1.4% was tempered by advertising revenue softness at the Providence Journal and The Press Enterprise.

We responded to the softness with real-time adjustments to expenses at all of our newspapers and at corporate. We eliminated positions, delayed or froze open positions, reduced some marketing expense and reduced other discretionary expenses.

We continue to monitor advertising revenue very closely. Jim is going to talk about this more later this morning. The advertising revenue trends in April are similar to those of the first quarter.

Our thinking now is that 2011 full year revenue could be down in the single digits compared to the full year 2010. If these trends continue, we will further reduce expenses because we plan to deliver the $45 million to $50 million of adjusted EBITDA in 2011 that I mentioned earlier.

The Company's advertising revenue including print and digital revenue decreased 5.9% in the first quarter. Advertising revenue performance was the strongest at The Dallas Morning News where advertising revenue declined only 1.4% followed by the Press Enterprise and the Providence Journal.

In the first quarter, display advertising revenue decreased 11.1% to $24.9 million and pre-print revenue decreased 0.3% to $20.1 million. Classified revenue decreased 10.5% to $14.1 million. Within classified, improvements in the automotive and employment categories were offset by decreases in the other and real estate categories as well as in the [part run] category.

In the first quarter, digital revenue was $8.8 million, an increase of 5.4% compared to the same period last year. Digital revenue at The Dallas Morning News increased 14.9% despite the requirement effective March 8 that non-subscribers purchase a digital product or a digital product bundle in order to access our proprietary local content on dallasnews.com or on the Morning News' iPhone or iPad apps which we call subscriber content.

Later this morning, Jim will talk in depth about the subscriber content initiative. Advertising revenue from our niche publication, which is included in the display pre-print classified and digital revenue figures that I just discussed, increased 17.6% to $5.3 million as advertising in Briefing. The Dallas Morning News' free home delivered condensed print news product increased 32.2% to $3.3 million.

Circulation revenue in the first quarter was $35.1 million, a decrease of 1.5% compared to the first quarter of last year. Circulation revenue increased 0.3% at The Dallas Morning News, which increased its seven-day home delivery rate from $30 to $33.95 per month in January of this year.

Circulation revenues at the Providence Journal and at the Press Enterprise both declined. Planning and distribution revenue increased in all three markets in the first quarter. Total printing and distribution revenue increased 15% to $9.2 million due primarily to increases and distribution of printing revenues in Providence and Riverside.

Turning to expenses, total consolidated operating expense in the first quarter of 2010 was $119.5 million a decrease of 3.6%. Excluding the effect of pension expense in both periods, operating expense in the first quarter was $117.9 million, a decrease of 0.7% compared to the prior year.

Newsprint expense increased 27.4% to $10.8 million in the first quarter. Newsprint consumption increased 4.9% to approximately 17,000 metric tons due to increased demand for advertising in Briefing and of The Press-Enterprise. Newsprint cost per metric ton increased 21.4% in the first quarter. And the average purchase price per metric ton of newsprint increased 19.4%.

Corporate and non-operating unit expenses in the first quarter, net of costs allocated to operating units, were $8.4 million, an increase of 1.4% compared to the prior year. Excluding the effect of pension expense in both periods, corporate and non-operating unit expenses were $8.3 million, a 5.5% increase, as lower salaries and wages were offset by increases in legal and depreciation expenses.

In September 2010, ancestry.com announced a definitive agreement to acquire iArchives, Inc., a company in which we own stocks. We subsequently received Ancestry stock with the usual and customary sales restrictions in exchange for the iArchives stock. We sold most of our Ancestry shares in January 2011 and generated pre-tax proceeds of $700,000.

In March 2011, the Company received an anticipated $3.5 million tax refund related to A. H. Belo and Belo Corp.'s prior agreement, pursuant to the Tax Matters Agreement between them for Belo Corp. to carry back A. H. Belo's 2009 taxable net operating loss to a prior tax year.

Turning to the balance sheet, total assets were $367 million on March 31, 2011. At that date, the Company had $52 million of cash and cash equivalents, no borrowings outstanding under its bank credit facility and remain in compliance with all bank covenants.

The Company and its banks amended the Company's revolving credit facility effective May 2, 2011. The amendment permits dividends and share repurchases without restriction so long as the facility is not drawn against. The amendment also eliminates restrictions on capital expenditures, reduces administrative requirements and extends the facility's maturity date from September 30, 2012 to September 30, 2014.

If borrowing availability under the amended facility is less than $7.5 million, a fixed charge coverage ratio of one to one will apply. Other usual and customary covenants were carried forward. The amended credit facility provides the Company with the financial flexibility including the ability to execute our financial strategy with limited oversight or involvement from our banks. We did not plan to use the facility for working capital purposes.

The value that we see in the facility particularly given its de minimis cost is that should the macro economic environment deteriorate and the credit markets dry up again, we would not be able to get or may not be able to get the favorable terms that we can obtain today. Robert will talk more about our new dividend policy, financial strategy and potential uses of cash in a few minutes.

During the first quarter, the Company made required contributions of $14 million to defined benefit pension and pension transition supplement plans. This $14 million consists of $8.7 million related to the defined benefit pension plans and $5.3 million related to the Company's pension transition supplement plan. The Company's former parent, Belo Corp., applied $3.4 million that it held on behalf of the Company towards the $8.7 million and the Company funded the remaining $10.6 million for the defined benefit and pension transition supplement plans. The Company also made the previously announced additional contribution of $30 million to its defined benefit pension plans.

If the Company had not funded the cash contributions totaling $44 million that I just mentioned pr received the $3.5 million tax refund, operating cash flow would have been positive $6.6 million in the first quarter of 2011. Capital expenditures were $1.5 million in the first quarter.

Total capital expenditures in 2011 will likely be in the range of $13 million to $15 million. Around 35% is -- of this capital expenditure number is allocated for initiative required to bring the Providence Journal and The Press-Enterprise on to common technology platforms.

In March -- on March 31, 2011, the Company had approximately 2,350 full-time equivalents, a decrease of approximately 140 full-time equivalents or 6% compared to the prior year. Now, I'll turn it back to Robert for an in depth discussion of our financial strategy. Robert?

Robert Decherd - *A.H. Belo - Chairman, President, CEO*

Thank you, Ali. As first quarter and April results indicate, we are seeing a little more softness in revenue than we expected at the beginning of the year particularly when it comes to advertising. We'll continue to monitor advertising revenue closely and if necessary, reduce expenses during the year.

As Ali noted, we plan to deliver $45 million to $50 million on adjusted EBITDA for 2011. Over the next few minutes, I'd like to provide an in depth look at our financial strategy. And a good starting point for this discussion is a review of the Company's financial principles which, of course, we've discussed internally a great deal over the last two and a half years but we haven't put in this format for our shareholders and potential investors.

Here it goes. First of all, maintain or grow EBITDA during the transition to a digital environment, consistently generate net income, consistently generate enough cash to meet the Company's business reinvestment needs both operating and capital and cover required cash contributions to the A.H. Belo pension plans.

While achieving these goals, maintain A.H. Belo's competitive advantage that is local content and scale within the markets where we operate and consistently return cash to shareholders through dividends, a goal that has not changed since the Company's spin-off in 2008.

By following these principles, we strive to deliver the highest total shareholder returns in the industry and the beat the applicable benchmarks adjusted for dividends reinvested as you see on this page, just as we did in 2010. So, how do we translate these financial principles into tangible tactics?

The answer is pretty basic, stabilize revenues and continue to mange expenses. Revenue stabilization depends on our efforts at the Dallas Morning News, the Providence Journal and The Press-Enterprise to increase sales of print and digital products to consumers through volume or price increases. And to increase revenues generated by our printing and distribution businesses.

As you can see here, our revenue mix has changed dramatically over the past five years. On the advertising revenue front, we still have lots of work to do over making tremendous strides and are encouraged by the progress we're seeing. The best example is Briefing, the pre-condensed news product that is delivered to non-subscriber homes in key zip codes by the Dallas Morning News.

Briefing was launched in August, 2008, less than three years ago. It generated more than $14 million of revenue last year and is profitable. On the expense front, we reduced total operating expenses by $54 million or 10% last year excluding the impact of pension and impairment charges.

And in comparison to 2008, expenses in 2010 were lower by approximately $200 million or 30%. Our focus on the financial principles I've enumerated combined with our demonstrated ability to execute has resulted in dramatic improvements in adjusted EBITDA and the Company's balance sheet between 2008 and 2010.

Full-year adjusted EBITDA rose from $17 million to $57 million between 2008 and 2010. We anticipate 2011 adjusted EBITDA will be in this $45 million to $50 million range that Ali and I mentioned which is about flat to 2010 when real estate gains are excluded in both periods.

2010 saw cash generation and cash accumulation on a level far above 2009 and 2008. The level of cash generation and accumulation in 2010 was better than expected. And as I said earlier, we closed the first quarter with $52 million of cash and cash equivalents, no debt.

By the end of this year, our cash and cash equivalents may reach $60 million to $65 million net of pre-quarterly dividends and assuming $45 million to $50 million in adjusted EBITDA. From the starting point, A.H. Belo has rule flexibility and a set of choices that many companies inside and outside the newspaper industry would like to have.

We continue to look for ways to be opportunistic just as we did by amending the Company's credit facility, working closely with our banks. And I'd like to thank in person [Shannon Pratt] who is here, our lead banker at Capital One who with his colleagues there and at JPMorgan as partners helped us through this in the last several weeks.

As Ali noted, we received not only their support through that process but we came out with terms much more favorable for the Company than the previous agreement. No restrictions on dividends and share repurchases so long as the facility is not drawn against, simpler administration and very importantly, extending the maturity date to September 2014.

Let me take a few minutes to address three potential balance sheet scenarios, leveraging the business, reducing our operating footprint and monetizing assets. Highly leveraged balance sheets have not worked in the newspaper business over the past decade. And public companies and [go] private transactions leverages undermine the ability of newspapers across the country to generate proprietary local content, our real source of differentiation.

Leverage has restricted newspaper's ability to navigate the transition taking place from the print product driven marketplace to an increasingly digital marketplace where, of course, a smaller and more flexible cost structure is and will be essential. Jim is going to talk more about our current cost structure and the change required by this increasingly digital world.

We've noted on several occasions that A.H. Belo is not an aggressive consolidator and, therefore, we did not plan to lever the Company to finance a large acquisition. We know there are other strategic and financial players in the process of trying to consolidate newspapers in certain geographies in Southern California where The Press-Enterprise is located is certainly a prime example.

For the time being though, we're going to be observers, focused on running the business as we're describing today. And as you would expect, we have no plans to use debt to finance the dividend in the current environment and given the amount of cash generation we're producing.

The Board of Directors and management committee are intensely focused on managing A.H. Belo's operating and non-operating assets. The most important operating assets being the newspapers we own. We are satisfied with our geographic footprint comprising the Dallas Morning News, the Denton Record-Chronicle, the Providence Journal and The Press-Enterprise in making operating and capital decisions accordingly.

When it comes to our non-operating assets, there is unrealized value in real estate and investments. Last year, pre-tax proceeds from real estate dispositions totaled nearly $10 million. The estimated market value of our non-core, important to not, non-core real estate assets presently under contract on the market are being considered for possible sales is $23 million to $37 million.

The disposition of these non-core real estate assets could potentially generate pre-tax proceeds of $21 million to $33 million. Dan will discuss how we have explored and will continue to explore various scenarios for monetizing the Company's real estate assets during his presentation later this morning. One thing is certain, however, there will be no fire sales within the financial strategy that we are pursuing though right here on this page under opportunities, Dan will talk about the different ways that we know we could promote the monetization of some of these assets.

Another non-operating asset is our 3.3% ownership in Classified Ventures -- excuse me -- owner of cars.com and Apartments.com. Last year, we received a $3.1 million dividend from Classified Ventures and we are hopeful that dividends will be a recurring theme at C.V. in 2011 and beyond.

We look favorably upon a digital company like cars.com that occupies a leadership position in a highly attractive market. As Auto Trader's acquisition of Kelley Blue Book last year demonstrated, the automotive market is consolidating. Public and private valuation multiples for business like cars.com are attractive and have been for some time.

Let's shift to the Company's framework for evaluating potential uses of cash. This is important because deploying cash is one lever we can use to increase total shareholder returns. As noted, we closed the first quarter with almost $52 million of cash and cash equivalents. And as we look at those important dollars and resources, we think of three potential uses -- dividends, share repurchases, and additional pension contributions.

Our goal of returning cash to shareholders to dividends has not changed since the spin-off from Belo Corp. in February 2008. Those of you who are there for our road show in January of 2008 will recall that we describe the Company as a dividend-paying company and that was a key part of our strategy.

After considering a range of potential dividends that maxed out at $0.06 per share -- in other words, the range we discuss with our board of directors over the last few months -- the board approved the high-end of the range which is the $0.06 per share quarterly dividend announced last night and this morning.

Under the new dividend policy approved by the board on May 2nd, the Company intends to pay a quarterly dividend of $0.06 per share, or $0.24 per share on an annualized basis. The first quarterly dividend of $0.06 will be paid on June 3, 2011 to shareholders of record at the close of business on May 16, 2011.

The Company anticipates paying three quarterly dividends in calendar year 2011. As is customary at dividend-paying companies, the two remaining dividends for this year and all future dividends are each subject to board approval.

Our amended credit facility allows share repurchases without restriction so long as the facility is not drawn against. And while we are open to share repurchase options, this openness is balanced by our preference for dividends going back to the time of the spend, partly by concerns we have about the current advertising environment and other factors that will be a sub-theme of our discussion for the remainder of this morning.

Let me turn to the pension plans for a moment. As you know, we're going to make cash contributions this year totaling $55 million. Twenty-five million dollars is required under ERISA and the Pension Protection Act of 2006. And our 2011 financial plan contemplates funding this amount from operating cash flow.

The remaining $30 million is an additional contribution we made in March of this year as planned. Many pension plans funds has experienced an unfavorable change in the funded status of their plans in 2008 and 2009 as the capital markets melted down and interest rates tumbled to historic lows.

With interest rates remaining low, making additional contributions became attractive to plan sponsor like A.H. Belo to have the financial strength and flexibility to do so. Substituting our plans of 6.5% return on assets or basically no return on short-term cash is a very attractive option on several levels. We've talked with many of you about laying out how the funded status will play out over the next few years. And that's what I'm going to discuss next.

Additional contributions to the plans will bring them to fully-funded status more quickly and accelerate the return of cash to shareholders in the future. Presently, our 6.5% projected annual return on assets in the pension plans is about 20 times greater than the blended rate of return offered by commercial paper and money market instruments.

We measure the funded status of our pension plans and projected cash contributions on third -- based on third-party expert analysis. If we are overly aggressive in plan assumptions and expected results do not materialize, required cash contributions could increase and impact future cash flows and shareholders' equity.

To the extent the net impact of discount rates asset returns and other factors is more favorable, everyone benefits. The accounting discount rate for A.H. Belo's plans as of December 31, 2010 is 5.33%. This sensitivity table shows the $132 million unfunded amount as of December 31, 2010 and what the unfunded amount would have been using other discount rates ranging from 5% to 6%. So we're working within that band and just showing the sensitivity had another discount rate been selected.

The assumed funding discount rate on December 31, 2010, which is calculated differently, is 6.33%. Now, here's the Company's latest estimate of projected cash contributions to the pension plans from 2011 through 2016.

We call this estimate our baseline scenario. It assumes contributions totaling $55 million in 2011, followed by required contributions of $19.2 million in 2012, $12.3 million in 2013, $11.5 million in 2014, $7.5 million in 2015, and $2.2 million in 2016, at which point cash contributions could be zero.

The estimated impact of an additional $10 million contribution to the pension plans next year in 2012 is shown here with dash lines. If this scenario played out, it would likely be the last additional contribution to the pension plans that we make.

Under this scenario, the required 2012 contribution decreases from $19.2 million to $18.1 million and the nominal value of required cash contributions between 2012 and 2015 is about $1.4 million less than the baseline scenario. But as you will see, the payments may end in this second alternative -- or in this alternative -- in 2015, which would be a year earlier than the baseline case.

Before we take a break, let's return to the earlier theme that I struck -- and that's adjusted EBITDA. Between 2008 and 2010, our adjusted EBITDA increased from $17 million to $57 million, which is a more than 2% improvement.

Ultimately, you have to formulate your own hypothesis about where our business is headed and where the industry is headed. But I encourage you to keep this data point in mind as well as a broader one when we as a company and the entire US economy experienced the most traumatic economic shocks since the Great Depression.

A.H. Belo's management team responded aggressively. We improved adjusted EBITDA. And we believe we positioned the Company for a dramatic rebound beginning in 2010 and, hopefully, for years to come. That in overview is the financial strategy that we have been developing and reinforcing internally, since we were spun out. We're going to take a brief break here. I think we're right on time. We'll start at 10 o'clock sharp. And we look forward to visiting with you during the break. Right, David? Okay. Thank you. We'll be back at 10 AM.

(BREAK)

PRESENTATION

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

Welcome back, everyone. I'm going to try to cover a lot of territory today. And I think we have a few exciting initiatives that you're probably aware of that are on the way that we'll discuss. I know that most of you are familiar with the markets we operate in. But just to set the table, let me quickly go through them. According to the 2010 US Census, the Dallas-Fort Worth Metropolitan Statistical Area, or MSA, grew 23% over the past decade to 6.4 million residents.

And if you look at the cities in the United States that have populations over 10,000, the third and tenth fastest growing cities over the past decade were [Frisco] and Wylie, Texas, which are both located in -- the Dallas market.

And with this growth, Dallas Fort Worth surpassed Philadelphia to become the fourth largest MSA in the country, behind only New York, Los Angeles, and Chicago. Eighty percent of the Dallas Fort Worth adults live in a five-county region in our MSA. And four of these counties, Dallas, Denton, Collins and Rockwell comprise what we call Dallas, where 57% of all the retail sales in Dallas Fort Worth MSA take place.

In the Dallas market, we own and operate of course the Dallas Morning News and I think most of you know also the Denton Record Chronicle. The Morning News' total average circulation, Monday through Friday, for the six-month period that ended on March the 31st of this year was 405,000, an increase of 1.3% compared to last year.

These numbers include not only the Dallas Morning News, but the Denton Record Chronicle and our other branded editions. However, the Denton Record Chronicle was not included in the Dallas Morning News' reported numbers from March 2010. So if you exclude the Denton Record Chronicle from both periods, then the circulation that we would report on March 31st of this year would have decreased by 1.8% compared to 2010.

The Providence Journal and the Press Enterprise operate in markets that were among the hardest hit in the country. And they appear to be taking more time than the overall economy to recover. To give you a sense of where these markets are today, the preliminary, unadjusted employment rates for Providence and Riverside in February of this year were 12.1% and 13.9%, respectively, which is well above the national average as Robert mentioned of 9.5%.

As you know, Providence Journal operates in Rhode Island, where the population has been flat over the last decade at 1.1 million residents. The Providence Journal's total average circulation, Monday through Friday, for the six-month period ending March 31st of this year was 92,000 and that's a decrease of 7.8% compared to the prior year.

Press Enterprise, as again as you know, operates in the Inland Southern California market in the Riverside-San Bernardino, MSA has a population of 4.2 million, which is an impressive 30% increase over where it began at the beginning of 2000.

The total average circulation Monday through Friday for the Press Enterprise ending March of 31st of this year was 122,000, a 6.3% compared to the prior year. However, if you exclude the impact of the Press Enterprise's newspaper and education initiative which delivers digital replicas of the newspaper to students, the total average circulation for the six-month period ended March 31st decreased 6.5% compared to the prior year.

Today, I'm going talk about A.H. Belo's successful efforts to diversify its revenue mix by doing three things very well. First is driving consumer revenue. Second is attenuating advertising revenue declines. And third is adding commercial printing and distribution contracts in each of our markets.

The net results of these efforts is a revenue mix that is more diversified and, in our experience, more reliable now and in the future. Between 2006 and 2010, A.H. Belo's newspaper revenue mix has changed substantially.

In 2006, A.H. Belo generated 82% of its revenue from advertising, 14% from circulation or what we call consumer revenue, and the remaining 3% from commercial printing and distribution contracts. Now, if you fast forward to 2010, which of course due partly to lower advertising revenue, yet, I think more importantly, due to our success in growing consumer revenue and in growing commercial printing and distribution, our revenue mix has changed dramatically.

As you can see here, in 2010 A.H. Belo generated 64% of its revenue from advertising, 29% from consumer revenue and 7% from printing and distribution contracts. Let me see if I can walk you through each of these components starting with consumer revenue.

Between 2006 and 2010, the consumer revenue for our company increased by approximately $25 million or 21%. This gain is attributable to our aggressive price increases in Dallas and Providence for both home delivery subscriptions and for single copy sales.

The Press-Enterprise, on the other hand, operates in a very different market environment than Dallas and Providence. In the Southern California area, there are 14 daily newspapers including the Press-Enterprise. And, generally, these newspapers' home delivery rates have been heavily discounted in order to drive volume, and that clearly hinders the Press-Enterprise's ability to increase its home delivery rates in the way that Dallas and Providence have done.

Nevertheless, the Press-Enterprise is working presently with [Mather] Economics, an implied economics consulting firm to implement a segmented pricing strategy that matches home delivery prices with the consumer's ability to pay. So increasing consumer revenue is clearly an important part of stabilizing and diversifying our revenue mix. And so, naturally, we track this consumer revenue very closely.

One measure we use internally to evaluate the effectiveness of our consumer-revenue initiative is our consumer revenue per copy calculation. For example, The Dallas Morning News' consumer revenue per copy grew from $226 per copy to $376 per copy between 2008 and 2010, the period of time that we did our most aggressive price increases.

We expect to have additional growth this year from price increases that Robert mentioned earlier that were taken in January, and we project revenue a copy will be between $390 and $400 this year. Now let's talk about our efforts to attenuate the clients in advertising revenue. Advertising is, of course, still our largest source of revenue, and we cannot -- and I guarantee you - will not take our eyes off this ball.

Our success in this area comes in part from leveraging our existing assets in Dallas, Providence and Riverside in expanding the portfolio print products that we offer advertisers. In all three of these markets, we have launched three condensed news publications that are delivered to homes of non-subscribers in key zip codes. And Dallas, as you saw previously, we have Briefing which actually launched in August of 2008 and is published Wednesday through Saturday.

For the six-month period ending March 31st, Briefing circulation was around 200,000. In Providence and Riverside, we have Projo Express and the Weekly and they both launched just last year. Thus, we clearly have the most experience with three products in Dallas, and we provide a little more color about Briefing and the Morning News' other publications.

Briefing's advertising revenue increased sharply as you saw earlier from $1.7 million in 2008, a stub year that we started the publication to $14.2 million in 2010. That represents a two-year increase of over $12.5 million. And in the first quarter of this year, Briefing's revenues increased 32.2%, as Robert mentioned. And we project full year 2011 revenues will be in the $16 million to $17 million range.

Another publication is Al Dia, which is our free Spanish language newspaper. It's published Wednesdays and Fridays for the Dallas market. Al Dia's revenue grew from $6.1 million in 2008 to $7.7 million in 2010 or a 26% increase across that period of time. We project full year 2011 revenue for Al Dia will be in the range of $8 million to $8.3 million.

Neighborsgo is another of our publications. It's a free weekly community newspaper which is published each Friday. There are 17 different print editions that focus on hyperlocal news in 40 communities throughout the greater Dallas area. There's been a lot of talk about hyperlocal news in the last year, and I just want it to be noted that we've been publishing Neighborsgo since 2005.

Quick is our free weekly quick read newspaper that's published on Thursdays and is designed to provide a digest of the day's top news and entertainment stories for readers on the run. We targeted at adults 18 to 34. And, finally, FD Luxe is our free monthly style magazine, which targets college educated men and women between the ages of 25 and 54 with household incomes that exceed $160,000.

If you take all these products together, so you have Briefing, Al Dia, Neighborsgo, Quick and FD Luxe, they provide The Dallas Morning News with a wide spectrum of different audiences, which, taken together, yield revenues of -- yielded revenues of $27.7 million in 2010, and we project will yield between $30 million to $31 million this year, an increase of 8% to 12% over 2010.

The further attenuate advertising revenue declines, we took additional and dramatic steps to remake our go-to-market strategy for advertisers to ensure that we have the best sales management, the best salespeople, and that we were reaching the right advertisers with the best solutions.

In this regard, in late 2009, The Dallas Morning News entirely reorganized its sales team into a customer-focused organization and implemented a new sales structure centered on business segments such as arts, entertainment, financial services and sports. These business segments are groups of accounts in similar industries with similar marketing needs and similar consumer profiles.

The transition to a business segmentation model was not easy. We zero-based the entire sales organization. We redefined all the positions and the required skills for those positions. And we sent every single person through a solution-based selling and training program, and then utilized professional recruiting firms to identify qualified external candidates.

During this reorganization process, only half of the frontline sales managers were selected to return for similar roles in this new sales organization. And one-third of the sales and marketing consultants either decided not to participate in this new organization or, through the training and testing process, did not successfully compete for a position.

In the end, we have a very motivated, a very well-trained team, and I think it's already taking us to the next level of performance in Dallas. Each of these business segments that I talked about is headed up by a general manager who has P&L responsibilities. These general managers work closely with editorial leaders to create new products that extend the Dallas Morning News' brand and generate incremental sales. An example of this is that our general manager of sports and the editor of our sports department worked together to create a special publication around the Super Bowl this year.

500,000 copies of this publication that delivered proprietary sports, news and information to a much lighter audience than our daily newspaper does, and that allowed The Morning News to drive incremental advertising revenue while simultaneously reinforcing its brand as the number one authority on football in sports in Dallas.

In addition to this, The Dallas Morning News published nine separate Super Bowl sections, one on each of the nine days leading up to the Super Bowl. And these sections contributed $1.5 million of incremental Super Bowl-related advertising revenue in the first quarter of this year.

The next step in the development and improvement of The Morning News' go to market strategy is the launch of DMN Media, which is currently underway. DMN Media is a marketing solutions approach to delivering multimedia marketing campaigns to our business customers.

For example, just recently, 400 small to medium-sized businesses attended DMN Media's first print and online expo in Dallas just last month. We closed more than $600,000 of sales at this event and an additional $200,000 from the expo attendees after the event ended. I'm going to play a short video now that provides some testimonials from customers who have already benefited from the strategy that DMN Media is presently rolling out.

(VIDEO PLAYING)

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

Final component to further diversifying our revenue mix is our contract printing and distribution business which actually is our fastest-growing source of revenue. This component of our revenue is made up in part by commercial printing services primarily for national newspapers that require regional printing such as The Wall Street Journal, The New York Times or USA Today.

The other part is home delivery and retail distribution services for similar national newspapers and for regional newspapers that are delivered into our coverage areas like the Boston Globe in Providence and the Los Angeles Times in Riverside.

In Dallas, Providence and Riverside, there is additional upside for our commercial printing and distribution services. Last year, we acquired new commercial printing and distribution contracts in all three of our markets.

And we expect to be able to do the same this year as newspapers and other area publications search for cost-reduction opportunities and they learn more about our capabilities and operating efficiencies. We have a commercial headroom -- commercial printing headroom in Riverside, Dallas and Providence with the greatest room in Riverside.

A. H. Belo's successful efforts to diversify its revenue mix by doing three things well -- driving consumer revenue, attenuating advertising revenue declines and growing commercial printing and distribution contracts must be balanced with the near-term challenges that we still face in Providence and Riverside and, to a lesser extent, in Dallas.

Until the newspaper industries advertising revenue further attenuates, maintaining and smartly reducing operating cost is critical. Echoing what Ali and Robert said earlier, the first quarter and April were a bit softer in ad revenues that we had anticipated going into the year.

We responded this softness as they said with real time adjustments to our expense plans just as we have done in the past. And we will continue obviously to monitor our advertising performance very closely. And if the present trends that we see today continue, we will make additional expense adjustments in order to keep our operating cost properly aligned with our revenue.

Just as a reminder, we have made these kinds of adjustments as necessary over the past five years. For example, between 2006 and 2010, a total operating cost decreased $335 million or 42% in fulltime equivalents in compensation and benefit cost excluding pension-related charges both decreased over the same period of time by about 40%.

Looking up through the end of the year, we anticipate our fulltime equivalents at the end of this year to be between $2,300 and $2,400. And that compares to $2,400 at the end of last year and $4,100 at the end of 2006.

Just as a reminder, our fulltime equivalent number traditionally runs up a little bit in the fourth quarter due to the seasonal packaging labor needs that we experienced mostly related to the holiday season.

Between 2006 and 2010, news print expense decreased from $105 million to $39 million, a decrease of 63%. And our news print consumption decreased from 167,000 metric tons to 69,000 metric tons, a decrease of 98,000 tons or 59%.

Our forecast from this year is for consumption to be between 68,000 and 70,000 metric tons. And just as a general rule of thumb, each $25 increase or decrease in the cost of news print above our first quarter average will translate into about $1.3 million of increased or decreased news print expense over the remainder of the year at our currently planned volumes.

Our 2011 financial plan anticipates price increases from mill closures, capacity reductions and so forth. The final expense category that I want to cover is technology. Over the past several years, The Morning News has implemented industry-leading technology solutions in the following critical areas -- print and Web content, sales and marketing, and circulation.

Today, we are implementing identical technology platforms across all of our newspaper operations. Most of this implementation process will be completed by the end of this year. The Press Enterprise will migrate to six new platforms in 2011, and the Providence Journal will migrate to two.

With these investments, we will get our newspapers, all of our newspapers, on a common technology platform for the first time. Common platforms and other technology initiatives have already contributed to reducing our technology expenses.

In 2009, our technology expense was $40 million and at the end of 2010, it was down to $29 million. This year we anticipate decreasing that cost by another million dollars or so. And then of course, these savings I just mentioned don't capture all the ways in which improve reporting capabilities support our underlying operating strategies by generating new insights on business performance within and across our newspapers.

Our next set of consumer revenue opportunities lies in extending the value of our content, the digital platforms, and for us this means executing on our subscriber content initiative. When we say subscriber content, we're talking about that original and proprietary content that's exclusive to and generated by the Morning News, and that is only available in our newspaper on dallasnews.com, on the mobile web, or on our tablet and smart phone applications.

And it's that content which is produced by the Dallas Morning News' award winning newsroom, which includes over 300 journalists. Let me just give you an example of the kind of proprietary content that the Dallas Morning News publishes on a regular basis.

In late 2009, two of the journalists from the Morning News, Matthew Haag and Valerie Wigglesworth began investigating the 45-year-old lead smelter facility which owned by one of the worlds largest producers, distributors, and recyclers of lead acid batteries.

The plant recycled 4 to 5 million automotive and industrial batteries every year. The plant uses heat to extract lead, and in the process, it releases lead into the environment. The plants owners had asked the city of Frisco, the same one that is the third fastest growing in the city in the US over the past decade for permission to expand its operations.

The issue was that since the plants opening, the population of Frisco had grown from less than 2,000 to more than a 100,000. However, neighborhoods, day care centers, high schools, and then plenty of children were surrounding the plant by this time.

Haag and Wigglesworth investigated, and they found that an area around the plant was only one of 16 nationwide that that did not meet federal quality standards for lead. When the news first broke, many Frisco residents had no idea their homes and businesses were near a lead-acid battery recycling plant.

And days after our first story, the Company withdrew its application for expansion. A steady stream of stories from the Morning News followed over the next 18 months. And just last week, the Company agreed to spend $20 million to reduce the plant's emissions by nearly 90% compared to 2008. The Company also agreed to clean up land and submit to regular stack testing and building inspections.

This is just one example of the kind of important, relevant, and proprietary journalism that drives our subscriber content initiative. Nobody else in Dallas can produce this caliber of news and information, no one.

And it's because of this quality of reporting that the Dallas Morning News was able to again increase its seven-day home delivery rate, this time by 13% to $33.95 per month on January the 1st of this year without experiencing significant declines in volumes.

In addition, with this price increase, we included access to all of our digitally distributed content or all of our print home delivery customers. We're going to continue to roll out new features and benefits like this digital access, so that we can create incremental value for our subscribers and which should enable us then to implement annual price increases for home delivery.

In order to access subscriber content, that proprietary content of ours on digital platforms, non-subscribers to the Morning News, or non-subscribers to one of our other print products are required to purchase a digital subscription beginning March the 8th.

They have basically two options; they can pay $16.95 a month for access to subscriber content on all of our digital platforms, or they can pay $9.99 a month for access to any -- to our subscriber content on any single digital platform. And there are some other pricing options shown here, I think. Breaking news, wire stories, syndicated features, and other nonproprietary content are still available free of charge to non-subscribers.

In conjunction with our subscriber content initiative, we relaunched our flagship website, dallasnews.com with a fresh new look and streamlined navigation. And we also released a new iPhone app and our first iPad app. Exclusive subscriber content is now identified on these platforms with the D icon that you see here.

In order to communicate these product and pricing developments to consumers and advertisers, the Morning News launch an integrated advertising campaign in January. The campaign included print advertising, digital advertising, and other forms of advertising including television. And here is one of the ads that we ran in Dallas --

(VIDEO PLAYING)

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

Since we've launched our content initiative, our subscriber content initiative, digital subscriptions to dalllasnews.com, to our iPad and iPhone apps have all continued to grow week over week. Most importantly, more than 50,000 of our best customers at being those people who subscribed to our print edition and pay us over $400 a year to have it delivered to their home.

Fifty thousand of these customers have registered to gain access to our digitally delivered content. Soon, we're going to begin constructing important data sets about the ways in which these 50,000 customers and a growing number engaged with our content on our digital platforms. These data sets will provide us with more information about our customers which will translate into more engaging content experiences for them and better targeting for advertisers.

Also, it should be noted that since the introduction of our subscriber content initiative, the volume of starts to the printed Dallas Morning News newspaper through the dallasnews.com channel have doubled to approximately 1,000 per week.

To continue to meet the ever changing needs of our subscribers, the Dallas Morning News will continue to support multiple digital platforms and explore new ones. And as a part of this commitment, the Morning News will begin releasing apps for the Android operating system based smartphones and tablets later this quarter.

The Providence Journal and the Press-Enterprise plan to roll-out their subscriber content strategies in the second half of 2001 and early 2012, respectively. These rapid deployments on the heels of the Dallas Morning News as subscriber content push would not have been possible without the investment that we have made and that we continue to make in common technology platforms.

Now, I'm going to turn the podium over to Dan Blizzard, who will provide more details on our real estate strategy.

Daniel Blizzard - *A.H. Belo - SVP, Company Secretary*

Thank you, Jim, and hello everyone. This is the last presentation of the day, but one with a lot of potential upside, if we stay in the course and continue to be very disciplined and very patient.

Let's walk through the talking points. I'll give a brief background on our real-estate portfolio, discuss our approach to monetizing non-core real estate assets and review 2010 transactions.

Next, I will present the estimated market value and the potential net proceeds from the sale of non-core assets. And I'll share the list of those assets with you, most of which we own outright and a few that we come in with our former corp -- former parent company Belo Corp to an entity called Belo Investment LLC or BINV for short.

Lastly, I will briefly discuss several real estate properties that we use in daily operations. They're not currently for sale.

As background, A.H. Belo owns all of its real estate outright, that is there are no mortgages on these properties including the key facilities that it utilizes in Dallas Providence in Inland Southern California.

Over the past five years, the Company's total headcount has fallen approximately 40% and therefore less space is required for operations. The opportunity here becomes the unrealized value in non-core real estate assets and how we can capitalize on that opportunity.

Our real estate strategy is to monetize non-core real estate assets at appropriate prices over time and not at fire sale prices. We're being patient in our approach in dealing only with perspective buyers (technical difficulty) close on transactions and avoiding those who just want to tie up assets, who have a reputation for re-trading transactions.

As Robert indicated, last year, pre-tax proceeds from real estate dispositions totaled nearly $10 million. These 2010 transactions included the Washington Street Garage located in Providence which netted approximately 5.75 million. This property was on the market for 20 months.

We sold excess land in a vacant distribution center adjacent to our printing plant in Plano, Texas and netted slightly more than 2.5 million. This property was in the market for 18 months.

We sold the former DFW Printing Company property in Arlington, Texas, and netted just over $770,000. This property was on the market for 18 months. Finally, we sold excess land adjacent to the Denton Record Chronicle in Denton, Texas for approximately $465,000. And this asset was on the market for 21 months.

Let's look now at our remaining non-core real estate assets presently under contract on the market or being considered for possible sale. As Robert mentioned earlier, the estimated market value of these properties is $23 million to $37 million. And if we can sell them, it would generate pre-tax proceeds of $21 million to $33 million.

In Providence, we have four non-core properties currently for sale. The resurfaced parking lot adjacent to the Providence Journal building at downtown and a vacant inserting facility next to the Journal's printing plant which is approximately 1.5 mile west of downtown Providence.

In Riverside, we have two non-core properties currently for sale. We have a news bureau and distribution center in Hemet, California and the Banning news bureau in Banning, California. In Dallas, we have one wholly-owned property currently under contract.

It is 98 acres of undeveloped land on J.J. Lemmon Avenue, approximately 12 miles south of downtown. It was acquired in 1995 as the future site of a new printing plant for the Morning News. We refer to this property as the original South Plant land.

In 2005, when we begin designing this South Plant, we determine that the site development costs were prohibitive. And we purchased a small over 50 acre site, one mile to the south on Langdon road and constructed the South Plant on that location.

The contract for the original South Plant land has an 18 month closing, to enable the buyer to perform various studies to determine the feasibility of reclaiming a portion of the land that lies in the flood plain.

Three other wholly-owned non-core properties in Dallas are currently for sale. The South Plant on Langdon Road that I just mentioned, which was completed in 2007 and vacated in 2010 is a state-of-the-art collating and inserting facility, with a high-density Automated Storage and Retrieval System or AS/RS.

Two of the properties are small vacant former news bureaus in the Dallas suburbs of Garland and Louisville. In Dallas, we also jointly own six properties of the former parent company Belo Corp through Belo investment.

Two of these are public parking lots that are for sale and are considered non-core assets by A.H. Belo. We and Belo Corp are exploring options for the third property, a private park named WFA Plaza that we consider a non-core asset.

The remaining three properties, the Belo building and two related surface parking lots are not for sale. A.H. Belo considers them non-core assets as they no longer occupy or use them. However, Belo Corp does use all three properties in their daily operations. We are evaluating the cost benefit of subleasing our portion of the Belo building and related parking to outside tenants.

Turning now to the remainder of our real estate portfolio, the core assets that we use in daily operations, I will briefly describe the status of these properties and discuss some options we have evaluated and continue to explore in determining the best use of these assets going forward.

First, our printing plants in Providence, Riverside, and Dallas are critical to sustaining the revenue stream from our legacy print on paper business as well as the outside commercial printing revenue that we have grown over the last two years. These properties are not for sale.

Secondly, the headquarters buildings for the Providence Journal and the Press-Enterprise are currently underutilized. We have subleased a portion of the Press-Enterprise building and continue to evaluate similar options in both the Riverside and Providence.

We may possibly consider a sale leaseback on one or more of these properties if the terms are favorable. Keep in mind the sale leasebacks can provide tremendous upfront liquidity, but the benefits of these liquidity must be balanced with long-term lease commitments, and (inaudible) expense in the income statement, potential disposition values and other factors.

We may also consider possible development partnerships that could result in a combination of the above. Lastly, our downtown Dallas campus which is comprised of the Dallas Morning News and Texas Cable News buildings is fully occupied by Morning News and A.H. Belo corporate staff.

We share use of a common driveway, parking garage and surface parking lot with WFAA-TV. This arrangement combined with the fact that parts of the Morning News building are considered historic (inaudible) limits in a strategic alternatives we may have for the property and therefore, we are not considering any alternatives at this time for that property.

This overview of our real estate strategy and portfolio illustrates the significant value opportunity that lies within our non-core real estate assets and that we are taking a various strategic approach to unlocking value overtime. While the timing and proceeds from a particular real estate disposition are hard to predict, we are hopeful that attractive disposition opportunities will continue to materialize. Now, let's take a break. After the break, we'll reconvene and move on to the Q&A portion of Investor Day. Thank you.

(BREAK)

PRESENTATION

David Gross - *A.H. Belo - VP - IR, Strategic Analysis*

All right. This is David Gross, the vice president of Investor Relations and Strategic Analysis. And we're ready to move on now to the Q&A portion of today's event. Robert, just to get us started. I'd like to ask you to comment on the following. In the current revenue environment, is there still expense opportunity for the Company?

Robert Decherd - *A.H. Belo - Chairman, President, CEO*

David, there are -- there are some -- as all of you know and obviously, could see in the numbers that we presented this morning, a tremendous amount of cost has been taken out of these businesses. I believe we've done it as well as anyone in the industry which as of today, we have made cuts in areas that are not absolutely critical to our ability to create; differentiating proprietary content that Jim talked about.

But at the same time, it does impair your ability to run the business in the fullest sense, for example, (technical difficulty) to commercials that we -- the one commercial, one testimonial that the Dallas Morning News has produced in connection with either the digital roll-out in the case of the commercial, or its new DMN media presence in this testimonials.

And those cost money. All of the right marketing, outside media things that you would typically associate with driving a brand, driving a product have pretty well been filtered out or squeezed of the P&L for all of our companies. So an expense like this turns out to be incremental (technical difficulty) first quarter as reported by Ali and by Jim, but it's essential to have that kind of market presence to support the subscriber content initiative that we have launched and a number of other things that will be very important to making transitions to a more digital world successfully.

The reason I mentioned those is as we begin to take out expense, having made the cut that we have made, we'll touch more frequently on things that we would consider to be fundamental parts of our go forward strategy. But we can do it. We have identified areas where cuts can be made.

A lot of those would result in some reduction in force because these are functional areas where we might stop doing something. But we still have the resources to focus on our proprietary content (technical difficulty) distribution strategy supported by a more complete or more full go-to-market approach that you would I said typically see product launches and product support.

Our goal is to make this $45 million to $50 million adjusted EBITDA a number for the year. If revenues don't stabilize to the degree we talked about earlier today, we'll -- we'll find the ways by (technical difficulty) we'll know a lot about (technical difficulty) how the digital (technical difficulty) is (technical difficulty).

David Gross - *A.H. Belo - VP - IR, Strategic Analysis*

Thank you, Robert.

I'd like to open it up for the floor now for questions. Does anyone have a question?

QUESTIONS AND ANSWERS

Unidentified Audience Member

(technical difficulty) couple of questions in these and (technical difficulty) new -- relatively new publications briefing (technical difficulty) and so on. Are they all printed on our presses?

Unidentified Company Representative

They are.

Unidentified Audience Member

Okay, and of the -- and of this $30 million or so that might be the revenue this year, how profitable is that, is that (technical difficulty)?

Unidentified Company Representative

Margins are in the (technical difficulty) we (technical difficulty).

Unidentified Audience Member

Very profitable.

Unidentified Company Representative

Yes. And that's with -- really with loading in all direct and incremental cost, and we don't put the light (technical difficulty) overhead in there. But any incremental costs to produce those products and indirect costs are included (technical difficulty).

Unidentified Audience Member

Ali, if you look at the 10K, 62% of the Company's revenue is in Dallas, this year will be even more (technical difficulty) publications in Dallas are doing better than the other two. So if -- if I look at your newspaper cash flow before overhead, that'd be like close to 90% of the operating profit? Ninety percent?

Alison Engel - *A.H. Belo - SVP, CFO*

That is correct, yes.

Unidentified Audience Member

Thank you.

Robert Decherd - *A.H. Belo - Chairman, President, CEO*

Let me add one comment about the niche publications, not all of them have the margin that Briefing does or El Dia, and as we think about how we continue to evolve the broader content model, you'll see products introduced with much lower margins.

Some may run their natural course over the next five to seven years. That's -- that's both the excitement and the risk factor of (technical difficulty) audience patterns are changing very rapidly. We have (technical difficulty) of that (technical difficulty) in all three newspapers and on our digital platforms, especially. (technical difficulty).

THOMSON REUTERS

Unidentified Audience Member

Jim, a couple of questions. In the pre-print, who's the competition?

Unidentified Company Representative

Well, you have the competitors like (inaudible) would be one that's out there. That's certainly a competitor, though interestingly in Dallas, we actually partner with them. John could tell you even more about that. So that we turned sort of a competitor into an ally in certain ways, but we still compete on price and we compete for business in the marketplace, but we distribute our products together, because there are cost advantages in doing that.

I think the issue for the industry, Fred, that's coming up is the digital. What's going to happen with digital coupons, the digital pre-prints, and will the newspaper industry be able to capture a great share of that business. Just last week, no, in fact, later, this week, the industry is continuing to meet together to determine as a group if we can and if so, how we can work together to bring a digital pre-print solution to the industry.

And I would say that it's one of the first times in my, at least somewhat limited newspaper experience, where I've seen the industry come together around the sales opportunity like this with all of the big players signed on, at least nominally upfront, the tribunes, and the (inaudible), and the so forth.

Their all -- and can have their all, you know, trying to make this happen, recognizing that we need leverage through scale in order to compete in the digital marketplace. John, do you want to talk a little bit more on the pre-print competitive side?

John McKeon - *The Dallas Morning News - President, General Manager*

Well, certainly. Any local publications that are available out there can also carry pre-print. So, these free distribution publications, I think Jim has hit it on the head. Our advantage today is the print marketplace which should play a significant role in the transitioning that into digital for our customers. And if you think about it from their standpoint, the efficiencies that represents for them in limiting the printing that they have to do in those -- in those materials are, really, represent big opportunities.

Unidentified Audience Member

And then one other question for Jim. I remember talking to you several years ago about the Internet at that time. I thought you were so much of a visionary. But I will ask the question again. And this time the future of iPhones and iPads particularly is your concern?

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

Well, I mean, we see them as great opportunities for us to extend our -- our brand. I think we're evolving into a place where we don't believe that distributing exactly the same content package across all these digital platforms is the right thing to do, that there is a certain kind and amount of content that people want from their desktop. It's very different on smart phone and yet again, probably different on a tablet.

John and I have talked a lot about the need to give our best customers, those being our subscribers to the print product a reason to go, for instance, to the tablet. If the tablet has only the stories that are in the newspaper, there's no reason for that person to go to the tablet unless they are traveling out of town.

What -- what could we be doing with the tablet to give them an additional reason, yes, there is video. Yes, there are slide shows. But can we expand the content in some way that would make that experience incremental additive to what they're getting in the paper while still providing a tremendous experience for the person who's a digital-only subscriber.

The early returns on the tablet say that the peak usage time is about 7.00 to 11.00 o'clock at night. That it's a lean-back type of experience. So, it's probably going to be a very good device and platform for longer form, journalism, investigative reports, and narrative reporting, big stories that you bring in, a lot of different kinds of content from different providers. So, you aggregate it and curate it for the -- the reader.

I think that's where we see this going. And we think that for the first time, for the really hard-core newspaper type of reader, the tablet presents them with something that, while not a perfect substitute, is the first time they're finding something not the desktop, certainly not the smart phone that gives them a kind of experience they've appreciated in the newspaper.

Jeff, for instance right now, on our iPad application of the Dallas Morning News, there is a -- you do the drop-down menu. It will say, The Big Story. That's our first attempt to be providing something to the prep reader that they can't get in the newspaper, but they can get on the tablet.

The idea is to take the big story today. So, let's say its Osama bin Laden. And by the end of the day, when they come home to use the tablet around 7.00 o'clock which again, peak usage goes way up, there'll be an aggregated amount of stories, a lot more context and analysis around this that somebody can lean back in their chair with the tablet and go through and get a really large perspective on the story as opposed to the one story that we might print in the newspaper or publish on dallasnews.com as that story unfolded.

Alison Engel - *A.H. Belo - SVP, CFO*

And it could be current stuff, or it could be older stories that we have published on a topic over time. So, for our 100th anniversary, like a Blackrock, that was a great example where we pulled in a lot of our historical stories that were very interesting about -- about that topic and seat that in that area.

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

Now, this is what we continue to talk about how do we give people another reason to use the different platforms if they're already getting things in the paper? What -- what can we do differently and be different and -- and create a broader -- a broader content experience for them.

Unidentified Audience Member

When you talk about maintaining a growing adjusted EBITDA during the transition to digital, do you have targets as to what percentage of revenue and profits digital will be? And -- and at what time period? And how will that break down between advertising revenues as opposed to payroll?

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

Well, I'll take the last part of this for a moment. I think initially, we would see the advertising opportunity to be greater than the digital subscriber part of this. I think the biggest opportunity happens to be on tablets for digital subscriptions.

And as we know, those tablets are not deeply penetrated into the marketplace. Obviously Apple is way out in the lead. But even with -- with that, if they had 30 million iPads sold throughout this year, Dallas is 2% of the households in the US market. So, you're not dealing with a really large install base.

Now, as more, they say as many as, you know, 90 to 100 Android operating system tablets are put into the marketplace this year, you'll have a lot more in the hands of people. And I think that that opportunity for digital subscription will grow. But so will the advertising that -- that our companies hit. Right now, we're selling, fortunately, our advertising on the tablets as sponsorships. And John and I talked a lot about this, how can we continue to treat that as a -- an experience.

I'd like to use the -- the Masters golf program, limited number of advertisers, very exclusive environment, and really almost sold on a sponsorship basis. We don't start getting into CPMs and start trading down on who can buy the lowest CPM in the marketplace.

That's how we're selling it today on our iPad application as basis of sponsorship. You saw one of the advertisers out here [Energy]. They're already booked that sponsorship to the entire year, have a couple of other advertisers. And so, we're seeing a lot of good success.

I don't think we have internally developed a metric that says, X percent from advertising and X percent from digital. We're just trying to drive both as hard, the digital subscriptions. We're trying to drive both as hard as we can and kind of see how the marketplace evolves

---

Alison Engel - *A.H. Belo - SVP, CFO*

And from a planning perspective, we've just kept our expectations very modest in the planning process because these are new things that are continuing to develop. And I think next year, we'll probably be more definitive in what we plan for them and probably be able to talk about that in a more concrete manner.

I think also that campaigns that we're having on the iPad for these sponsorships are very successful in terms of click-through rate and -- and things like that. Our advertisers are satisfied with that.

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

(Inaudible) has been, I mean, double digit. I mean, we've -- we've had the multiples of -- of what you would expect from a click-through rate on a .com ad versus what we've been seeing on the pad. Tablets have been -- has been a tremendous multiple so far. So, the advertisers are frankly very pleased because they're getting a much greater click-through rate for every dollar spent.

Unidentified Audience Member

(technical difficulty) a couple of questions if I may. On the technology side that at about $28 million, $29 million, is that already through (technical difficulty) aside from the $4 million or $5 million of CapEx?

Alison Engel - *A.H. Belo - SVP, CFO*

Yes, there's some in corporate and the rest (inaudible) corporate. And the rest is spread through the -- the newspaper operating unit.

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

90% plus.

Alison Engel - *A.H. Belo - SVP, CFO*

Yeah.

Unidentified Audience Member

That's a fairly large amount a company (technical difficulty). And what is the benefit? Who would you expect to say the (technical difficulty) platform?

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

You know that technology expense also includes a lot of the folks who are supporting our digital initiatives. It's not just people that are, you know, friends who are reporting PeopleSoft or -- or something like this.

A lot of our programmers and those kinds of folks, we roll them up into the ITS department.

Alison Engel - *A.H. Belo - SVP, CFO*

Web development.

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

Web development.

Alison Engel - *A.H. Belo - SVP, CFO*

All that type of -- of -- of thing -- of things that are in that bucket.

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

Right, which is with some other companies, they may put those over on their digital, you know, development staff and not roll them up into an IT number. It's just how we account for it internally. And that's where those, part of those numbers come from.

The -- the other big part of it, it really is just, you know, the -- the maintenance contracts you have on all of the different software programs. That's the single biggest expense. And, you know, as a company, you can choose to not have a maintenance contract. But as new releases come out or if something fails, you're -- you're in a very difficult place.

I've -- I've read recently of some companies in our industry that may have decided to start going without maintenance agreements. I don't think, we as a company, think those maintenance agreements are important to keeping us not only on the latest release of the software, but if something does happen, we get, you know, instantaneous support from the Company to fix it. And these are all -- these are -- our circulation system, our advertising system, and our news system. It is the heart of what we do.

Alison Engel - *A.H. Belo - SVP, CFO*

It's a 24/7, 365 business. So, we can't afford to be down in one of these critical systems for any significant period of time. Thought the cost savings come on common platforms from reduced maintenance.

So, you're not as Jim mentioned setting maintenance on platforms, but also from staffing. And that you don't have to have, you know, a person and a backup and different groups of people supporting different things. You can have one team, probably located in Dallas that can support that one platform across all three of our operating units and stagger their schedules. So, it really is in the people and the maintenance. And the upgrades and development cost that you spend in the future can be lower because you're not doing it on three or four different platforms as well.

Unidentified Audience Member

It doesn't sound like the savings --

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

I think the savings could be material once we get on all different platforms. And we can begin to find some savings on the labor side. But we won't be until later this year that we're all on the same three content management systems and -- and newsroom editorial systems. It will be, I guess, just a few months from now, we'll all be on the same advertising system. But it will be next year before we're on the same circulation system. So, until those are in place, it's hard to get the real savings out because you've got to have them -- you got to be on the same platforms and consolidate some things into Dallas.

Alison Engel - *A.H. Belo - SVP, CFO*

And then you have to balance that out with what new initiatives are you launching. If you're developing a -- new, you know, apps and doing different things on the technology. Some of those savings can then be rolled into initiatives that are really more around business and product development opportunities for our teams to go and sell. So, that's a balancing act we -- we deal with also.

Unidentified Audience Member

(technical difficulty) with different topic to say, I hear you talking about (technical difficulty) 20% of the home-delivery customer subscribers paying $34 on (technical difficulty). I'm not trying to say it's a no brainer to move that. But if I'm paying $34 (technical difficulty) and I have an iPad, I'm certainly (technical difficulty).

What can you tell us about those people making (technical difficulty) downloads one or two (technical difficulty) are you seeing actually paying (technical difficulty)?

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

We -- we have people that have signed up for digital-only subscription solely to dallasnews.com, solely to the iPhone, and solely to the iPad. And we've had people do the digital bundle of 16.95 for access to all three.

As I've mentioned, we continue to see growth week over week and each one of those channels that I've just mentioned. I wonder if we can go -- oh, and then the -- the interesting leader in the club house that surprised me is the, so far, the most digital subscriptions have been paid for access to dallasnews.com.

The thing that people said, nobody would ever pay the, you know, get news and information from a website because it's been free for 15 years. We've had more digital-only subscriptions sign ups for that than we have for iPhones and iPads.

Now, that maybe a distribution issue because you -- almost everybody has a computer in their (technical difficulty) list, smart phones, and then yet again, less iPads. But we're encouraged about it. And we feel good about where we are so far.

Unidentified Audience Member

I just have a question on retail. It sounds like from your results and some of your peers that pre-print is really starting to stabilize, but ROP is still pretty weak which I think is kind of the opposite of what you would expect in a rising commodity cost environment. Is there some sort of secular change in the way or difference in the way that advertisers use pre-prints versus ROP?

Unidentified Company Representative

I'd say it's a -- it's a combination of things. One, as you see in the case of the Dallas Morning News and the numbers we reported through our ABC filings today, stabilization of the circulation numbers, both at our paper, are company papers and at the papers throughout the country had contributed positively rather than the declines you've seen in the past couple of years.

That's why, to Jim's point, the importance of our strategies with both briefing and [Aldea]. So, from that standpoint, I think we have the opportunity to stabilize the print environment as we continue to keep focus on the digital conversion of those seculars.

One other interesting observation is there's been a pleasant surprise with the strategy on the briefings and the ideals of the world which are, if you think about it from a home-delivery standpoint, really made for the pre-print advertiser is the robustness that you see in the copies of the ROP environment. So, I think the increasing value there of ROP gives us hope for the future to begin to turn back trend also as we turn the pre-print track.

Unidentified Audience Member

Thanks. Robert, I know we touched about -- though you touched about this on the -- the break. But going into the dividend policy, can you just describe for the benefit of the people in the room and on the web how you guys arrive at the range of about -- about $0.06 a quarter or how the board is thinking about that?

Robert Decherd *- A.H. Belo - Chairman, President, CEO*

Yes, thanks. What we did is thought through where our dividend paying companies fall some range. We look at well beyond the newspaper industry obviously and why we do not want to get in to a position of (technical difficulty) the yield, the $0.06 puts us about in the middle of that range.

We believe that range will establish dividend paying companies in 2010 and 2011. There's 2.5% to 4.5%, maybe slightly higher payouts. That was one of the factors that the board considered.

We looked at lower payout rates eventually migrated to the $0.06, believing it's a good starting point. And when I say that, I mean we'll revisit in a year or so, this is on a quarter-by-quarter conversation (technical difficulty).

But it's the construct of the framework within which to think about how we can do things on a regular basis and then of course depending on how the disposition of assets and other financial strategies that I outlined evolved.

There are circumstances under which other kinds of dividends (technical difficulty). I think that's a ways away because we have not only the new term past requirements of the business and a comfort level about -- add and about and around of the acquisition of today.

But it also has to do with the uncertainty of timing on some of these assets, just reflect on the (technical difficulty) that Dan discussed in terms of how longs it's taking to sell some of the real estate that we monetized in 2010 through 240month outings.

And we have presently only one contract or real estate and that in itself has a much longer closing period because of the factors that Dan talked about.

Our -- our thinking though and our philosophy is we need to get back to where we started which is we want to be a dividend paying company that was really expressed at the time of the spend off. And we paid the dividend longer than some of our peers. We (technical difficulty) it late in the game, if you will, but at that point as the financial crisis was dominating everything, we have to do that.

So, think of this as returning to that strategy. It's still embedded in how we think about the future, (technical difficulty) $0.24 on an annualized basis. That's a good starting point.

Unidentified Audience Member

Thank you. And additionally, aside from the real estate sales, when you take a look at your pension though a lot of your funding assumptions don't consider a rising rate environment. And, you know, with $55 million you've contributed in 2011, you have an under funded pension about $77 million. And even if you just take a 6% discount rate, you essentially lop off $30 million of that liability. And your -- your, you know, based on your funding projections, you'll be funded through 2013.

How do you guys plan on, I guess, that new incremental cash? Are you planning on growing the dividend quicker or doing a one time, I guess, when you react to, you know, financial levers like that where, you know, it's away from the dividend or away from the asset sales et cetera?

Robert Decherd - *A.H. Belo - Chairman, President, CEO*

Well, let me begin and ask Ali to elaborate. Obviously if the discount rate rises, everybody wins. Every pension plan sponsor. Our company specifically would benefit because what we showed in the out periods is this base case assuming that either of the discount rates that we use is (technical difficulty) and returned on plan assets because of the 6.5% which is I think the right place to be.

Some would say it's conservative. But my guess as anybody who has a higher rate of return on assets and their plans is thinking of coming down where we are as opposed to trying to hold the line at [7,75, 8, 8] plus and there are people that are still at as you know.

So, yes, there is a significant potential benefit of the discount rate improving through inflationary trends and Fed action and related things. The -- the map and all the comment on your map because in an actuarial sense, it's not a direct one-to-one reduction in liability as you know. And nearly I don't want to comment on what the -- that change in sensitivity would mean.

But as you -- as a fundamental idea, yes, you're right. It's very beneficial. And no, we haven't given any thought to what we would do it that happened. If Ben Bernanke wants to send me a Twitter or a message, or a Tweet, we'll talk about it online. And of course his decision will be revealed by 18 people before it's made public. The President can't even knock off Osama Bin Laden without going public. So, Ali, do you want to? Ali do you want to?

Alison Engel - *A.H. Belo - SVP, CFO*

What I'd add to that is as you look at our pension and I think other pensions you have to consider the investment allocation because we are not that far out from being fully funded. You know, we're taking a 60% return seeking, 40% liability hedging, asset allocation position today. As we become and move more towards a fully funded status, we need to continue to update that asset mix and make sure that we are de-risking the plan so that we don't end up in the position that everyone ended up in several years ago when the market crashed and even though a lot of plans including the (inaudible) pension plan was almost or actually funded became insignificantly under-funded because it was over-invested in more risky type of assets.

So there's a whole host of factors that go into the process but I think prudent and active management of the plan assets towards plan termination and fully funded status is a very critical part of that strategy for us and for other companies that you all might be looking at.

Robert Decherd - *A.H. Belo - Chairman, President, CEO*

Let me add a comment about how we structure the plan administration and investment. It will sound like a plug for Fidelity and in a sense it is, since we are now working with one provider who provides administrative services and then actuarial services and in another part of their corporate environment funding and management or rather services, fund management services, we can react much more quickly to these changes and we can model as changes occur in discount rate or other assumptions in the plan what the future obligations will be.

But we think we've got the right approach in terms of our being able to manage this very effectively to respond to circumstances as Ali indicated and land this thing at a place where it is fully funded and we invest it in a way where that future -- the risk of any future regression from fully funded status is very limited.

The other comment which I think is implicit in everything we've done and said, our goal is to lock in this plan and go down. I mean, we do it as debt, a debt and an obligation, if we can get that paid in and locked into investments that basically match future liability, I think it would be correct to say we're certainly the only company in the industry and one of the very few you could find that has no debt period at the end. That's the industry that we're in, a very desirable place to be.

Unidentified Audience Member

Okay, thanks. And one more question. Moving to classified ventures, can you describe what you mean on page 27 by consolidation opportunities and then talking about the dividend, how much of that can we see recurring in the future?

Robert Decherd - *A.H. Belo - Chairman, President, CEO*

We can't predict for you the recurring dividend because that was paid out of a large amount of accumulated cash and the (technical difficulty) board has made no decisions about future dividends. We are represented on that board by John McKeon and what we mean by the attraction of that marketplace and the consolidation is that intuitively it's a fairly well-developed Internet space now, the car business.

The consolidation you saw last year and the Kelly Bluebook transaction would imply that fewer players two to five years from now and we just think we're in a very enviable position because we not only have a small ownership position, we do have, by virtue of the way [CB] was organized a seat on the Board so we can press our view as to what might happen under different circumstances but at the same time we're realistic about 3.3%.

We're not going to drive that train and that the big players who have much larger ownership positions are going to decide when dividends are paid or what the amounts would be and what the M&A strategy of that company will be but it all feels good to us like it's a very positive cadence that CB has adopted and they are in a good space and it's a good asset to have.

Alison Engel - *A.H. Belo - SVP, CFO*

Starting with the dividend what should the first one that's ever paid since we invested in (inaudible).

Unidentified Audience Member

Hi, let me just follow with the capital allocations discussion for another minute. Is there in the board's mind any difference between a million dollars of after tax proceeds on an asset sale, and $1 million of operating free cash flow in terms of how it's to be deployed?

Robert Decherd - *A.H. Belo - Chairman, President, CEO*

Since we haven't had that discussion exactly as stated, I can't tell you that I know the answer to that but we're focused on, the board is focused is making sure that this transition occurs so that we have a sustainable business model.

And I would tell you that for the newspaper industry the jury is somewhat out on that front which is why I think (technical difficulty) much volatility in the industry and the first quarter results reported by some of our peers were not as encouraging as we would hope to see. We need the industry to do well, for us to do well.

But whether it's from core advertising which we define in a traditional sense newspaper and print out paper advertising are these new sources, it's about trying to anticipate what the key junction points are in that transition as we've talked among ourselves, the management committee recognizing we're going to have to get continuously smaller.

This is something where the status quo, in terms of the expense side of the equation, is going to win the day and make sure that through the kind of initiatives that Jim and John have outlined on the operating side we have stable and growing revenue sources across various platforms including something that seems very, let's say, uninteresting or boring and that's our production and distribution on track for the full utilization of those hard assets, the iron that's there.

In terms of the after tax proceeds of a sale or disposition I think what you're getting at is, are we committed to disposing of these assets that are non-core in an aggressive way and the answer is yes. These are not things we think we need to own. As Dan said with respect to real estate, there's an aspect here that has a lot to do with timing and patience. Get the right numbers given that our balance sheet is as strong as it is we think everybody wins, shareholders and our audiences alike if we are smart about that because then back to an earlier question, the potential exists for us to distribute some of those proceeds directly to shareholders under conditions that we would have to line up and some of the things that we're trying to do.

So if we had that conversation or if we were about to have that conversation my prediction would be it's balanced between the two, there's not one that's driving the strategy but I'll put it in a very broad context, which is exactly how we talked about this since the summer of 2008.

We are running a financial strategy and an operating strategy in parallel. You have to think of it in those terms. We're not committed to one over the other, they're dynamic, one may get ahead of the other at different points in time but this is about not only coming back from the brink which thankfully we've (technical difficulty) pretty well, we talked to many of you about our benchmark of July, '08. We're still 154 index against that price and way ahead of anybody else in the industry but we have a lot of distance to go to get back to where we expected to be at this spin and it depends on those two strategies working in parallel.

Unidentified Audience Member

Well then let's look a year. You said basically dividend decision was something that you'll revisit, not every quarter but perhaps a year out. I understand the desire to restore this dividend (technical difficulty).

In the year will you look at the relative appeal of the dividend versus the buyback in a different light now that you have restored the dividends? Is there some base level of dividend that you wanted to get to. The thing that's sticking in my mind is the comment earlier this morning that you didn't want to consider buybacks in light of the sort of ongoing challenges in the industry operating environment.

In my mind committing to a dividend is actually a much less flexible strategy in terms of cash for shareholders than is a buyback. I'm just trying to get a little more sense as to how you trade off those two of cash going forward.

Robert Decherd - *A.H. Belo - Chairman, President, CEO*

I wouldn't say we trade them off, they're complimentary and you look at one versus the other in that specific context, what we've done now is focus on the dividend as I've talked about.

The reluctance about share buyback is not just about uses of cash it's about float, it's about the whole phenomenon or how a company, already micro-cap by any measure and continues to attract and support the investment of everybody in this room and hopefully an increasing number of people who see the value in this parallel strategy, this idea of a financial strategy that has undervalued assets that we can monetize and an operating strategy that at least I'll say is promising as anybody in the industry -- but it's not off the table.

It's just not something that we have looked at first and these other aspects of share repurchase have to be considered as opposed to just the notion where there's cash it's available in dividend, I agree that a regular dividend is not as flexible but part of what we wanted to communicate is we think we've got an operating strategy that will support a regular dividend, that's a pretty big statement.

Now here's what amount it should be but we like the way that positions us. We think that it makes a -- it confirms what we've all talked about in different settings over the last year and a half to two years but when you put it together in this overall presentation which is the real purpose today, it feels like the right time to us but it certainly doesn't mean it's the only thing we're going to think about.

Unidentified Audience Member

And one more question, this one for Jim. In the Riverside market there are 14 dailies, how many of them are owned by entities that are now in bankruptcy?

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

Well really only one now, The Los Angeles Times owned by Tribune. You had the MediaNews Group that has several papers and obviously they've come out of bankruptcy and you had the Orange County Register with Freedom that's coming out of bankruptcy or so today just the Los Angeles Times in the group that we're thinking of.

Unidentified Audience Member

And have you seen since they've emerged any change in their pricing discipline?

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

No. We continue to see a $10 full year Sunday only offers coming from all different kinds of newspapers in the market, there just seems to be a race to the bottom.

Unidentified Audience Member

Delivered via coupon.

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

Yes and coupon deals for subscriptions deals and so forth. It's a different strategy, not one that we're pursuing but it does make it more difficult for the Press Enterprise to do what we've done in Providence and in Dallas.

Providence's price is just a few dollars lower per month than Dallas' is, they've moved theirs up almost in parallel.

Robert Decherd - *A.H. Belo - Chairman, President, CEO*

Let me make a comment. I know all of us here up on this stage (technical difficulty) far more than you ever asked.

We have a lot of choices that any other newspapers, if not most of the newspaper companies don't have. (Inaudible) if you will footnote our strategy presentation and our Investor Day occasion by saying that. It's hard to imagine that if every major metropolitan newspaper in America had the same market conditions (inaudible) tremendously positive relationship with its audiences and leaders -- priced in the way that Jim and John replaced The Dallas Morning News, they wouldn't do it.

But we're not an outlier but we certainly are doing things that are different from many of our competitors and it doesn't make one right versus the other, it's just a function of this specific set of circumstances that define our company which enables us to price, which enables to roll out the digital initiatives we've talked about and therefore we're an important reference point for the industry but these are not things that are easily replicated by our peer companies.

I wish they were because it would augur very positively and favorably for the industry but also why we are being cautious about metrics using digital roll-out as the best example. We need to see what is really happening with digital only subscribers over I'll say at least a 12-month period of time before we start trying to interpret that, for you or for our peer companies.

It's not just about who is signing up and Jim has already talked about one surprise that we've encountered in terms of desk tops leading the mobile devices, it's also about how much time these people spend with you? What are they doing?

And you can't really define or extrapolate those patterns until you had a longer usage time. But the absence of a lot of newspapers doing this where you can make I'll say more insightful conclusions about what the early activity means, it's basically us, The New York Times and a few to follow and everybody else's trying to figure out how to manage through really tough environments and circulation pricing which got me started on this, is a good example.

I mean these are not numbers that make sense if you believe as we do that it's the quality of the audience that's going to win, it's not pure volume.

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

And let me just add that you might find that there are some newspapers that have what I would call a rack rate, it's not too dissimilar from ours. I think the question that you have to ask them is what is their net realizable rate. And before we took the price up in Dallas, for instance, from 30 to 33.95 we had a $30 rack rate that was our top of the card rate and we had a $27 net rate which I think indicates how little discounting we were doing.

That's the big difference, because they might have a fairly -- some newspapers say, oh, I've got the price up here of $28. Well ask them what they're netting because that's where the discounting can change the equation.

Robert Decherd - *A.H. Belo - Chairman, President, CEO*

All right I think we have time for one or two more questions.

Unidentified Audience Member

My question is actually for everyone to try to tackle this. Do you all believe that the home delivery customer ultimately is going to migrate to digital only? Or do you believe that there is going to be a place over the intermediate long term or a newspaper?

And number two could you address your best thinking as to how the numbers are going to trend over time from people who are reading their newspapers to (technical difficulty) with paper to reading papers on their iPads? That's my first question.

Robert Decherd - *A.H. Belo - Chairman, President, CEO*

Well we'll get back to you and --

Unidentified Audience Member

Robert you said this is a conversation or I wouldn't have to ask that question.

Robert Decherd - *A.H. Belo - Chairman, President, CEO*

Rick, that's fair question because it's about beliefs, it's not about the data set. It tells you how it's going to play out. And I want Jim to comment and John as well.

James Moroney - *A.H. Belo - EVP & Publisher, CEO of The Dallas Morning News*

Our belief is that there will be a print on paper product for quite a long time. Our suspicion and expectation is that it's going to continue to change at a fairly rapid pace and it is not easily divined what it looks like five years from now.

What we know from research and anecdotally is that a substantial part of the market still value the tactile product or in other words the newspaper and magazine or a book. More books are published in the United States last year than any time in history.

It makes you wonder and I mean seriously how do they get distributed? If you've taken the book source out of the equation so there's something going on in the world that Amazon created but there is this demand or appetite for printed products.

We're in a very advantaged position in Dallas especially but also in Providence and Riverside, more so Providence than Dallas where the relationship with our readers is deep. It goes back a long way and we have therefore a brand, not a word that a lot of people in the journalism world like to use but our brand is a powerful asset and it helps us online.

So however you think that that adoption rate is going to play out, meaning online adoption even in substitution we're using a print product. The trust in the brand, the knowledge that we have an editing capability that delivers content that's only proprietary but it's credible, it's reliable. We think it's going to become increasingly important, not less so as the world defined by the blogosphere is basically a one-man, one-woman opinion, if you will, that aggregates in a completely different way.

But I'm pretty sure we will all say the same thing. The chances that The Dallas Morning News, The Providence Journal, The Press Enterprise will look exactly the same in five years much less ten years is de minimis. I think that -- I think that's possible.

How much migration though there is to an environment as Jim said were (inaudible). It's a lean back, habit or experience, that's a very different thing than wanting news on demand first thing in the morning.

So when I said it's a year out before we think we can make sense of some of the digital only part of this, that's one of the forces driving it. But I don't believe and I think we all agree extinction is not a likelihood, change is a given. You know, I like to say that we have a large core of subscribers today whose bumper sticker reads, you'll pry this newspaper out of my cold, dead hands.

I mean, they really like it. And by raising the price of newspaper we have probably made that the biggest subset of our subscriber base. The ins and out folks that used to come in and take discounts are nearly gone and I think that the real issue for us in the industry is that there will be two things.

First of all, of course, unfortunately, there are more people leaving this set by way of the (inaudible) there are coming in the other end. Well, I also don't think that we've seen the last person to turn 34 who's a newspaper reader. I mean -- but there -- but unfortunately, they're not coming in as well as they're leaving out.

The other issue as Donna talked about that we don't have -- we haven't done all the math on it, is if there is both you're losing some of them and some of them do begin to migrate over, where is it that the decreased base which might still be a lot of people that producing a newspaper on the kinds of presses we do and distributing it the way we do in a market as large as Dallas. Does that -- that printed product and all the things that are tied to it still make financial sense?

If it was an automatic, everybody today went over tomorrow to the tablet, we've kind of done that math and we figured out how to make that work. But a lot of -- a lot more of the money will come from the price they pay to access it. But unfortunately, it's not a buy and it's not an on-off, all here, over here tomorrow. It's going to be this migration. And I think that's the hardest thing that the newspaper industry is going to have to deal with over the next, you know, numbers of years. But I don't think it's two and three years that's why I said I think it's five and ten years. But we're happy to be determining how to manage it.

Unidentified Company Representative

No. I think that says it well. It's all -- it's not if, it's when. And it's how we make that transition. And a quick follow up, the economics of that transition when, advertising versus circulation for the digital in comparison to advertising versus circulation for the paper product. The issue is, a statistic I like to use in the third quarter of 2000 -- third quarter of 2010, there were 1.3 trillion digital ads in one quarter that were paid and delivered in the United States of America.

That was an increase of about 230 billion impressions over the third quarter of 2009. We have a supply and demand problem of exponential proportion and we don't believe that that supply and demand is going to find any equilibrium sometime soon. You may have seen the note that 25% of all of the digital ads served in the last quarter, we served by Facebook.

I can tell you that in 2009, Facebook was serving less than 9% of the ads. And so you're seeing this growth and we know that those 600 million registered users of Facebook, they haven't begun to monetize all of the available inventory they could create around all the things that those people are doing.

So we just don't see that the digital advertising in and of itself alone is ever going to provide the same 80% of the revenue that it -- print advertising traditionally did for the print media. And one of the reasons we're trying to get the price of the paper up so high is that we could get the price of the digital up high enough so that if we made that conversion, we would have, you know, 60% -- 50%, 60% maybe more percent of the revenue we have to actually come in from the consumer as opposed from the advertiser.

What John and I are talking about it seems like every week now is we've got great audiences, by the way. We have the biggest audiences we've ever had in the history of the newspaper if you take all of our niche products, online, our tablets, our smart phones, our newspaper. How do we make money with those audiences in ways other than direct to the consumer and advertising?

We want all we can get here. We want all we can get with advertising but there has to be other ways. Cars.com is not an advertising solution. We're selling wholesale software to people with whom we have relationships using our marketing power to drive leads to them through the cars.com channel. We're not selling advertising.

How many more of those ways can we leverage these great audiences we have to create value for other people for which they will pay us in ways that are not necessarily what traditionally we call advertising today.

Unidentified Company Representative

I'll just add using the cars.com example that all audiences aren't created equal but given the right content around it creates value. Cars.com in -- on average is less than 2% of our web traffic but it's approximately 30% of our web revenue, because the value of that consumer has been identified, proven and is, therefore, void.

So a broader example on a very short run, we instituted subscriber content strategy March 8th. Our page views are down but our revenue is up 14.9% as Ali reported. So cordoning off that content, cordoning off those page views and creating an environment that's valued by the advertisers allows us -- obviously if that's the case -- CPMs have to go up.

So we can't play these other games. We think they're great business models for the Facebooks and Googles of the world but they're not just ours. We have an inherent belief in content and hopefully now a discipline to say that it creates value and we can monetize that value with our advertisers.

Unidentified Company Representative

David's grabbing the mic for the next question. Let me make a couple of additional comments and then just largely that we're driving towards to a noon conclusion for the webcast. And then we'll take a quick break and be able to visit afterwards. And lunch as you know, is going to be in the next room.

This transition though Rick, that you're asking about, everybody is asking about one way or another really gets back to this notion that we're going to have to figure our how the Company gets smaller in a smart way. If you think about the numbers that Jim and John each recited as to how the digital side of this business is going to generate revenues and at what levels relative to our core or traditional advertising.

Those mathematics just don't support the current expense structure. So this is something every newspaper is going to have to manage. We think we're in a very enviable position to do that. Another comment I'd make is as you go through that transition, more and more of what we do is going to be dependent on technology. So to Barry's earlier question, our IT cost may appear high but it's for two reasons one is relative to our total size, it's a high percentage. That's the disadvantage of being a micro cap company if you will, in three markets.

The advantage is that it is so now integrated into our operation. It supports literally everything we do and every new product and idea that we're bringing forward that that's been may be the foundation for the transition that we're talking about. I'm not predicting that other companies particularly much larger ones are going to see their percent of IT expense even if it's accounted for in exactly the same basis rise to the same total percent of total expense that we have but cutting back on technology for any newspaper company is a truly bad idea.

We're competing with companies that invented the technology and have armies of engineers thinking about how to maintain competitive advantage. We got to be real smart about how that's spent to support this transition. All right, David, let's take one or two more questions and my wrap up is going to be very quick.

Unidentified Audience Member

I heard several of you talk about kind of the pecking order Dallas, Providence (technical difficulty) in terms of revenues, profitability and relationships with readers (technical difficulty) Dallas profitable (technical difficulty).

So coming back to the footprint issue all those three markets, the right (technical difficulty) market, something else did happen particularly in Riverside. And again especially coming back to the much more challenged competitive nature of that geography, you know, you're (technical difficulty).

Unidentified Company Representative

Barry, as you know, we talked about the footprint in a variety of ways over the last couple of years. But let me put it in the both the financial and operating strategy context.

On the operating side, we feel as if we are doing well in each of these markets despite the variation you noted in revenue, revenue patterns and EBITDA generation. We think we've touched the bottom in Riverside. We're still feeling a downdraft, a significant downdraft in Providence but we've managed through that previously in Dallas and Riverside.

And Dallas has all the very impressive characteristics that Jim described as a market and it certainly going to be a great place to do business. Aside from the fact that we feel good about the position we're in, in each market, there are some benefits to having visibility if you will through different geographies, different markets, different audience patterns as we increasingly integrate those three operations including from the technology standpoint.

We're going to learn more about how those insights can play between the three markets. There's -- it's a marginal benefit but it is a benefit. And then we put it over on the financial strategy. The question is, are shareholders better off owning these assets in the current footprint. And we believe the answer to that is yes provided our prediction of how these markets are likely to change and evolve over the next three to five years is correct.

But there is no such thing as a static view of the newspaper industry or the markets that comprise it. And we're certainly not thinking about it that way. We've done a lot of important work in the last 18 months to get the structure of the Company in the right place. That's why we're able to talk today comprehensively about the benefits and advantages we feel we have as a company.

But from here we can now, as I've noted on a couple of occasions, explore other options. I don't know what they are. We don't want to be a consolidator. I hope I made that clear earlier. We don't want to lever the balance sheet. And whether it's an operating asset or a non-operating asset, we want to make sure we realize that the complete full value of owning those for shareholders that may be through operating them, it may be through partnerships we don't know about today and are exploring today. It may be any number of things.

There is nothing excluded from our Board's considerations. We're just focused, as I said earlier, on running these businesses really well and putting in place a financial strategy that makes sense alongside it. Let's do one last question here and I'm just going to wrap up. Fred?

Unidentified Company Representative

This is a continuation of a topic that Jim and I said earlier this morning and that is a lot of the industry is in trouble. And some of it is in serious trouble. (Inaudible) was sort of an anomaly but there are downsides for you out of that fallout in the industry. And what are they?

Unidentified Company Representative

The downsides for everyone are that we're wrong about this transition that we don't have a complete understanding of how audiences and consumers of our products that will change their habits and if that should accelerate in a way that's disadvantageous to the industry or to our business, that's going to be a hard one to manage.

I guess the cynics over on one end of that spectrum who believe it's only matter of time before contrary to my answer to Rick's question, the print on paper product is unimportant, inconsequential and basically impaired. At the other end, you have believers who probably have a stronger belief even than we do in the future of a print on paper product.

The fact is we got to play the hand that's dealt (technical difficulty) if you think about how we play it and where we are as you noted compared to other companies, I'll take this hand any day of the week. I'm convinced that there is a good solution for our shareholders regardless of what happens in terms of those audience patterns and preferences.

And it comes back to the quality of what we've done the relationships we've created over the long period of time. And from a business standpoint, the power of these brands which I said a little while ago and I want to emphasize may be more important than we realize as value is placed on editing, the liability, credibility.

People are going to have to basically block out the noise in an Internet centric world for all of them to decide where are they going to get those information and other meaningful content that they value in their day to day lives. And in that value proposition the kind of pay-for-value that we've been able to realize at the Dallas Morning News especially when it comes to the big part of the answer.

But sure, there's a downside that will challenge all of us. We think we're on top of that scenario and a very [sanguine] of that our prospects going forward. Let me actually use that in the comments we've made in the Q&A as a way of wrapping up.

We talked today about the financial principles that support the Company's strategy and really support both the financial and operating strategy. There's nothing exotic about it. It's about execution. It's about knowing what we believe. It's about knowing how we generate large amounts of cash relative to our size and then deliver that cash to shareholders and make smart decisions about investing in our operating and capital, meaning operating capital requirements.

We recognize we there is a lot of risk in this business today but as I've just noted, we are strongly of the mind that we've got the right team in place, the right strategies in place and market advantages that are going to serve us in good stead for a long time to come. I hope you feel as if this session today has knitted some of that together for you.

We realize that for the last year especially a number of shareholders have wanted to hear a more comprehensive assessment of how we think we are doing as a company and how the next 12 to 36 months play out. That was our goal today. We look forward to staying in touch with all of you and proving out the case that we've made. And with that, we're going to conclude the webcast at this point. And as I said, we're going to be here and to those of you who can stay for lunch we look forward to visiting with you then. Thanks for coming.