

## Form 10-K

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

For the fiscal year ended: **December 31, 2014**

OR

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

Commission file no. **1-33741**



# A. H. BELO CORPORATION

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**38-3765318**

(I.R.S. Employer Identification No.)

**P. O. Box 224866, Dallas, Texas 75222-4866**

(Address of principal executive offices, including zip code)

**(214) 977-8200**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class  
**Series A Common Stock, \$0.01 par value**  
**Preferred Share Purchase Rights**

Name of each exchange on which registered  
**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

**Series B Common Stock, \$0.01 par value (Title of class)**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer:

Accelerated filer:

Non-accelerated filer:

Smaller reporting company:

(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's voting stock held by nonaffiliates on June 30, 2014, based on the closing price for the registrant's Series A Common Stock on such date as reported on the New York Stock Exchange, was approximately \$223,440,910.\*

Shares of Common Stock outstanding at February 27, 2015: 21,730,792 shares (consisting of 19,342,555 shares of Series A Common Stock and 2,388,237 shares of Series B Common Stock).

\* For purposes of this calculation, the market value of a share of Series B Common Stock was assumed to be the same as the share of Series A Common Stock into which it is convertible.

*Documents incorporated by reference:*

Selected designated portions of the registrant's definitive proxy statement, relating to the Annual Meeting of Shareholders to be held on May 14, 2015, are incorporated by reference into Parts II and III of this Annual Report.

A. H. Belo Corporation 2014 Annual Report on Form 10-K

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**FORM 10-K**  
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## PART I

### Item 1. Business

A. H. Belo Corporation and subsidiaries (“A. H. Belo” or the “Company”), headquartered in Dallas, Texas, is a leading local news and information publishing company with commercial printing, distribution and direct mail capabilities, as well as expertise in emerging media and digital marketing. With a continued focus on extending the Company’s media platform, A. H. Belo is able to deliver news and information in innovative ways to a broad spectrum of audiences with diverse interests and lifestyles.

The Company publishes *The Dallas Morning News* ([www.dallasnews.com](http://www.dallasnews.com)), Texas’ leading newspaper and winner of nine Pulitzer Prizes; the *Denton Record-Chronicle* ([www.dentonrc.com](http://www.dentonrc.com)), a daily newspaper operating in Denton, Texas, and various niche publications targeting specific audiences. A. H. Belo also offers digital marketing solutions through 508 Digital and Your Speakeasy, LLC and provides event promotion and marketing services through Crowdsource.

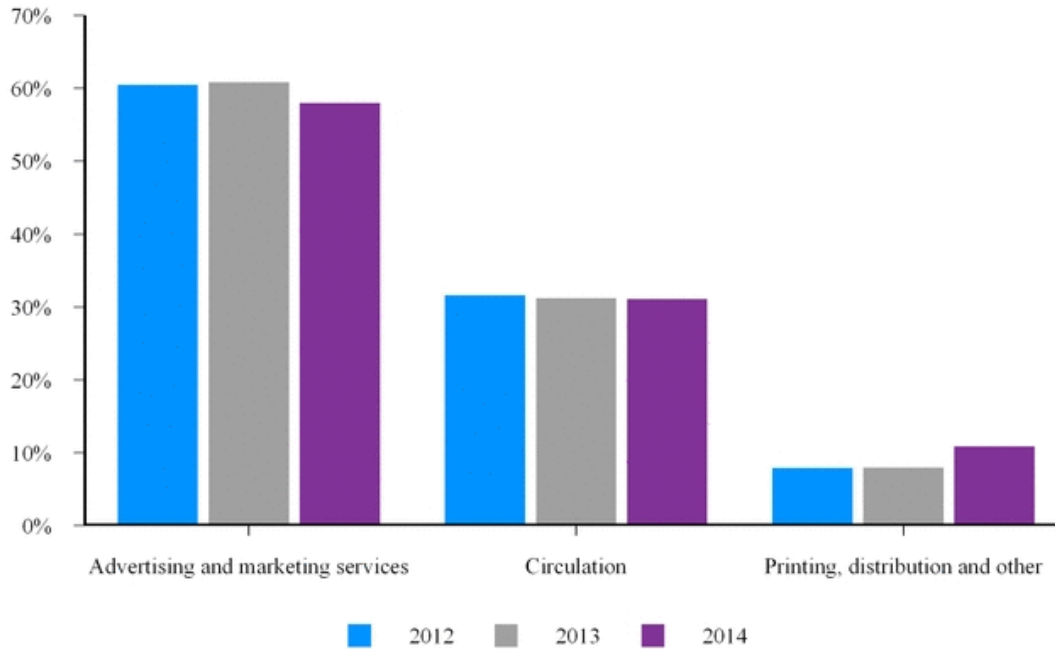
In February 2008, the Company separated its publishing operations from its former parent in a spin-off transaction and A. H. Belo became an independent registrant listed on the New York Stock Exchange (NYSE trading symbol: AHC). All dollar amounts in this Annual Report on Form 10-K are in thousands, except per share amounts, unless the context requires otherwise.

*The Dallas Morning News*’ first edition was published on October 1, 1885. It is one of the leading metropolitan newspapers in America and its success is founded upon the highest standards of journalistic excellence, with an emphasis on comprehensive local news and information and community service. The newspaper is distributed primarily in Dallas County and 10 surrounding counties. This coverage area represents one of the most populous and fastest growing metropolitan areas in the country. *The Dallas Morning News* has been awarded nine Pulitzer Prizes for news reporting, editorial writing and photography. *The Dallas Morning News* also publishes *Briefing*, a newspaper distributed four days per week at no charge to nonsubscribers in select coverage areas; and *Al Dia*, an award-winning Spanish-language newspaper published on Wednesdays and Sundays and distributed at no charge in select coverage areas. Other news products are also published targeting various communities in the North Texas area. *The Dallas Morning News*’ financial and operating results include the financial and operating results of the *Denton Record-Chronicle*.

In 2014, the Company completed the sale of substantially all of the assets and certain liabilities comprising the newspaper operations of *The Providence Journal*, a daily newspaper in Providence, Rhode Island, and the oldest continuously-published daily newspaper in the United States. In 2013, the Company completed the sale of *The Press-Enterprise*, a daily newspaper in Riverside, California, which serves the Inland Southern California region. Upon completion of these sales, the Company no longer owns newspaper operations in either Providence, Rhode Island or Riverside, California. The Company continues to hold and market for sale certain land and buildings in Providence, Rhode Island, which served as the administrative headquarters of *The Providence Journal*. The Company also retains the obligation for the A. H. Belo Pension Plan II, which provides benefits to former employees of The Providence Journal Company. These dispositions and the results of operations associated with *The Providence Journal* and *The Press-Enterprise* are reported as discontinued operations in the Company’s financial statements included herein. Amounts included in this Annual Report on Form 10-K exclude results of operations related to *The Providence Journal* and *The Press-Enterprise* unless otherwise indicated.

The Company's primary revenue is derived from advertising sold in published issues of its newspapers and on the Company's websites, the sale of marketing services, the sale of newspapers to subscribers and single copy customers, and commercial printing and distribution. The following sets forth the Company's distribution of revenue in 2014, 2013 and 2012:

### Total Revenue Distribution



#### Advertising and Marketing Services Revenue

Advertising and marketing services revenue accounted for approximately 58.0 percent of total revenue for 2014. The Company has a comprehensive portfolio of print and digital advertising products and marketing services which include:

- **Display** – Display revenue results from sales of advertising space within the Company's core newspapers and niche publications to local, regional or national businesses with local operations, affiliates or resellers.
- **Classified** – Classified revenue, which includes automotive, real estate, employment and other, results from sales of advertising space in the classified and other sections of the Company's newspapers.
- **Preprint** – Preprint revenue results from sales of preprinted advertisements or circulars inserted into the Company's core newspapers and niche publications, or distributed by mail or third-party distributors to households in targeted areas in order to provide total market coverage for advertisers. The Company's capabilities allow its advertisers to selectively target preprint distribution at the sub-zip code level in order to optimize coverage for the advertisers' locations.
- **Digital** – Digital advertising revenue includes the sales of display advertisements and classified advertisements on the Company's websites and on third-party websites, such as [cars.com](#), Yahoo! and [monster.com](#). The Company offers digital advertising through programmatic channels which provides placement and targeting efficiencies within an integrated advertising and marketing campaign to customers.

Marketing services revenue, also a component of digital advertising revenue, is generated by 508 Digital and Your Speakeasy, LLC ("Speakeasy"). Services provided are directed towards small to middle-market size businesses and include development of mobile websites, search engine marketing and optimization, social media account management and content marketing for its customers' web presence.

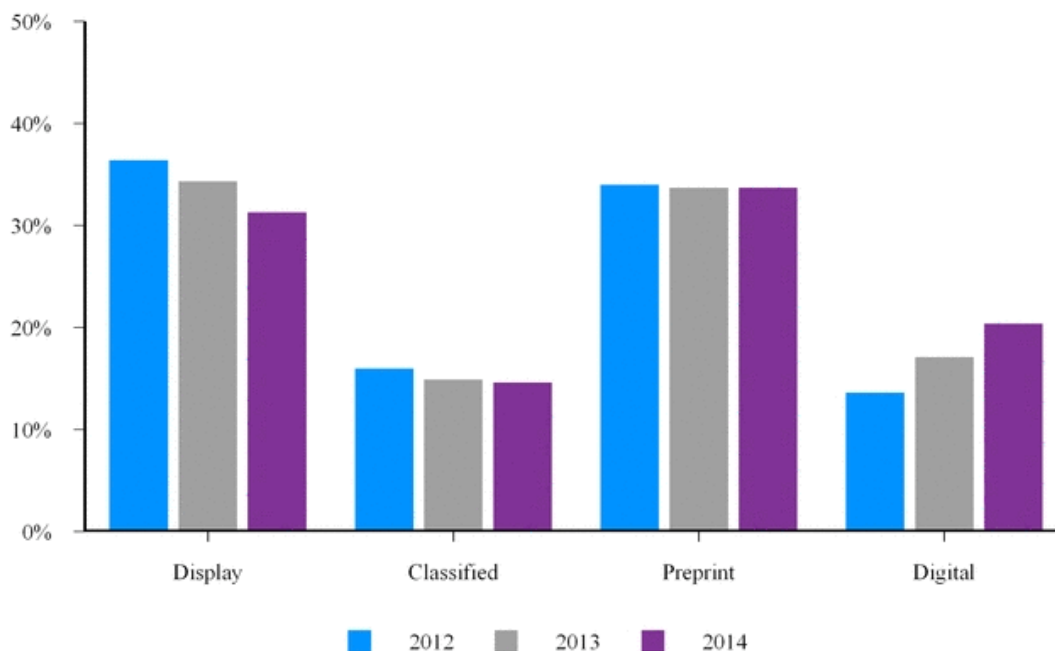
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In addition to daily newspapers, the Company publishes a number of niche publications which provide a vehicle for delivery of display, classified, preprint and digital advertising, typically to nonsubscribers of the Company’s core newspapers and typically at no charge. These publications target specific demographic groups or geographies and include Spanish-language newspapers, lifestyle publications and luxury publications that target high-income consumers. Most niche publications have related websites and mobile applications, allowing digital access by consumers. The niche publications provide unique content, but also incorporate the news content from the core newspapers while leveraging the Company’s printing, distribution and technology infrastructure to drive additional advertising revenue at a low incremental cost. From time to time, the Company produces magazines or special newspaper editions to promote business, sporting or other events in the North Texas area, such as the *Top 100 Places to Work* or the *John F. Kennedy’s 50th Anniversary* reprint edition. These publications allow the Company to generate revenue through advertising sales in the publications and through increased circulation or fees for the publications. A few of these publications are part of broader event-based campaigns supported by Crowdsourc, which promotes events and provides exposure for the Company’s tradename throughout our geographic market.

The Company operates the largest newsroom in Texas. The combined reach of the Company’s core daily newspapers, digital platforms and niche publications allows the Company to maintain its position as a primary local media publisher in the area. The Company leverages its market position, products and distribution resources to provide direct mail advertising, total market coverage, zoned editions and event-based publications which enable the Company’s advertisers to reach new or targeted markets. These products allow existing advertisers to reach their target audience through integrated advertising campaigns, while also providing the Company a portfolio of products with which to attract new advertisers.

The following sets forth the distribution of the Company’s advertising and marketing services revenue in 2014, 2013 and 2012 by product type.

### Advertising & Marketing Services Revenue Distribution



As the newspaper industry continues to face challenges in maintaining display and classified revenues, the Company continually seeks to stabilize and grow advertising revenues through strategic diversification in advertising and marketing services products. The Company has identified and developed new product and investment opportunities that leverage the scale of its news content and its operating infrastructure, as well as complement the Company’s advertising customers, subscriber base and digital platforms. In 2012, 508 Digital was formed as a division of *The Dallas Morning News*, offering digital marketing services to small companies in the Dallas metropolitan area that include development of mobile websites, search engine marketing and optimization and social

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media marketing for its customers' web presence. Also in 2012, the Company and a Dallas-based advertising agency formed Speakeasy, which targets middle-market business customers and provides turnkey social media account management and content marketing services. In addition to these digital initiatives, the Company produces certain niche products, such as *FD*, an award-winning luxury magazine and website targeting affluent residents in the Dallas area, and other entertainment, luxury and wedding guide publications and related websites.

The Company is currently exploring further opportunities to grow and diversify revenue through acquisition or investment in advertising or marketing services companies with established financial performance and strong management teams. Acquisition and investment efforts are focused on businesses with products and services that complement the existing advertising and marketing services currently offered. In 2015, the Company expanded its marketing services offerings through the acquisition of three related businesses providing a marketing automation platform, search engine marketing, direct mail and promotional products. These businesses will provide the Company greater prominence as a market leader, offering to new and existing customers an integrated print and digital solution for their advertising and marketing requirements.

### **Circulation Revenue**

Circulation revenue, which includes subscription and single copy sales revenue related to the Company's core newspapers in print and digital formats, accounted for approximately 31.1 percent of total revenue for 2014, consistent with the 31.2 percent in 2013. A. H. Belo's steadfast commitment to producing superior, unduplicated local content enables the Company's newspapers to charge premium subscription rates. *The Dallas Morning News*' goal is to maximize the amount of recurring revenue from consumers of the Company's print and digital products and to reduce reliance on advertising revenue. Although circulation volumes continue to face negative pressures, the Company believes many subscribers in the North Texas area are willing to pay for premium content. Accordingly, the Company continuously assesses the content provided to subscribers and their willingness and ability to pay higher rates by geographic area. In 2014 and 2013, the Company implemented effective rate increases to subscribers and retailers. As part of the Company's strategy to provide premium print content to subscribers, the Company offers in its Sunday edition, inserts from certain national newspapers, such as *The Washington Post* or *The New York Times*. In addition, periodically throughout the year, various special interest magazines, such as *Healthy Living* or *Your Money*, will be included with Sunday editions as a part of subscribers' home delivery news package. Subscriber and retail rates for these editions will reflect a charge for this content.

In October 2013, *The Dallas Morning News* discontinued the paywall established in 2011 which restricted access for nonsubscribers to certain premium content on [dallasnews.com](http://dallasnews.com). Research conducted since the establishment of the paywall suggested core seven-day subscribers would continue to consume news content primarily through print media even when lower digital subscription rates were offered. Starting in October 2013, news content on [dallasnews.com](http://dallasnews.com) became accessible to everyone, free of charge. The website provides expanded news and entertainment videos and greater access to content through social media sites. In addition to the free website, the Company offers a paid digital replica version of *The Dallas Morning News* to subscribers who prefer to consume news content through a digital device in a more traditional format.

The Company's news websites offer users late-breaking and other up-to-date news coverage, user-generated content, advertising, e-commerce and other services. The Company seeks to position [dallasnews.com](http://dallasnews.com) as the premier provider of on-line local news, event and entertainment news and advertising in the North Texas area. Readers can access news content across multiple digital platforms and obtain relevant local customized content and advertising. In addition to providing a digital replica of certain publications through its ePapers, the Company offers mobile websites and mobile applications for smart phones, tablets and e-readers. The Company's journalists have expanded their reach and deepened their engagement with audiences by delivering news and content through social media platforms, such as blogs, Facebook and Twitter, which direct traffic to its core websites. In 2014, the [dallasnews.com](http://dallasnews.com) was redesigned to provide a single, unified website built for mobile use first and designed to be responsive for all devices. These enhancements allow the website to quickly respond as technology evolves and new media are introduced, such as wearable devices or hybrid phone or tablet devices. The enhancements also collect better data on how users interact with the Company's content in order to support informed choices related to native application strategies.

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Readership of the Company's newspapers is tracked by Scarborough Research, which estimated the number of individuals reading a newspaper print edition to be approximately 1,345,000 for *The Dallas Morning News*, as reported in the September 2014 Publishers' Statements, which are subject to audit. This readership volume represents a reach of approximately 28.4 percent of the designated market for this newspaper in the Company's circulation area. The average print and digital volumes associated with A. H. Belo's primary daily newspaper and niche publications are reported and verified by a circulation audit agency, as set forth in the table below.

Newspaper	2014		2013		2012	
	Daily Circulation <sup>(a)</sup>	Sunday Circulation	Daily Circulation <sup>(a)</sup>	Sunday Circulation	Daily Circulation <sup>(a)</sup>	Sunday Circulation
<b>The Dallas Morning News Group</b>						
<i>The Dallas Morning News</i> <sup>(b)</sup>	272,245	382,300	271,189	379,379	267,058	372,930
Niche publications <sup>(b)</sup>	118,760	325,492	118,626	324,536	120,299	327,719
Total	391,005	707,792	389,815	703,915	387,357	700,649

(a) Daily circulation is defined as a Monday through Saturday six-day average.

(b) Average circulation data for *The Dallas Morning News* includes its niche publications and the *Denton Record-Chronicle*, which are obtained from the Publisher's Statement for the six-month periods ended September 30, 2014, 2013 and 2012, respectively, as filed with the Alliance for Audited Media (the "Audit Bureau"). The September 2014 statements are subject to audit. Year-over-year increases in reported daily circulation for 2014 and 2013 for *The Dallas Morning News* are due to increased reported digital subscribers for each of these periods.

### **Printing, Distribution and Other Revenue**

Printing, distribution and other revenue accounted for approximately 10.9 percent of total revenue for 2014 and includes commercial printing, distribution, direct mail and event-based services. The Company provides commercial printing services for certain national newspapers that require regional printing. The Company also prints various local and regional newspapers, including the Fort Worth *Star-Telegram*, which was added in 2014. Newsprint used in the production of large national newspapers is generally provided by the customer. Home delivery and retail outlet distribution services are also provided for other national and regional newspapers delivered into the Company's coverage areas. The Company also operates a direct mail service business in Phoenix, Arizona.

Through Crowdsourc, the Company's newly-formed subsidiary providing marketing and promotional support to event organizers, the Company leverages its subscriber and advertiser base to promote community events, such as One Day University, an educational speaker event; Untapped Festivals, LLC ("Untapped"), which hosts festivals providing food, craft beer and entertainment across major Texas cities; and other community-related events.

### **Raw Materials and Distribution**

The basic material used in publishing newspapers is newsprint. Currently, most of the Company's newsprint is obtained through a purchasing consortium. Management believes the Company's sources of newsprint, along with available alternate sources, are adequate for the Company's current needs.

During 2014, Company operations consumed 33,717 metric tons of newsprint at an average purchase price of \$617 per metric ton. Consumption of newsprint in 2013 was 36,979 metric tons at an average cost of \$620 per metric ton.

The Company's newspapers and other commercial print products are produced at its facility in Plano, Texas. Distribution of printed products to subscribers, retailers and newsstands is made under terms of agreements with third-party distributors. The Company believes a sufficient number of third-party distributors exist to allow uninterrupted distribution of the Company's products.

### **Other Interests**

In addition to its core newspaper operations, A. H. Belo owns the following investment interests:

- Wanderful Media, LLC ("Wanderful") – The Company owns a 13.0 percent interest in Wanderful, which operates *FindnSave.com*, a digital shopping platform on both desktop and mobile where consumers can find national and local retail goods and services for sale. This platform combines local media participation with advanced search and database technology to allow a consumer to view online sales circulars and local advertised offers, or search for an item and receive a list of local advertisers and the price and terms offered for the searched item. It also provides key logistics technology and incentives to drive consumers to retailer locations through a geo-fence platform.

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- ResponseLogix, Inc., operating as Digital Air Strike ([www.digitalairstrike.com](http://www.digitalairstrike.com)) – The Company owns a 2.1 percent interest in Digital Air Strike, which provides automotive dealers a suite of digital marketing communications, behavioral targeting and social media solutions.
- Sawbuck Realty, Inc., operating as Homesnap ([www.homesnap.com](http://www.homesnap.com)) – The Company owns a 19.8 percent interest in Homesnap, a free online real estate search platform with brokerage partnerships, that can be accessed through its website and mobile applications, allowing users to gather current information on real estate listings.

In 2014, the Company sold its 3.3 percent interest in Classified Ventures, LLC (“Classified Ventures”) to Gannett Co., Inc., along with other unit holders. The two principal business operated by Classified Ventures included [cars.com](http://cars.com) and [apartments.com](http://apartments.com). The Company renegotiated its affiliate agreement with Classified Ventures, allowing the Company to continue to resell advertising on [cars.com](http://cars.com) for the next five years.

The Company owns a 70.0 percent interest in Speakeasy and a 51.0 percent interest in Untapped. The assets, liabilities and results of operations from these companies are reported within the A. H. Belo consolidated financial statements as the Company has a controlling financial interest in these investments.

### **Competitive Strengths and Challenges**

The Company’s strengths are:

- established, well-known and trusted brands within each of its markets
- the ability to develop innovative new product and service offerings which leverage the Company’s brand equity, existing content, distribution platforms, technologies and relationships
- product or service offerings that allow the Company to offer advertisers a customized and integrated advertising and marketing solution through desired media channels
- sufficient liquidity to allow the Company to opportunistically invest in or acquire businesses that complement the Company’s advertising or marketing services business
- an affluent and educated demographic base in its market
- the ability to market print or digital products and services to large and targeted audiences at low marginal costs
- sales personnel with knowledge of the marketplaces in which the Company conducts its business and relationships with current and potential advertising clients
- the ability to effectively manage operating costs according to market pressures

The Company’s newspapers and other print media continue to experience challenges to maintain and grow advertising and circulation revenue primarily due to increased competition from other media, particularly the Internet. The decline in advertising revenue was particularly realized in the display and classified categories, as advertisers shift from print to other media. In response, the Company has developed or acquired capabilities to offer customers advertising and marketing solutions through multiple media channels. The Company also continues to diversify its revenue base by leveraging the available capacity of its existing assets to provide print and distribution services for newspapers and other customers requiring these services, by introducing new advertising and marketing services products, by increasing circulation prices and through growth of the Company’s event based business.

As a result of declining print circulation, the Company has developed broad digital strategies designed to provide readers with multiple platforms for obtaining online access to local news coverage while protecting the Company’s core print business. The Company continues to obtain additional key demographic data from readers, which allows the Company to provide content most desired by readers and to modify marketing and distribution strategies to target and reach audiences most valued by advertisers. The Company has implemented a programmatic digital advertising platform which provides digital ad placement and targeting efficiencies and increases utilization of digital inventory within the Company’s websites as well as on external websites. The Company has established strategic relationships with major Internet companies and invested in certain companies with innovative products and technologies. The Company also increased its focus on neighborhood and other local community and regional news, both in print and online.



## **Strategy**

A. H. Belo is committed to producing positive net income and cash flow and creating value for shareholders over the long-term through stock price appreciation and dividends. The Company continuously evaluates its operations and investments against various economic factors to determine the appropriate holding strategies.

A. H. Belo's business model evolved in 2014 as it no longer encompasses the newspaper operations in Rhode Island and California. The sales of *The Providence Journal* in September 2014 and *The Press-Enterprise* in November 2013 allowed the Company to profitably divest of these operations which operated in markets facing strong competitive pressures and local economic challenges. As a result of these dispositions, the Company's management team is focused on its Texas operations and the development of new business initiatives in this area.

The Company also divested its interest in Classified Ventures, whose operations included *cars.com* and *apartments.com*, while retaining its affiliate agreement for five years with a buyer's option to renew, allowing the Company to continue reselling advertising on this platform as part of its continuing operations.

The Company is committed to providing the leading digital and print platforms for delivering news of the highest quality and integrity in the North Texas area, as well as creating and developing innovative print and digital products addressing the needs of consumers and advertisers. The Company intends to achieve these objectives through the following strategies:

- market existing print and digital products in an integrated manner that creates sustainable revenue and earnings
- diversify revenue streams through acquisition or investment in established and profitable businesses complementing the Company's advertising and marketing services
- produce quality local content to drive revenue over digital and print platforms
- optimize and leverage marketing and sales capabilities, including consumer demographic data, to implement initiatives that enable advertisers to reach high value consumers more effectively
- increase circulation of niche products and special edition publications in targeted areas to provide greater coverage for advertisers
- increase utilization of operating assets through marketing of printing and distribution services to third parties
- continue to align costs with revenue, maintain strong liquidity to support future business and product initiatives and provide flexibility to meet strategic investment opportunities and other cash flow requirements

In 2014 and 2013, the Company was successful in divesting of investments, newspaper assets and operations in Rhode Island and California, and non-core real estate assets, all at opportunistic prices. Sales proceeds received from these divestitures have been used to return money to shareholders, provide additional contributions to the Company's pension plans, and invest in new businesses that complement and leverage our existing core operations. However, the Company continues to be challenged to locate new investments that will provide near and long term returns to replace the ongoing loss of revenue from declining advertising and circulation revenue. The Company continuously evaluates and implements measures to control operating expenses as it seeks to develop and grow new businesses, including divesting of unprofitable products and services, adjusting the Company's workforce and benefits to align with revenues and market conditions, and restructuring the Company's newspapers through organizational realignments. Returns on operating and investing assets are continually evaluated to ensure the appropriate return on investment is achieved and that capital is deployed to the benefit of its shareholders.

## **Competition**

The Company's newspapers, niche publications and related websites primarily serve audiences in the North Texas area. The Company's newspapers compete for advertising revenue in its newspapers and websites with other print and digital media companies. Advertising revenues in the Company's newspapers and on its websites are responsive to circulation and traffic volumes, demographics of its subscriber base, advertising results, rates and customer service. Advertising on digital platforms is highly competitive and largely dominated by large Internet companies. As advertisers reallocate marketing expenditures from print to digital channels, the Company believes its strong local brand, its suite of print and digital advertising and marketing service products, affiliate agreements with large Internet advertisers, and its programmatic digital advertising platform allow it to offer unique advertising and marketing solutions to local businesses on a competitive scale.

*The Dallas Morning News* has the highest paid print circulation volumes in the North Texas area while competing with one other metropolitan newspaper in parts of its geographic market. Circulation revenues are primarily challenged due to free and readily

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accessible news, entertainment, advertising and other content available through the Internet. This secular shift from print to digital media continues as consumer lifestyles embrace technological advancements, particularly with mobile devices, which provide access to a wide variety of digital news and advertising alternatives, including news and social media websites, online advertising networks and exchanges, online classified services, and direct email advertising. Competition for readers is primarily based on the mode of delivery, quality of the Company's journalism, price, timeliness of its interaction with audiences and customer service. News and other digital content produced by the Company's newspapers and niche publications is available through its websites and through email. The Company offers the latest technology for accessing digital content on mobile devices and through personal computers. Journalists engage online readers through blogs, Twitter and other social media posts. The Company has modified its websites to provide greater video content and advertising, links to other sites sought by readers, improved layouts, and a better interface with mobile applications.

### **Seasonality**

A. H. Belo's advertising revenues are subject to moderate seasonality, with advertising revenue typically higher in the fourth calendar quarter of each year because of the holiday shopping season. The level of advertising sales in any period may also be affected by advertisers' decisions to increase or decrease their advertising expenditures in response to anticipated consumer demand and general economic conditions.

### **Employees**

As of December 31, 2014, the Company had approximately 1,100 full-time and 90 part-time employees.

### **Available Information**

A. H. Belo maintains its corporate website at [www.ahbelo.com](http://www.ahbelo.com). The Company makes available on its website, free of charge, this Annual Report on Form 10-K, its quarterly reports on Form 10-Q, its current reports on Form 8-K and amendments to those reports, as filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended, as soon as reasonably practicable after the reports are electronically filed with or furnished to the Securities and Exchange Commission (the "SEC").

## Item 1A. Risk Factors

Sections of this Annual Report on Form 10-K and management's comments from time to time may contain forward-looking statements that are subject to risks and uncertainties. These statements are based on management's current knowledge and estimates of factors affecting the Company's operations, both known and unknown. Readers are cautioned not to place undue reliance on such forward-looking information as actual results may differ materially from those currently anticipated. In addition, a number of other factors (those identified elsewhere in this document and others, both known and unknown) may cause actual results to differ materially from expectations.

*A. H. Belo's businesses operate in highly competitive media markets, and the Company's ability to maintain market share and generate revenue depends on how effectively the Company competes with existing and new competition.*

The Company's businesses operate in highly competitive media markets. A. H. Belo's newspapers compete for advertising and circulation revenue with other newspapers, websites, digital applications, magazines, television, radio, direct mail and other media. The continued expansion of digital media and communications, particularly social media, mobile applications and the proliferation of tablet and mobile devices has increased some consumers' preferences to receive all or part of their news and information digitally. Websites such as [craigslist.org](http://craigslist.org), [monster.com](http://monster.com) and [cars.com](http://cars.com) provide a cost efficient platform for reaching wide but targeted audiences for classified advertising. Websites such as Facebook, Twitter, Google and Yahoo! are successful in gathering national, local and entertainment news and information from multiple sources and attracting a broad readership base.

Historically, newspaper publishing was viewed as a cost-effective method of delivery for various forms of advertising to a large audience. The continued development and deployment of new technologies and greater competition from other media increases the challenge to the Company to provide competitive offerings to retain its print, as well as digital, advertisers and subscribers.

A. H. Belo's ability to stabilize advertising and circulation revenue through price and volume increases may be affected by competition from other forms of media and other publications available in the Company's various markets, declining consumer spending on discretionary items like newspapers, decreasing amounts of free time and declining frequency of regular newspaper buying among certain demographic groups. The Company may also incur higher costs competing for paid circulation, and if the Company is not able to compete effectively for advertising dollars and paid circulation, revenue may decline and the Company's financial condition and results of operations may be adversely affected.

*Purchasing practices of national advertisers could negatively impact the Company's pricing and ability to up-sell other products, which could result in lower revenues.*

Many national advertisers which place advertising in the Company's newspapers are centralizing purchasing functions and streamlining the buying and negotiating process. This has resulted in the commoditization of certain advertising products, which limits the Company's ability to promote its position in the market, the customer service value of its relationship with the advertiser, or the benefits of its suite of products, including the Company's ability to up-sell other products. This also may put the Company in competition with other advertising companies that are able to offer lower prices for a larger geographical area than the Company covers. Accordingly, the Company could experience a decline in pricing which could result in a decline in revenue.

*A. H. Belo may be unsuccessful in providing desired types of news and information content on digital platforms.*

The Company increased the functionality of the websites associated with its core newspapers and offered applications for smart phones, tablet devices and e-readers. These digital platforms provide consumers varying levels of access to similar content offered within the respective newspaper, as well as late-breaking local, national and international news stories and interactive content, such as video, blogs and Twitter feeds. However, the frequency, types and depth of news desired by digital users may not be predictable or consistent with the news and other content offered on the Company's digital platforms and the costs to attract and retain such consumers may be unprofitable to the Company's operations.

*The Company holds significant cash reserves from the sales of its newspapers and investments and may not be successful in deploying these reserves in a profitable manner, and if additional capital resources are desired, the Company may not be able to obtain capital on favorable terms, if at all.*

At December 31, 2014, the Company held \$158,171 in cash and cash equivalents, largely due to the disposition of its interest in Classified Ventures and the sale of *The Providence Journal*. The Company's future growth and profitability may be dependent upon its ability to profitably invest its capital in products and businesses that produce profitable revenue and generate acceptable returns on investment. The Company may not be able to find suitable opportunities to reinvest available cash, which could adversely impact the return on capital, or may make investments that do not yield the expected returns. If the Company deploys a substantial portion of the cash reserves, it may need additional financing to execute on current or future business strategies, including: developing new products internally, diversifying revenue streams by acquiring or investing in established and profitable businesses;

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making required investments in its operating infrastructure in order to support revenue growth; or otherwise responding to competitive pressures. The Company's ability to raise financial capital in the future may be hindered due to uncertainty regarding A. H. Belo or the newspaper industry's prospective performance. If adequate funds are not available or are not available on acceptable terms, if and when needed, the Company's ability to conduct acquisitions, make investments in its businesses, take advantage of unanticipated opportunities, or otherwise respond to competitive pressures, could be significantly limited.

*There can be no assurance that the Company's product and service initiatives will be successful.*

The Company has introduced new product and service initiatives designed to grow advertising and market services revenue and to respond to challenges of maintaining revenue in existing markets. These initiatives may not be successful for advertisers, may not be scalable or profitable and could result in unprofitable financial performance.

*Decreases in circulation may adversely affect A. H. Belo's advertising and circulation revenue.*

A. H. Belo's newspapers, and the newspaper industry as a whole, are challenged to maintain and grow print circulation volume. To the extent circulation volume declines cannot be offset by rate increases the Company will realize lower circulation revenue. Further, circulation volume declines could also result in lower rates and volumes for advertising revenue.

*The Company's potential inability to successfully execute cost control measures could result in total operating costs that are greater than expected.*

The primary costs of the Company's operations include employee compensation and benefits; followed by distribution costs, newsprint and other production materials and technology costs. The Company has taken steps to lower its costs through selling or discontinuing production of unprofitable operations and products, reducing personnel and employee benefits and implementing general cost control measures. Although the Company continues its cost control efforts, the Company may be unable to match revenue declines with offsetting cost reductions.

Certain operating costs may not fluctuate directly with the changes in revenue volumes, which could result in lower margins if advertising and circulation volumes decline. The Company could also experience inflationary pressures from suppliers and be unable to generate additional revenue or additional cost reductions to offset these inflationary pressures. The Company utilizes outside service providers to distribute its newspapers, and certain preprint advertising are distributed through the mail. Higher fuel costs or higher postage rates could result in higher direct costs incurred by the Company to distribute its products. The basic raw material for newspapers is newsprint. The price of newsprint has historically fluctuated significantly. Consolidation in the North American newsprint industry reduced the number of suppliers and led to paper mill closures and conversions to other grades of paper, which in turn decreased overall newsprint capacity and increased the likelihood of higher prices.

Recently implemented health care mandates may require the Company to evaluate the scope of health care benefits offered to its workforce and the method in which health care benefits are delivered. These mandates may require an expansion of coverage and benefits offered to employees that could increase the Company's cost to provide medical benefits to employees. Additionally, as the economy recovers from the recent recession, competition for qualified personnel may require the Company to spend more on compensation costs, including employee benefits, to attract and retain its workforce.

The Company may not be able to pass on to customers these potential cost increases given the significant competition for advertising dollars and the ability of customers to obtain their news from other media at a low cost. If the Company does not achieve expected savings or if operating costs increase due to the creation and development of new products or otherwise, total operating costs may be greater than anticipated.

The Company believes appropriate steps are being taken to control costs. However, if the Company is not successful in matching revenue declines with corresponding cost reductions, the quality of the Company's product's could be affected as well as the Company's ability to generate future profits. These events could result in impairment to the Company's goodwill and other long-lived assets.

*A. H. Belo has had turnover in its senior executive management. A. H. Belo depends on key personnel and may not be able to operate and grow its business effectively if the Company is unable to replace executive officers or loses the services of other senior executive officers or key operational employees or is unable to attract and retain qualified personnel in the future.*

A. H. Belo relies on the efforts of its senior executive officers and other management. The Company's chief financial officer has recently departed the Company for another executive position, and the Company's controller is serving as its principal financial officer until a new chief financial officer is hired. The position of a senior vice president is being eliminated, and his corporate secretarial duties will be reallocated to the Company's general counsel. In addition, the editor of its flagship paper, *The Dallas Morning News*, has recently announced his retirement in May 2015. An executive has been hired for the role of editor. In addition,

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operating executives have recently been appointed to the key operational roles of chief revenue officer and chief digital officer of *The Dallas Morning News*. The success of the Company's businesses depends heavily on their ability to successfully execute the required responsibilities of these roles as well as the Company's ability to retain current management and to attract and retain qualified personnel in the future. Competition for senior management personnel is intense and A. H. Belo may not be able to retain its key personnel or hire suitable replacements. In addition, reductions in staff and in employee benefits could adversely affect the Company's ability to attract and retain key employees. The Company has not entered into employment agreements with key management personnel and does not have "key person" insurance for any of its senior executive officers or other key personnel. A. H. Belo has a change in control severance plan covering key management personnel that is triggered under certain conditions if a change in control occurs.

*Market conditions could increase the funding requirements associated with the Company's pension plans.*

The Company is the sole sponsor of A. H. Belo Pension Plans I and II (collectively, the "A. H. Belo Pension Plans") and is required to meet certain pension funding requirements as established under the Employment Retirement Income Security Act ("ERISA"). Instability in global and domestic capital markets may result in low returns on the assets contributed to the A. H. Belo Pension Plans. Additionally, low yields on corporate bonds may decrease the discount rate, resulting in a higher funding obligation. Although legislation was enacted into law in 2012 which provided limited funding relief, these conditions could materially increase the funding requirements associated with the A. H. Belo Pension Plans, which could have an adverse impact on the Company's liquidity and financial condition.

*Adverse results from new litigation or governmental proceedings or investigations could adversely affect A. H. Belo's business, financial condition and results of operations.*

From time to time, A. H. Belo and its subsidiaries are subject to litigation, governmental proceedings and investigations. Adverse determinations in any such matters could require A. H. Belo to make monetary payments or result in other sanctions or findings that could affect adversely the Company's business, financial condition and results of operations.

*A. H. Belo's directors and executive officers have significant combined voting power and significant influence over its management and affairs.*

A. H. Belo directors and executive officers hold approximately 54.4 percent of the voting power of the Company's outstanding voting stock as of December 31, 2014. A. H. Belo's Series A common stock has one vote per share and Series B common stock has 10 votes per share. Except for certain extraordinary corporate transactions, generally all matters to be voted on by A. H. Belo's shareholders must be approved by a majority of the voting power of the Company's outstanding voting stock, voting as a single class. Certain extraordinary corporate transactions, such as a merger, consolidation, sale of all or substantially all of the Company's assets, dissolution of the Company, the alteration, amendment, or repeal of A. H. Belo's bylaws by shareholders and certain amendments to A. H. Belo's certificate of incorporation, require the affirmative vote of the holders of at least two-thirds of the voting power of the outstanding voting stock, voting as a single class. Accordingly, A. H. Belo's directors and executive officers will have significant influence over the Company's management and affairs and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions. This ownership may limit other shareholders' ability to influence corporate matters and, as a result, A. H. Belo may take actions that some shareholders do not view as beneficial.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

The Company's principal operations are located as follows:

Operations	Ownership	Location
<i>A. H. Belo and The Dallas Morning News</i>		
Corporate and <i>The Dallas Morning News</i> ' headquarters	Owned	Dallas, Texas, downtown
Printing facilities	Owned	Plano, Texas
<i>Denton Record-Chronicle</i> offices	Owned	Denton, Texas, downtown
Direct mail offices and warehouse	Leased	Phoenix, Arizona

In addition to the properties above, the Company holds various real estate assets in Texas and Rhode Island that are nonessential to operations including various commercial buildings, parking lots and land. These real estate assets are currently marketed for sale and are included in property, plant and equipment in the Company's consolidated balance sheets.

**Item 3. Legal Proceedings**

A number of legal proceedings are pending against A. H. Belo. In the opinion of management, liabilities, if any, arising from these legal proceedings would not have a material adverse effect on A. H. Belo's results of operations, liquidity or financial condition.

## PART II

### Item 4. Mine Safety Disclosures

None.

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's authorized common equity consists of 125,000,000 shares of common stock, par value \$.01 per share. The Company has two series of common stock outstanding, Series A and Series B. Shares of the two series are identical in all respects except as noted herein. Shares of Series B common stock are entitled to 10 votes per share on all matters submitted to a vote of shareholders, and shares of Series A common stock are entitled to one vote per share. Transferability of the Series B common stock is limited to family members and affiliated entities of the holder. Shares of Series B common stock are convertible at any time on a one-for-one basis into shares of Series A common stock and upon a transfer other than as described above, shares of Series B common stock automatically convert into Series A common stock. Shares of the Company's Series A common stock are traded on the New York Stock Exchange (NYSE trading symbol: AHC) and began trading on February 11, 2008. There is no established public trading market for shares of Series B common stock.

The declaration of dividends is subject to the discretion of A. H. Belo's board of directors. The determination as to the amount declared and its timing depends on, among other things, A. H. Belo's results of operations and financial condition, capital requirements, other contractual restrictions, prospects, applicable law, general economic and business conditions and other future factors that are deemed relevant. The board of directors generally declares dividends the quarter preceding its stated measurement and payment dates. A. H. Belo cannot provide any assurance that future dividends will be declared and paid due to the foregoing factors and the factors discussed in "Item 1A. Risk Factors" and elsewhere in this Annual Report on Form 10-K. The table below sets forth the high and low sales prices reported on the New York Stock Exchange for a share of the Company's common stock and the recorded cash dividends per share declared for the past two years.

	Stock Price			Dividends
	High	Low	Close	Declared
<b>2014</b>				
Fourth quarter	\$ 13.34	\$ 10.37	\$ 10.38	\$ 2.33
Third quarter	12.17	10.20	10.67	0.08
Second quarter	12.83	10.47	11.85	1.58
First quarter	13.00	7.37	11.58	0.08
<b>2013</b>				
Fourth quarter	\$ 8.60	\$ 6.91	\$ 7.47	\$ 0.08
Third quarter	8.05	6.57	7.85	0.08
Second quarter	7.25	5.48	6.86	0.08
First quarter	6.00	4.72	5.84	0.06

The closing price of the Company's Series A common stock as reported on the New York Stock Exchange on February 27, 2015, was \$8.69. The approximate number of shareholders of record of the Company's Series A and Series B common stock at the close of business on February 27, 2015, was 419 and 185, respectively.

### Equity Compensation Plan Information

The information set forth under the heading "Equity Compensation Plan Information" contained in the definitive Proxy Statement for the Company's Annual Meeting of Shareholders, to be held on May 14, 2015, is incorporated herein by reference.

### Issuer Purchases of Equity Securities

The Company repurchases shares of its common stock from time to time pursuant to publicly announced share repurchase programs. During 2014, the Company repurchased 449,436 Series A shares at a cost of \$4,974. All purchases were made through open market transactions and were recorded as treasury stock.

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The following table contains information for shares repurchased during the fourth quarter of 2014. None of the shares in this table were repurchased directly from any of our officers or directors.

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</b>
October 2014	45,616	\$ 11.06	867,065	632,935
November 2014	37,343	11.58	904,408	595,592
December 2014	40,228	12.27	944,636	555,364 <sup>(a)</sup>

(a) Share repurchases are made pursuant to a share repurchase program authorized by the Company's board of directors. A total of 1,000,000 shares were authorized by the Company's board of directors in the fourth quarter of 2012 and an additional 500,000 shares were authorized in the fourth quarter 2013.

**Sales of Unregistered Securities**

During 2014, 2013 and 2012, shares of the Company's Series B common stock in the amounts of \$8,918, \$4,401 and \$12,961, respectively, were converted, on a one-for-one basis, into shares of Series A common stock. The Company did not register the issuance of these securities under the Securities Act of 1933 (the "Securities Act") in reliance upon the exemption under Section 3(a)(9) of the Securities Act.

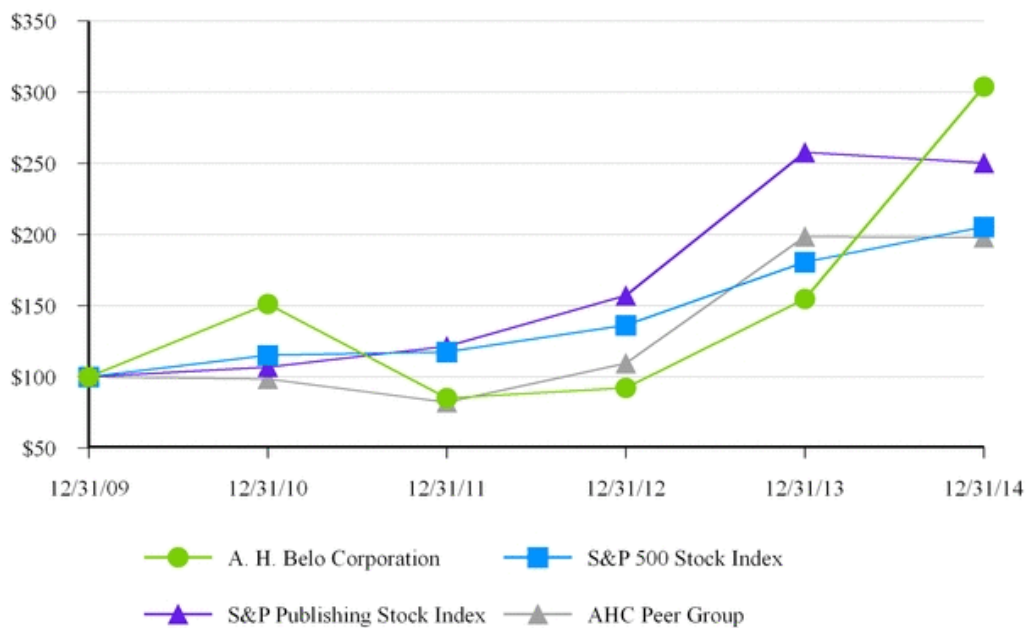


**Performance Graph**

The following graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or Exchange Act, each as amended, except to the extent that the Company specifically incorporates it by reference into such filing.

The graph below compares the annual cumulative shareholder return on an investment of \$100 on December 31, 2009, with a closing price of \$5.76 per share, in A. H. Belo’s Series A common stock, based on the market price of the Series A common stock and assuming reinvestment of dividends, with the cumulative total return, assuming reinvestment of dividends, of a similar investment in (1) companies on the Standard & Poor’s 500 Stock Index, (2) companies on the Standard & Poor’s Publishing Stock Index and (3) the 2014 group of peer companies selected on a line-of-business basis and weighted for market capitalization. In future periods, the Company will compare stock performance to the S&P Publishing Stock Index rather than a peer group. The 2014 group of peer companies, which includes Gannett Co., Inc., The E. W. Scripps Company, Journal Communications, Inc., Lee Enterprises, Incorporated, The McClatchy Company, Media General, Inc and The New York Times Company, is presented for comparative purposes. A. H. Belo is not included in the calculation of peer group cumulative total shareholder return on investment.

**Total Return Performance  
(per share)**



**Item 6. Selected Financial Data**

The table below sets forth selected financial data of the Company for each of the years ended 2010 through 2014. For a more complete understanding of this selected financial data, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and accompanying notes.

In thousands, except per share amounts	As of and for the years ended December 31,				
	2014	2013	2012	2011	2010
Total net operating revenue	\$ 272,788	\$ 276,183	\$ 280,924	\$ 299,131	\$ 314,049
Total operating costs and expense <sup>(a)</sup>	280,474	274,961	276,790	301,398	458,670
Income (loss) from operations	(7,686)	1,222	4,134	(2,267)	(144,621)
Total other income (expense), net <sup>(b)</sup>	99,671	2,154	2,766	(966)	6,239
Income tax provision (benefit) <sup>(c)</sup>	5,978	1,460	1,793	5,163	(7,088)
Income (loss) from continuing operations	86,007	1,916	5,107	(8,396)	(131,294)
Income (loss) from discontinued operations <sup>(d)</sup>	6,770	14,010	(4,688)	(2,537)	7,059
Net loss attributable to noncontrolling interests <sup>(e)</sup>	(152)	(193)	(107)	—	—
Net income (loss) attributable to A. H. Belo Corporation	\$ 92,929	\$ 16,119	\$ 526	\$ (10,933)	\$ (124,235)
Total assets	\$ 298,747	\$ 279,218	\$ 291,939	\$ 345,088	\$ 420,049
Total liabilities	\$ 172,728	\$ 110,442	\$ 189,879	\$ 223,609	\$ 220,176
Total shareholders’ equity	\$ 126,019	\$ 168,779	\$ 102,060	\$ 121,479	\$ 199,873
Cash dividends recorded per share	\$ 4.07	\$ 0.28	\$ 0.48	\$ 0.18	\$ —

(a) In 2014, the Company recorded a \$7,648 charge to pension expense related to the recognition or prior year actuarial losses associated with liquidated pension obligations in conjunction with the Company’s continued de-risking efforts.

In 2010, the Company recorded a loss of \$132,346 related to the withdrawal of the Company from a defined benefit plan of the former parent company. The assets and obligations related to current and former employees participating in this plan were transferred into two newly formed defined benefit pension plans created and sponsored solely by the Company. A final settlement adjustment of \$1,988 was recorded to expense in 2011 relating to the finalization of plan assets and obligations assumed.

(b) In 2014, Classified Ventures, an equity-method investee, sold its [apartments.com](#) business unit and the Company recorded a gain of \$18,479 related to the sale. On October 1, 2014, the Company completed a transaction with Gannett Co. Inc. and other unit holders of Classified Ventures whereby Gannett acquired all membership interests from the unit holders for Classified Ventures’ remaining business which primarily consists of [cars.com](#). The Company recorded a gain of \$77,092 related to the transaction. Other income of \$3,540 was recorded for the receipt of an economic parity payment from the former parent company in conjunction with the dissolution of the jointly-owned partnership holding the Company’s investment in Classified Ventures.

(c) In 2010, the Company’s former parent company amended its 2008 federal income tax return in order to generate an \$4,732 tax refund related to Company losses carried back against this return. In 2013, the Company effectively completed the U.S. federal audit for tax years 2008 and 2009 which resulted in a 2013 refund of \$1,334 due to the carryback of taxable losses to a prior tax return of the former parent company.

(d) In 2014, the Company sold the operations of *The Providence Journal* and in 2013, the Company sold the operations of *The Press-Enterprise*, both of which are reported as discontinued operations for the periods presented above.

(e) In 2014, the Company acquired a 51% interest in Untapped Festivals, LLC. In 2012, the Company acquired a 70 percent interest in Your Speakeasy, LLC. The Company consolidates the results of operations related to these investments and records the interests of other owners as noncontrolling interests.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Forward-Looking Statements

*The following information should be read in conjunction with the other sections of this Annual Report on Form 10-K. Statements in this Annual Report on Form 10-K concerning A. H. Belo's business outlook or future economic performance, anticipated profitability, revenues, expenses, dividends, capital expenditures, investments, dispositions, impairments, business initiatives, acquisitions, pension plan contributions and obligations, real estate sales, working capital, future financings and other financial and non-financial items that are not historical facts, are "forward-looking statements" as the term is defined under applicable federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those statements.*

*Such risks, uncertainties and factors include, but are not limited to the following: changes in capital market conditions and prospects, changes in advertising demand and newsprint prices; newspaper circulation trends and other circulation matters, including changes in readership methods, patterns and demography; audits and related actions by the Alliance for Audited Media; challenges implementing increased subscription pricing and new pricing structures; challenges in achieving expense reduction goals in a timely manner and the resulting potential effect on operations; challenges attracting and retaining key personnel; challenges in consummating asset acquisitions or dispositions upon acceptable terms; technological changes; development of Internet commerce; industry cycles; changes in pricing or other actions by new and existing competitors and suppliers; consumer acceptance of new products and business initiatives; labor relations; regulatory, tax and legal changes; adoption of new accounting standards or changes in existing accounting standards by the Financial Accounting Standards Board or other accounting standard-setting bodies or authorities; the effects of Company acquisitions, dispositions and co-owned ventures and investments; pension plan matters; general economic conditions and changes in interest rates; significant armed conflict; acts of terrorism; and other factors beyond the Company's control, as well as other risks described elsewhere in this Annual Report on Form 10-K and in the Company's other public disclosures and filings with the SEC.*

### OVERVIEW

A. H. Belo, headquartered in Dallas, Texas, is a leading local news and information publishing company with commercial printing, distribution and direct mail capabilities, as well as expertise in emerging media and digital marketing. With a continued focus on extending the Company's media platform, A. H. Belo is able to deliver news and information in innovative ways to a broad spectrum of audiences with diverse interests and lifestyles.

The Company publishes *The Dallas Morning News* ([www.dallasnews.com](http://www.dallasnews.com)), Texas' leading newspaper and winner of nine Pulitzer Prizes; the *Denton Record-Chronicle* ([www.dentonrc.com](http://www.dentonrc.com)), a daily newspaper operating in Denton, Texas, and various niche publications targeting specific audiences. A. H. Belo offers digital marketing solutions through 508 Digital and Your Speakeasy, LLC and provides event promotion and marketing services through Crowdsourc.

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

Certain current and prior year amounts related to *The Providence Journal* and *The Press-Enterprise* have been recast as discontinued operations. Amounts in Management's Discussion and Analysis reflect continuing operations of the Company unless otherwise noted. The results from continuing operations consist primarily of *The Dallas Morning News* and corporate activities.

#### *Overview of Significant Transactions from Continuing Operations*

Operating results for 2014, 2013 and 2012 reflect continued challenges in print advertising revenue trends, primarily due to volume and rate declines, partially offset by increases in the Company's digital advertising and marketing services revenues.

The Company continues its efforts to diversify revenues through leveraging its brand, its personnel and its infrastructure in both organic new product development and in pursuit of acquisitions of related advertising and marketing services companies. During 2014, the Company expanded the reach of its Crowdsourc event marketing subsidiary by acquiring a controlling interest in Untapped Festivals and the assets of Savor Dallas. In January 2015, the Company acquired majority ownership of three companies specializing in local marketing automation, search engine marketing, direct mail and promotional products. These acquisitions will complement and expand the product and service offerings currently available to A. H. Belo clients, thereby strengthening the Company's diversified product portfolio and allowing for greater penetration in a competitive advertising market. The Company incurred \$577 of legal and due diligence costs in 2014, which were charged to operating expense, in conjunction with these acquisitions.

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During 2014, the results of operations of the Company were influenced by several significant transactions and events. In the first quarter, the Company commenced printing services of the Fort Worth *Star-Telegram* at the Company's printing operations in Plano, Texas. The agreement between The Dallas Morning News, Inc. and Star-Telegram, Inc. is for an initial term of 10 years and has a renewal option to extend the contract.

In April 2014, the Company received a cash distribution of \$18,861 from Classified Ventures, an equity method investee, for its portion of the net sales proceeds for [apartments.com](#), and recorded a gain of \$18,479. In October 2014, the Company completed a transaction with Gannett Co. Inc. and other unit holders of Classified Ventures whereby Gannett acquired all membership interests from the unit holders for Classified Ventures' remaining business, which primarily consists of [cars.com](#). The Company received pre-tax cash proceeds, net of selling costs, of \$77,661. Escrow proceeds of \$3,280 will be received within one year. The Company recorded a gain of \$77,092 related to the transaction. The Company entered into a new, five-year affiliate agreement with Classified Ventures that will allow *The Dallas Morning News* to continue to resell [cars.com](#) products and services exclusively in its local market. The affiliate agreement increases the wholesale rate that the Company will pay to Classified Ventures for selling [cars.com](#) products. Other income of \$3,540 was recorded in July 2014 for the receipt of an economic parity payment from the former parent company in conjunction with the dissolution of the jointly-owned partnership holding the Company's investment in Classified Ventures.

The Company determined that an other-than-temporary decline in the value of its investment in Wanderful Media occurred after evaluating the estimated fair value of the investee as determined by an independent valuation specialist and recorded an impairment charge of \$1,871, reducing the carrying value of the investment. The Company attributes the impairment primarily to a decline in business related to Wanderful Media's legacy products. An additional contribution of \$1,909 was made in the second quarter of 2014 to provide capital for development of new product offerings as Wanderful Media establishes its market presence.

In the fourth quarter of 2014, the Company completed an effort to continue to de-risk its pension plans, and lump sum payments totaling \$52,919, funded from the plans' master trust account, were made to certain participants accepting the lump sum offers. The liquidation reduced the Company's pension benefit obligation by approximately \$70,000, and a non-cash charge of \$7,648 was recorded to pension expense due to the recognition of prior year actuarial losses associated with the liquidated pension obligations. Required contributions of \$9,927 were made to the pension plans in 2014. A voluntary payment of \$20,000 was made in December 2014 to improve the unfunded position of the pension plans and to lower the tax obligations for the 2014 tax year as these payments are deductible for tax purposes. As a result of the de-risking settlements and the voluntary contributions in 2014, the Company does not expect to make any required pension contributions in 2015.

During 2014, the Company completed several transactions resulting in the sale of various real properties. Net proceeds totaling \$3,408 were received in the third quarter for the sales of land and buildings in Riverside, California related to a former commercial printing operation and 97 acres of undeveloped land in southern Dallas, Texas, resulting in gains totaling \$862. In the fourth quarter, the Company sold the land and building related to its former commercial packaging operation in southern Dallas, Texas. Net proceeds of \$6,677 were received related to the sale, generating a gain of \$1,827.

As a result of the above transactions, the Company is in a taxable position as of December 31, 2014.

Special dividends were recorded in the second and fourth quarters of 2014 of \$1.50 and \$2.25 per share, respectively, totaling \$83,967, in order to return to shareholders cash held by the Company which exceeded forecasted liquidity requirements. Quarterly dividends of \$0.08 per share returned \$7,193 to shareholders and holders of RSUs throughout the year. The Company announced on December 11, 2014, a dividend of \$0.08 per share payable on March 6, 2015, to shareholders of record and holders of RSUs as of the close of business on February 13, 2015.

In addition, the Company purchased 449,436 of its Series A common shares during the year through open market transactions for \$4,974, which are recorded as treasury stock.

**RESULTS OF CONTINUING OPERATIONS****Consolidated Results of Continuing Operations**

This section contains a discussion and analysis of net operating revenues, expenses and other information relevant to an understanding of results of operations for 2014, 2013 and 2012.

The table below sets forth the components of A. H. Belo's net operating revenues for the last three years.

	<i>Years Ended December 31,</i>							
	<i>2014</i>	<i>Percent of Total Revenue</i>	<i>Percentage Change</i>	<i>2013</i>	<i>Percent of Total Revenue</i>	<i>Percentage Change</i>	<i>2012</i>	<i>Percent of Total Revenue</i>
Advertising and marketing services	\$ 158,183	58.0%	(5.8)%	\$ 167,945	60.8%	(1.3)%	\$ 170,113	60.5%
<i>Display</i>	49,558		(14.0)%	57,640		(6.8)%	61,843	
<i>Classified</i>	23,097		(7.9)%	25,089		(8.1)%	27,299	
<i>Preprint</i>	53,272		(5.8)%	56,562		(2.3)%	57,910	
<i>Digital</i>	32,256		12.6 %	28,654		24.3 %	23,061	
Circulation	84,922	31.1%	(1.6)%	86,274	31.2%	(2.7)%	88,662	31.6%
Printing, distribution and other	29,683	10.9%	35.1 %	21,964	8.0%	(0.8)%	22,149	7.9%
	<u>\$ 272,788</u>	<u>100.0%</u>	<u>(1.2)%</u>	<u>\$ 276,183</u>	<u>100.0%</u>	<u>(1.7)%</u>	<u>\$ 280,924</u>	<u>100.0%</u>

The Company's primary revenues are generated from advertising within its core newspapers, niche publications and related websites and from subscription and single copy sales of its printed newspapers. As a result of competitive and economic conditions, the newspaper industry has faced significant revenue decline over the past decade. The Company has sought to diversify its revenues through development and investment in new product offerings, increased circulation rates and leveraging of its existing assets to offer cost efficient printing and distribution services to its local markets. Through these efforts, the Company limited the year-over-year revenue decline in 2014 to its lowest point since its separation from the former parent company in 2008.

In 2014, 2013 and 2012, the Company's advertising revenue from the its core newspapers continues to be adversely affected by the shift of advertiser spending to other forms of media and the increased accessibility of free online news content, as well as news content from other sources, which resulted in a loss of advertising and paid circulation volumes and revenue. The most significant loss of advertising revenue was realized in its print display and classified categories. These categories, which represented 31.7 percent of consolidated revenue in 2012, have declined to 26.6 percent in 2014, and further declines are anticipated in future periods. Decreases in print display and classified categories are indicative of continuing trends by advertisers towards digital advertising, which is widely available from many sources. Both large and small companies are redistributing more of their advertising budgets towards programmatic channels to acquire digital advertising on multiple platforms which frequently has better technology for targeted delivery and measurement. The Company has responded to these challenges by expanding the programmatic channels through which it works to meet customer demands for digital ad placement opportunities in display, mobile, video and social categories. By utilizing advertising exchanges to apply marketing insight, the Company is able to offer greater value for clients by better targeting advertising to reach their potential customers.

The Company's expanded digital and marketing services product offerings leverage the Company's existing resources and relationships to offer additional value to existing and new advertising clients. Solutions provided by 508 Digital include development of mobile websites, search engine marketing and optimization, video, mobile advertising, email marketing, advertising analytics and online reputation management services. Through Speakeasy, the Company is able to target middle-market business customers and provide turnkey social media account management and content development services.

The Company's newspapers aggressively market the capacity of their printing and distribution assets to other newspapers that would benefit from cost sharing arrangements. The Company was successful in growing printing, distribution and other revenue by 35.1 percent in 2014, primarily as a result of its commencement of printing operations for the Fort Worth *Star-Telegram* in March 2014 and from two events promoted by Untapped.

**Display** – As advertisers continue to diversify marketing budgets to incorporate more and varied avenues of reaching consumers, traditional display advertising continues to decline. While most categories of retail and general advertising continue to see decreased volumes, increased rates in key categories underscores the continued ability of display advertising to target key consumer demographics. Revenue decreased in 2014 due to lower retail advertising in substantially all categories except sporting goods.

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Volume and rate declines in most categories were partially offset by improved rates in electronics and food and beverage. Additionally, general advertising declined in substantially all categories except technology and other. Volumes declined in most categories except financial but were partially offset by rate increases in automotive, technology, travel and other.

In 2013, retail revenue decreased due to volume declines in most categories except furniture, food and beverage and other, partially offset by rate improvements in sporting goods. General advertising decreased due to volume declines in all categories, partially offset by rate increases in technology, automotive, media and other.

**Classified** – Classified advertising remains challenged as alternative digital outlets continue to emerge. Consistent with rate improvement trends in certain display advertising categories, key classified categories continue to provide value to advertisers at increased rate points. Overall classified revenue decreased in 2014 due to lower volumes in all categories except legal. This decline was partially offset by higher rates in automotive and other categories.

In 2013, revenue decreased due to lower rates in all categories except other classified, partially offset by higher volumes in real estate and automotive.

**Preprint** – Revenue decreased in 2014 and 2013 due to a decline in the volume of preprint newspaper inserts, consistent with the decline in circulation volumes. These declines are partially offset by higher volumes in home delivery mail advertising.

**Digital** – Digital revenue is primarily comprised of online classified and display advertising and marketing services revenue, as set forth below.

	Years Ended December 31,				
	2014	Percentage Change	2013	Percentage Change	2012
Banner and Online Display	\$ 7,868	9.9 %	\$ 7,159	0.7%	\$ 7,111
Online Classified	16,117	3.6 %	15,558	4.7%	14,861
Marketing Services	8,076	43.2 %	5,638	522.3%	906
Other	195	(34.8)%	299	63.4%	183
Total	\$ 32,256	12.6 %	\$ 28,654	24.3%	\$ 23,061

Banner and online display and online classified categories consist of advertising placed on the Company's websites or through programmatic advertising channels. Online classified is comprised of digital listings in auto, real estate, employment and other categories, including the Company's resale of affiliate products such as [cars.com](#). Digital revenue increased in 2014 and 2013 primarily due to higher marketing services revenue associated with Speakeasy, and also due to higher automotive and other classified advertising. Marketing services revenue increased 43.2 percent to \$8,076 in 2014 over 2013, the first full year of operations. Increases in marketing services revenues offset approximately 50 percent of the core print advertising revenue declines during 2014. The Company anticipates continued organic growth in marketing services revenue in 2015 in addition to new revenue associated with its acquisition of three marketing services companies in January 2015.

*Niche Publications* - The Company's niche publications expand its advertising platform to nonsubscribers of *The Dallas Morning News*' core newspaper. Revenues from these publications are a component of total display, classified, preprint and digital revenue discussed above. In 2014 and 2013, advertising revenue for niche publications was \$22,901 and \$24,558, respectively. Revenue from niche publications is primarily generated by preprint advertising followed by display advertising. The Company acquired the assets of DG Publishing, Inc. in December 2012 and the Company began publishing luxury design and wedding guide publications targeted to key segments of the Dallas market in 2013.

**Circulation** – Revenue decreased in 2014 due to a decline in home delivery and single copy paid print circulation volumes of 7.8 percent and 14.6 percent, respectively. These declines were partially offset by an effective rate increase of 6.1 percent and 13.4 percent in home delivery and single copy rates, respectively. In 2013, revenue decreased due to 7.5 percent and 10.6 percent declines in paid print home delivery and single copy circulation volumes, respectively.

**Printing, distribution and other** – Revenue increased 35.1 percent due to the commencement of printing services in March 2014 for the Fort Worth *Star-Telegram*, and due to expanded printing of local community newspapers. This category also incorporates expanded event marketing revenue for two Untapped events as the Company continues to leverage resources and relationships to further expand its advertising influence. These increases were partially offset by lower printing revenues associated with national publications. Revenue remained flat year-over-year in 2013.

*Operating Costs and Expenses*

The table below sets forth the components of the Company's operating expenses for the last three years.

	<i>Years Ended December 31,</i>				
	<i>2014</i>	<i>Percentage Change</i>	<i>2013</i>	<i>Percentage Change</i>	<i>2012</i>
<b>Operating Costs and Expense</b>					
Employee compensation and benefits	\$ 111,710	1.2 %	\$ 110,412	(0.8)%	\$ 111,255
Other production, distribution and operating costs	122,239	6.6 %	114,720	0.3 %	114,417
Newsprint, ink and other supplies	32,507	(6.7)%	34,847	2.3 %	34,073
Depreciation	13,820	(7.0)%	14,861	(12.8)%	17,045
Amortization	198	63.6 %	121	100.0 %	—
Total operating costs and expense	<u>\$ 280,474</u>	2.0 %	<u>\$ 274,961</u>	(0.7)%	<u>\$ 276,790</u>

**Employee compensation and benefits** – The Company continues to implement measures to optimize its workforce and reduce risk associated with future obligations towards legacy employee benefit plans. Expenses increased in 2014 primarily due to a \$7,648 non-cash settlement charge recorded in the fourth quarter related to the recognition of prior year actuarial losses associated with liquidated pension obligations. This charge was substantially offset by lower salary and commissions expense of \$4,625, primarily due to headcount reductions at the Company's newspapers and corporate operations and lower sales; and lower pension expense of \$2,276 due to favorable returns on increased plan assets and the completion of payments toward obligations of discontinued plans.

Expenses decreased in 2013 due to completion of funding related to the PTS Plan in the second quarter of 2013, lower headcount, cost control initiatives related to employee medical benefits and lower pension expense due to lower discount rates on the A. H. Belo Pension Plans' projected benefit obligations and higher returns due to increased plan assets.

**Other production, distribution and operating costs** – As a result of the Company's initiatives to develop new products and service offerings, expenses increased in 2014. Increases were primarily due to higher temporary labor costs and delivery expenses of \$3,383 associated with startup of printing operations for the Fort Worth *Star-Telegram*; higher expenses of approximately \$2,000 related to the Company's marketing services and event marketing operations as those segments continue to grow; and higher costs associated with the growth in online classified advertising.

Consistent with the Company's efforts to contain costs while exploring new strategies, expenses decreased in 2013. Lower legal, technology and sales promotion costs were offset by higher operating costs associated with new and growing marketing services operations.

**Newsprint, ink and other supplies** – Expenses decreased in 2014 due to reduced newsprint costs associated with lower circulation volumes of Company and certain third-party newspapers. Newsprint consumption approximated 33,717, 36,979 and 37,302 metric tons in 2014, 2013 and 2012, respectively, at an average cost per metric ton of \$589, \$605, and \$614, respectively. The average purchase price for newsprint was \$617, \$620 and \$649 per metric ton in 2014, 2013, and 2012, respectively. Supplement costs also decreased due to reduced outside publications purchased for resale. These decreases were partially offset by higher ink and production materials costs associated with the commencement of printing operations for the Fort Worth *Star-Telegram* at the Company's Plano, Texas productions facility. Expenses increased in 2013 due to increased costs of supplements and ink and additional preprint mail costs, offset by lower newsprint costs.

**Depreciation** – Expenses decreased in 2014 and 2013 due to a lower depreciable asset base as a higher level of in-service assets are fully depreciated.

**Amortization** – Expense increased due to amortization of customer relationships acquired in 2014 and 2013 which are amortized over a useful life of three years.

**Other**

The table below sets forth the other components of the Company's results of operations for the last three years.

	Years Ended December 31,				
	2014	Percentage Change	2013	Percentage Change	2012
<b>Other Income, Net</b>					
Gains on equity method investments, net	\$ 93,898	4,038.3 %	\$ 2,269	(5.4)%	\$ 2,399
Other income, net	5,773	(2,845.4)%	196	(80.3)%	996
Interest expense	—	(100.0)%	311	(50.6)%	629
Total other income, net	<u>\$ 99,671</u>	<u>4,527.3 %</u>	<u>\$ 2,154</u>	<u>(46.5)%</u>	<u>\$ 4,024</u>
<b>Income tax provision</b>	<u>\$ 5,978</u>	<u>309.5 %</u>	<u>\$ 1,460</u>	<u>(18.6)%</u>	<u>\$ 1,793</u>

**Gains on equity method investments, net** – Gains on equity method investments increased by \$91,629 in 2014 primarily due to gains of \$18,479 and \$77,092 related to Classified Ventures' sale of *apartments.com* and the Company's sale of its membership interest in Classified Ventures, respectively. These gains were partially offset by an other-than-temporary impairment of \$1,871 for the Company's investment in Wanderful Media. The company determined that an other-than-temporary decline occurred in the value of the investment after evaluating the estimated fair value of the investee as determined by an independent valuation specialist. The Company attributes the impairment primarily to a decline in business related to Wanderful Media's legacy products.

**Other** – Other income in 2014 increased due to the receipt of a \$3,540 economic parity payment from the former parent company in conjunction with the dissolution of the jointly-owned partnership holding the Company's investment in Classified Ventures, and from gains on real estate asset sales. Other income decreased in 2013 due to lower gains on asset sales.

**Interest expense** – In 2013, the Company recognized \$401 of remaining debt issuance costs associated with the voluntary termination of the Company's credit agreement, which was reduced by the release of uncertain tax positions and related interest of \$108.

**Tax provision** – Income tax provision from continuing operations increased in 2014 due to the Company fully utilizing its remaining net operating loss tax assets against its federal income tax obligations. In 2013 and 2012, the net operating loss assets were sufficient to offset taxable earnings. The utilization of these assets in 2014 was primarily due to the significance of the gain related to the sale of Classified Ventures. See the Consolidated Financial Statements, Note 7 – Income Taxes.



**Earnings and Adjusted Earnings before Interest, Taxes, Depreciation and Amortization from Continuing Operations**

In addition to net income (loss) from continuing operations, the Company also evaluates earnings before interest, taxes, depreciation and amortization (“EBITDA”) which is presented for continuing operations by adjusting for discontinued operations and losses attributable to noncontrolling interests. Adjusted EBITDA is calculated, as applicable, by adding back to EBITDA acquisition costs, non-recurring non-cash pension settlement charges, non-cash impairment expense and net investment-related gains and losses. Net investment-related gains and losses is comprised of an \$18,479 gain on the sale of *apartments.com* by Classified Ventures, income of \$3,540 related to an economic parity payment received in conjunction with its ownership of Classified Ventures, and a \$77,092 gain on the sale of the Company’s membership interest in Classified Ventures, offset by an other-than-temporary impairment of \$1,871 for the Company’s investment in Wonderful Media.

	Years Ended December 31,		
	2014	2013	2012
Net Income (Loss) Attributable to A. H. Belo Corporation	\$ 92,929	\$ 16,119	\$ 526
Less: Income (loss) from discontinued operations, net	6,770	14,010	(4,688)
Plus: Net loss attributable to noncontrolling interests	(152)	(193)	(107)
Income (loss) from continuing operations	86,007	1,916	5,107
Depreciation and amortization	14,018	14,982	17,045
Interest expense	—	311	629
Income tax provision	5,978	1,460	1,793
EBITDA from Continuing Operations	106,003	18,669	24,574
Addback:			
Acquisition costs	577	—	—
Pension plan settlement loss	7,648	—	—
Net investment-related gains	(97,240)	—	—
Adjusted EBITDA from Continuing Operations	\$ 16,988	\$ 18,669	\$ 24,574

Neither EBITDA nor Adjusted EBITDA is a measure of financial performance under generally accepted accounting principles (“GAAP”). Management uses EBITDA, Adjusted EBITDA and similar measures in internal analyses as supplemental measures of the Company’s financial performance, and for performance comparisons against its peer group of companies. Adjusted EBITDA is also used by management to evaluate the cash flows available for capital spending, investing, pension contributions (required and voluntary), dividends and other equity-related transactions. Neither EBITDA nor Adjusted EBITDA should be considered in isolation or as a substitute for cash flows provided by operating activities or other income or cash flow data prepared in accordance with GAAP, and these non-GAAP measures may not be comparable to similarly-titled measures of other companies.

**Discontinued Operations**

As a result of the sale of *The Providence Journal* which was completed on September 3, 2014, and the multiple sale transactions related to *The Press-Enterprise*, which commenced on July 8, 2013, and were completed on November 21, 2013 (see Note 2 – Discontinued Operations and Sales of Assets), the disposition and results of operations associated with these businesses are reported as discontinued operations in the Company's financial statements. Significant components of results of operations included as discontinued operations are noted below.

	Years Ended December 31,		
	2014	2013	2012
<i>The Providence Journal</i>			
Net income from discontinued operations	\$ 4,064	\$ 5,365	\$ 3,277
Gain on sale of <i>The Providence Journal</i>	17,104	—	—
<i>The Press-Enterprise</i>			
Net income from discontinued operations	—	(4,700)	(8,026)
Gain on sale of <i>The Press-Enterprise</i>	(47)	8,656	—
Gain on sale of <i>The Press-Enterprise</i> office building and press equipment	—	4,746	—
Tax expense (benefit) from discontinued operations	14,351	57	(61)
Gain (loss) from discontinued operations	\$ 6,770	\$ 14,010	\$ (4,688)

Upon completion of these transactions, the Company no longer owns newspaper operations in either Providence, Rhode Island or Riverside, California. The Company continues to own and market for sale certain land and buildings in Providence, Rhode Island, which served as the administrative headquarters of *The Providence Journal*. The Company also retains the obligation for the A. H Belo Pension Plan II, which provides benefits to employees of The Providence Journal Company.

**Critical Accounting Policies and Estimates**

A. H. Belo's Consolidated Financial Statements are based on the selection and application of accounting policies that require management to make significant estimates and assumptions. The Company believes that the following are the more critical accounting policies, estimates and assumptions currently affecting A. H. Belo's financial position and results of operations. See the Consolidated Financial Statements, Note 1 – Significant Accounting Policies and Recently Issued Accounting Standards, for additional information concerning significant accounting policies.

**Revenue Recognition and Reserves for Uncollectible Accounts Receivables.** The Company's principal sources of revenue are the advertising space in published issues of its newspapers and on the Company's websites, the sale of newspapers to distributors and individual subscribers, as well as amounts charged to customers for commercial printing, distribution and direct mail. Advertising revenue is recorded net of agency commission at the time the advertisements are published in the newspaper and ratably over the period of time the advertisement is placed on websites. Marketing services revenue is recognized at the time the services are rendered. Proceeds from subscriptions are deferred and are included in revenue ratably over the term of the subscriptions. Subscription revenue under buy-sell arrangements with distributors is recorded based on the net amount received from the distributor, whereas subscription revenue under fee-based delivery arrangements with distributors is recorded based on the amount received from the subscriber. Commercial printing and direct mail revenue is recorded when the product is distributed or shipped.

The Company estimates and records a reserve for uncollectible accounts receivable based upon recent collection experience and management's knowledge of customers' ability to pay amounts due. Expense for such uncollectible amounts is included in other production, distribution and operating costs.

**Inventories.** Inventories, consisting primarily of newsprint, ink and other supplies used in printing newspapers, are recorded at average cost. The Company reviews its inventories for obsolescence and records an expense for any items that no longer have future value.

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**Property, Plant and Equipment.** The Company records property, plant and equipment at cost or its fair value if acquired through a business acquisition or non-monetary exchange. Depreciable assets are reviewed to ensure the remaining useful life of the assets continues to be appropriate and the Company records any resulting adjustments to depreciation expense on a prospective basis. Depreciation of property, plant and equipment is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

	Estimated Useful Lives
Buildings and improvements	5 - 30 years
Newspaper publishing equipment	3 - 20 years
Other	3 - 10 years

**Goodwill.** The Company records goodwill at the reporting unit level based on the excess fair value of prior business acquisitions over the fair value of the assets and liabilities acquired. Reporting units of the Company are based on its internal reporting structure and represent a reporting level below an operating segment. Unless qualitative factors allow the Company to conclude it is more likely than not that the fair value of the reporting unit exceeds its carrying value, the Company tests for goodwill impairment by estimating the fair value of the reporting unit. If the fair value of the reporting unit is less than its carrying value, the Company will determine a fair value for the reporting unit's underlying assets and liabilities and adjust goodwill accordingly. The Company uses a discounted cash flow model to calculate the fair value of its reporting units. The model includes a number of significant assumptions and estimates regarding future cash flows including discount rates, volumes, prices, capital expenditures and the impact of current market conditions. These estimates could be materially impacted by changes in market conditions. The Company performs the goodwill impairment test as of December 31 each fiscal year or when changes in circumstances indicate an impairment event may have occurred. Impairment charges represent non-cash charges and do not affect the Company's liquidity, cash flows from operating activities or have any effect on future operations.

**Long-Lived Assets.** The Company evaluates its ability to recover the carrying value of property, plant and equipment and finite-lived intangible assets, using the lowest level of cash flows associated with the assets, which are grouped based on the Company's intended use of these assets. This evaluation is performed whenever a change in circumstances indicates that the carrying value of the asset groups may not be recoverable from future undiscounted cash flows. If the analysis of future cash flows indicates the carrying value of the long-lived assets cannot be recovered, the assets are adjusted to the lower of its carrying value or fair value.

**Investments.** The Company owns certain equity securities in companies in which it does not exercise control. For those investments where the Company is able to exercise significant influence over the investee as defined under ASC 323 – *Equity Method and Joint Ventures*, the Company accounts for the investment under the equity method of accounting, recognizing its share of the investee's income or loss as a component of earnings. All other investments are recorded under the cost method and the Company recognizes income or loss upon the receipt of dividends or distributions or upon liquidation of the investment. Each reporting period, the Company evaluates its ability to recover the carrying value of both equity and cost method investments based upon the financial strength of the investee. If the Company determines the carrying value is not recoverable, the Company will record an impairment charge for the difference between the fair value of the investment and the carrying value.

Included in 2014 results is an impairment charge of \$1,871 related to the Company's investment in Wanderful Media, reducing the carrying value of the investment. In 2014, the Company determined that an other-than-temporary decline occurred in the value of its investment in Wanderful Media after evaluating the estimated fair value of the investee as determined by an independent valuation specialist. The Company attributes the impairments primarily to a decline in business related to Wanderful Media's legacy products. An additional contribution of \$1,909 was made in the second quarter of 2014 to provide capital for development of new product offerings as Wanderful Media establishes its market presence. See the Consolidated Financial Statements, Note 4 – Investments.

**Self-Insured Risks.** A. H. Belo self-insures certain risks for employee medical costs, workers' compensation, general liability and commercial automotive claims and records a liability for such risks. The Company purchases stop-loss insurance and/or high deductible policies with third-party insurance carriers to limit these risks, and third-party administrators are used to process claims. Each period, the Company estimates, utilizing third party experts, the undiscounted liability associated with its uninsured risks based on historical claim patterns, employee demographic data, assets insured and insurance policy. The estimates associated with these uninsured liabilities are monitored by A. H. Belo's management for adequacy based on information currently available. However, actual amounts could vary significantly from such estimates if actual trends, including the severity or frequency of claims and/or medical cost inflation, were to change.

**Pension and Other Retirement Obligations.** The Company follows accounting guidance for single employer defined benefit plans. Plan assets and the projected benefit obligation are measured each December 31, and the Company records as an asset or

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liability the net funded position of the plans. Certain changes in actuarial valuations related to returns on plan assets and projected benefit obligations are recorded to other comprehensive income (loss) and are amortized to net periodic pension expense over the weighted average remaining life of plan participants, to the extent the cumulative balance in accumulated other comprehensive income (loss) exceeds 10 percent of the greater of the respective plan's (a) projected benefit obligation or (b) the market-related value of the plan's assets. Net periodic pension expense is recognized each period by accruing interest expense on the projected benefit obligation and accruing a return on assets associated with the plan assets. Participation in and accrual of new benefits to participants has been frozen since 2007 and, accordingly, on-going service costs are not a component of net periodic pension expense. From time to time, the Company-sponsored plans may settle pension obligations with certain plan participants through the plans' master trust as part of its de-risking strategies. The gains or losses associated with settlements of plan obligations to participants are recognized to earnings if such settlements exceed the interest component of net periodic pension cost for the year. Otherwise, such amounts are included in actuarial gains (losses) in accumulated other comprehensive income (loss).

The projected benefit obligations of the A. H. Belo Pension Plans are estimated using the Citigroup Pension Yield Curve, which is based upon a portfolio of high quality corporate debt securities with maturities that correlate to the timing of benefit payments to the plans' participants. Future benefit payments are discounted to their present value at the appropriate yield curve rate to determine the projected benefit obligation outstanding at each year end. Yield curve discount rates as of December 31, 2014 and 2013, were 3.7 percent and 4.6 percent, respectively.

Interest expense included in net periodic pension expense is based on the Citigroup Pension Yield Curve established at the beginning of the fiscal year. Interest expense for 2014, 2013 and 2012 was determined using beginning of year yield curve rates of 4.6 percent, 3.7 percent and 4.2 percent, respectively.

The Company assumed a 6.5 percent long-term rate of return on the plans' assets in 2014, 2013 and 2012. This return is based upon historical returns of similar investment pools having asset allocations consistent with the expected allocations of the A. H. Belo Pension Plans. Investment strategies for the plans' assets are based upon factors such as the remaining useful life expectancy of participants and market risks. The Company currently targets the plans' assets invested in equity securities and fixed-income securities to approximate 50 percent and 50 percent, respectively.

The Company-sponsored plans implemented a de-risking strategy in 2012, making lump sum payouts of \$10,526 to 889 participants. These liquidations reduced the projected benefit obligation by \$14,500. These obligations were funded through the plans' master trust account and are a component of 2012 benefit payments. As the cost of these settlements was less than the interest component of net periodic pension expense, the related gain (loss) associated with these settlements was reflected as a component of the actuarial loss and included in accumulated other comprehensive loss. In 2014, the Company completed a second lump sum payment offer to certain pension plan participants, totaling \$52,919 to 721 participants. These liquidations reduced the projected benefit obligation by approximately \$70,000. The obligations were funded through the plans' master trust account and are a component of 2014 benefit payments. As the cost of these settlements was greater than the interest component of net periodic pension expense, the related loss associated with these settlements was recorded as a charge to pension expense of \$7,648, reducing accumulated other comprehensive loss. The Company will continue to evaluate the feasibility of additional settlement of participant obligations based on the economic benefits to the Company.

Accumulated other comprehensive loss increased by \$42,274 in 2014 and decreased by \$58,439 in 2013, primarily due to net actuarial (gains) losses associated with the A. H. Belo Pension Plans. The net actuarial (gains) losses associated with the pension plans included \$14,655 and \$8,521 of higher than estimated returns on plan assets in 2014 and 2013, respectively, combined with lower discount rates in 2014 and higher discount rates in 2013 applied against the projected benefit obligation. Actuarial losses of \$7,648 and \$1,702 were amortized to earnings in 2014 and 2013, respectively. See the Consolidated Financial Statements, Note 8 – Pension and Other Retirement Plans.

**Contingencies.** A. H. Belo is involved in certain claims and litigation related to its operations. The Company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual matter. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters. See the Consolidated Financial Statements, Note 11 – Commitments and Contingencies.

**Treasury Stock.** The Company's board of directors authorized the purchase of the Company's Series A or Series B common stock, for use other than retirement, through open market purchases, privately negotiated transactions or otherwise. The Company follows the guidance under ASC 505-30 – *Equity - Treasury Stock*, and treasury stock is recorded at cost, reducing shareholders' equity. Treasury stock purchased privately through negotiated transactions at other than market prices shall be recorded at cost and the price paid in excess of the market cost shall be accounted for according to its substance. When shares of treasury stock are subsequently sold or reissued, the cost of the treasury stock is reversed and the realized gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related tax, is recognized as a change in additional paid in capital.

**Share-Based Compensation.** The Company recognizes the granting of share-based awards at fair value in the financial statements. The fair value of option awards is estimated at the date of grant using the Black-Scholes-Merton pricing model and the fair value of restricted stock unit awards ("RSU") is the closing price of the Company's common stock on the date of grant. Total compensation cost is amortized to earnings over the requisite service period. Vested RSUs are redeemed 60 percent in A. H. Belo Series A common stock and 40 percent in cash over a three year period. The Company records a liability for the portion of the outstanding RSUs to be redeemed in cash, which is adjusted to its fair value each period, based on the closing price of the Company's common stock.

**Income Taxes.** The Company uses the asset and liability method of accounting for income taxes and recognizes deferred tax assets and liabilities based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates. The Company establishes a valuation allowance if it is more likely than not that the deferred tax assets will not be realized. The factors used to assess the likelihood of realization of the deferred tax asset include reversal of future deferred tax liabilities, available tax planning strategies and future taxable income.

The Company also evaluates any uncertain tax positions each reporting period by tax jurisdiction to determine if it is more likely than not that the tax position will not be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements for such positions are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. If a net operating loss or other tax credit carryforward exists, the Company records the unrecognized tax benefits for such tax positions as a reduction to a deferred tax asset. Otherwise, the unrecognized tax benefits are recorded as a liability. The Company records a liability for uncertain tax positions taken or expected to be taken in a tax return. Any change in judgment related to the expected ultimate resolution of uncertain tax positions is recognized in earnings in the period in which such change occurs. Interest and penalties, if any, related to unrecognized tax benefits are recorded in interest expense. See the Consolidated Financial Statements, Note 7 – Income Taxes.

#### **Recent Accounting Standards**

See the Consolidated Financial Statements, Note 1 – Significant Accounting Policies and Recently Issued Accounting Standards, regarding the impact of certain recent accounting pronouncements.

#### **Liquidity and Capital Resources**

The Company's cash balances as of December 31, 2014 and 2013, were \$158,171 and \$82,193, respectively. Increases in cash balances during 2014 are primarily due to significant divestiture transactions completed during the year. In 2014 and 2013, the Company was successful in divesting of newspaper assets and operations in Rhode Island and California, investments, and non-core real estate assets, all at opportunistic prices. Net pretax proceeds received from these divestitures totaled \$156,473 and \$50,056, in 2014 and 2013, respectively, and are discussed further in Investing Cash Flows below.

Cash flows from operating activities decreased by \$35,779 in 2014, primarily due to lower margins resulting from a \$13,364 decline in core print revenue, higher pension contributions of \$17,927, and increased tax payments of \$7,327 towards the Company's tax liability. To address declining core print revenue, the Company has implemented cost cutting measures within its operations to align expenses with revenues. Contributions to the Company's pension plans are made to meet minimum funding requirements, and voluntary contributions, which totaled \$20,000 in 2014, were made in an effort to continue to improve the unfunded position of the pension plans as well as for tax planning purposes. No pension contributions are required in 2015. The increase in tax payments is due to taxable earnings generated from the sale of investments and newspaper assets and operations. In 2014, the Company fully utilized its remaining net operating loss tax assets generated in prior tax years. In the event taxable earnings are generated in future periods, the Company could bear a higher tax liability. As of December 31, 2014, the Company has unpaid tax obligations of \$9,910.

The Company evaluates capital spending based on the expected return on investment and available cash from operating activities. In 2015, the Company anticipates capital expenditures of approximately \$8,000. These expenditures are primarily directed towards building of the Company's digital platforms and sustaining existing operations.

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In January 2015, the Company acquired three companies through a newly-formed holding company in which the Company has an 80 percent voting interest for \$14,120 as described in Note 14 – Subsequent Events to the Company’s consolidated financial statements. The Company paid cash for the acquisition, and transaction costs are estimated to be \$1,300, of which \$527 were incurred in 2014. This acquisition is part of the Company’s revenue diversification strategy and priority for available cash resources will be given to purposes of future acquisitions which complement and leverage the Company’s exiting products.

The Company has returned cash to shareholders and maintained the trading value of its common stock through quarterly and special dividends and through its stock repurchase program, as discussed below in Financing Cash Flows. Payment of dividends and share repurchases are dependent upon available cash after considering future operating and investing requirements and cannot be guaranteed. In January 2015, the Company paid \$50,148 for the special dividends declared in 2014.

The Company intends to deploy its cash in the long-term interests of the Company, its shareholders and employees as it seeks potential acquisition or investment opportunities complementing its advertising and marketing services products. Management works aggressively to align the current expense structure with changes in revenue and believes existing cash and cash generated from operations will be sufficient to meet foreseeable cash flow requirements for operations, capital spending and pension contributions. The following discusses the changes in cash flows by operating, investing and financing activities.

### **Operating Cash Flows**

Net cash (used for) provided by continuing operations was \$(33,318), \$2,461 and \$(18,818) in 2014, 2013 and 2012, respectively. Cash flows from continuing operations decreased in 2014 due to lower margins on core print operations due to the loss of display, preprint and classified advertising revenues, which declined by \$(13,364) in 2014. Cash expenditures increased due to additional pension contributions in 2014 of \$17,927, which included required and voluntary contributions of \$9,927 and \$20,000, respectively. Additional taxes of \$7,327 were paid in 2014 resulting from higher taxable earnings from the sale of investments and newspaper assets and operations. The higher expenditures were offset by improved margins of \$2,616 related to the marketing services operations.

Cash flows from continuing operations increased in 2013 primarily due to lower pension funding requirements as a result of favorable returns on increased plan assets. The Company made required and voluntary contributions of \$7,396 and \$4,604, respectively, to its pension plans in 2013. These combined contributions were lower than 2012 contributions by \$20,672. Decreased funding of self-insured medical expenses of \$2,728 and the receipt of \$1,334 related to an amended prior year tax return also increased cash from operations in 2013.

Cash flows from continuing operations in 2012 included required and voluntary pension contributions of \$22,672 and \$10,000, respectively, to the Company’s pension plans. These amounts were offset by sales proceeds of \$2,410 for the sale of operating assets, and other operating cash flow activity.

The 2014, 2013 and 2012 pension contributions as disclosed above include \$6,180, \$1,651 and \$11,913 of contributions to the A. H. Belo Pension Plan II, which provides benefits to current and former employees of *The Providence Journal*. The obligations under this plan were not included in the sale of *The Providence Journal*.

Net cash provided from operating activities of discontinued operations was \$6,856, \$11,777 and \$17,461 in 2014, 2013 and 2012, respectively. Cash activity in 2014 represented activity related to *The Providence Journal* operations through its September 3, 2014, sale date. Substantially all cash activity in 2013 related to *The Providence Journal* operations as *The Press-Enterprise* operations reflected break-even cash flows through its sale date of November 21, 2013. Cash activity for *The Providence Journal* and *The Press-Enterprise* was \$14,362 and \$3,099 in 2012, respectively.

### **Investing Cash Flows**

Net cash provided by (used for) continuing investing activities was \$100,942, \$(5,629) and \$(7,017) in 2014, 2013 and 2012, respectively. Cash flows provided by continuing investing activities in 2014 included proceeds related to Classified Ventures transactions totaling \$100,827. These transactions included \$18,861 related to Classified Ventures sale of its [apartments.com](#) business unit, \$77,661 related to the Company’s sale of its units in Classified Ventures and an economic parity payment of \$3,540 from the former parent company in conjunction with the dissolution of the jointly-owned partnership holding the Company’s investment in Classified Ventures, and \$765 of dividends received. Proceeds from the sale of fixed assets of \$10,085 in 2014 included the divestiture of non-core real estate assets as well as other minor asset sales. Such proceeds were partially offset by additional investments of \$2,279 and higher capital expenditures of \$3,586 compared to 2013.

Cash flows used for continuing investing activities decreased in 2013 due to reduced capital expenditures of \$2,789 compared to 2012, offset by the purchase of additional investments of \$1,377.

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Cash flows used for continuing investing activities in 2012 reflect fixed asset additions and a \$705 investment in Wonderful Media.

Cash flows from investing activities of discontinued operations in 2014, 2013 and 2012 were \$45,561, \$48,313, and \$(4,275), respectively. Cash activity in 2014 represented net proceeds received from the sale of *The Providence Journal*. In 2013, net proceeds received from the sales of *The Press-Enterprise* and related assets were \$50,056, offset by capital spending associated with *The Providence Journal*. Cash activity in 2012 represented capital spending for both of the newspapers.

#### Financing Cash Flows

Net cash used for continuing financing activities was \$44,063, \$8,823 and \$10,697 in 2014, 2013 and 2012, respectively. Cash used for continuing financing activities includes total dividends paid of \$41,012, \$6,356, and \$10,947 in 2014, 2013 and 2012, respectively. Dividends paid in 2014 included a special dividend of \$1.50 per share, returning \$33,819 to shareholders and holders of RSUs. Sales proceeds from transactions in 2014 were partially utilized to return cash to investors through dividends. The Company is authorized to purchase up to a total of 1,500,000 shares of the Company's Series A or Series B common stock through open market purchases or negotiated transactions, as authorized by its board of directors. In 2014, 2013 and 2012, the Company purchased 449,436, 421,070 and 74,130 shares of Series A common stock at a cost of \$4,974, \$2,763 and \$350, respectively.

#### Financing Arrangements

On January 4, 2013, the Company voluntarily terminated its credit agreement to provide greater financial and operating flexibility for purposes of funding its pension plans, returning capital to shareholders, managing its investments and eliminating direct and indirect costs related to the credit agreement. All liens and security interests under the credit agreement were released and no early termination penalties were incurred by the Company as a result of the termination. Unamortized debt issuance costs of \$401 were recorded to interest expense in the first quarter of 2013 as a result of the termination.

#### Contractual Obligations

The table below sets forth the summarized commitments of the Company as of December 31, 2014. See the Consolidated Financial Statements, Note 11 – Commitments and Contingencies.

	Total	2015	2016	2017	2018	2019	Thereafter
Operating lease commitments	\$ 4,601	\$ 1,224	\$ 1,129	\$ 1,038	\$ 748	\$ 443	\$ 19
Capital commitments	3,867	3,867	—	—	—	—	—
Total commitments	\$ 8,468	\$ 5,091	\$ 1,129	\$ 1,038	\$ 748	\$ 443	\$ 19

The Company expects to make no required contributions to the A. H. Belo Pension Plans in 2015.

On December 11, 2014, the Company announced a \$2.25 per share dividend to shareholders of record and holders of RSUs as of the close of business on December 30, 2014, totaling \$50,148, which was paid on January 14, 2015. Also on December 11, 2014, the Company announced an \$0.08 per share dividend to shareholders of record and holders of RSUs as of the close of business on February 13, 2015, which will be paid on March 6, 2015.

#### Item 7A. Quantitative and Qualitative Disclosures about Market Risk

A. H. Belo has exposure to changes in the price of newsprint. The Company does not engage in the purchase of derivative contracts to hedge against price fluctuations that may occur. See "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion of this risk.

The investment assets and actuarial liabilities associated with the A. H. Belo Pension Plans are impacted by market factors such as interest rates, inflation and the overall economic environment. Changes in these risk factors could have a direct and material impact on the funded status of the A. H. Belo Pension Plans and the level of funding the Company is required to meet each year.

## **Item 8. Financial Statements and Supplementary Data**

The Consolidated Financial Statements, together with the Report of Independent Registered Public Accounting Firm, are included elsewhere in this Annual Report on Form 10-K.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

## **Item 9A. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

The Company maintains “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to management, including the Company’s Chief Executive Officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating these disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures is also based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

The Company’s management, with the participation of its Chief Executive Officer and principal financial officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of December 31, 2014. Based on that evaluation, management concluded that, as of such date, the Company’s disclosure controls and procedures were effective.

### **Management’s Report on Internal Control Over Financial Reporting**

The management of A. H. Belo is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control system was designed to provide reasonable assurance to management and the board of directors regarding the preparation and fair presentation of published financial statements. Under the supervision and with the participation of management, including the Chief Executive Officer and principal financial officer, an assessment of the effectiveness of internal control over financial reporting was conducted as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control – Integrated Framework (1992). Based on this assessment using the criteria set forth by COSO in Internal Control – Integrated Framework (1992), management concluded that internal control over financial reporting was effective as of December 31, 2014.

### **Audit Opinion on Internal Control over Financial Reporting**

The effectiveness of the Company’s internal control over financial reporting was audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included herein on page 37 of this Form 10-K, which is incorporated by reference herein.

### **Changes in Internal Control Over Financial Reporting**

There were no changes in the Company’s internal control over financial reporting during the fiscal quarter ended December 31, 2014, that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

## **Item 9B. Other Information**

On March 5, 2015, the Company’s Board of Directors and its Compensation Committee approved the Amended and Restated A. H. Belo Savings Plan effective January 1, 2015, (the “Savings Plan”) to add new participating employers under the Savings Plan in connection with the Company’s January 2015 acquisition of three companies that specialize in local marketing automation, search engine marketing, direct mail and promotional products. The Savings Plan was also restated to incorporate all prior technical and other amendments to the Savings Plan. The foregoing description of the Savings Plan is qualified in its entirety by reference to, and should be read in conjunction with, the complete text of the Savings Plan, a copy of which is filed herewith as Exhibit 10.2 (1) and incorporated by reference.



## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

The information set forth under the headings “A. H. Belo Corporation Stock Ownership – Section 16(a) Beneficial Ownership Reporting Compliance,” “Proposal One: Election of Directors,” “Corporate Governance – Committees of the Board – *Audit Committee*,” “Corporate Governance – Committees of the Board – *Nominating and Corporate Governance Committee*,” and “Executive Officers” contained in the definitive Proxy Statement for the Company’s Annual Meeting of Shareholders to be held on May 14, 2015, is incorporated herein by reference.

A. H. Belo has adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees, which can be found at the Company’s website, [www.ahbelo.com](http://www.ahbelo.com). The Company will post any amendments to the Code of Business Conduct and Ethics, as well as any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange, on the Company’s website. Information on A. H. Belo’s website is not incorporated by reference into this Annual Report on Form 10-K.

The Company’s board of directors adopted Corporate Governance Guidelines and charters for the Audit, Compensation and Nominating and Governance Committees of the Board of Directors. These documents can be found at the Company’s website, [www.ahbelo.com](http://www.ahbelo.com).

Shareholders can also obtain, without charge, printed copies of any of the materials referred to above by contacting the Company at the following address:

A. H. Belo Corporation  
P. O. Box 224866  
Dallas, Texas 75222-4866  
Attn: Investor Relations  
Telephone: (214) 977-8200

### Item 11. Executive Compensation

The information set forth under the headings “Corporate Governance – Committees of the Board – *Compensation Committee*,” “Corporate Governance – Compensation Committee Interlocks and Insider Participation,” “Executive Compensation – Compensation Discussion and Analysis, – Compensation Committee Report, – Summary Compensation Table, – Grants of Plan-Based Awards in 2014, – Outstanding A. H. Belo Equity Awards at Fiscal Year-End 2014, – Option Exercises and Stock Vested in 2014, – Post-Employment Benefits, – Pension Benefits at December 31, 2014, – Non-Qualified Deferred Compensation for 2014, – Change in Control Arrangements and Other Agreements Upon Termination of Employment, – Potential Payments on Change in Control or Upon Termination of Employment at December 31, 2014,” “Corporate Governance – Compensation Committee Interlocks and Insider Participation” and “Director Compensation” contained in the definitive Proxy Statement for the Company’s Annual Meeting of Shareholders to be held on May 14, 2015, is incorporated herein by reference.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information set forth under the headings “A. H. Belo Corporation Stock Ownership of Directors and Executive Officers” contained in the definitive Proxy Statement for the Company’s Annual Meeting of Shareholders to be held on May 14, 2015, is incorporated herein by reference.

Information regarding the number of shares of common stock authorized for issuance under the Company’s equity compensation plans is included in the Consolidated Financial Statements, Note 5 – Long-term Incentive Plans.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

The information set forth under the heading “Certain Relationships” and “Corporate Governance – Director Independence” contained in the definitive Proxy Statement for the Company’s Annual Meeting of Shareholders to be held on May 14, 2015, is incorporated herein by reference.

### Item 14. Principal Accountant Fees and Services

The information set forth under the heading “Proposal Two: Ratification of the Appointment of Independent Registered Public Accounting Firm” contained in the definitive Proxy Statement for the Company’s Annual Meeting of Shareholders to be held on May 14, 2015, is incorporated herein by reference.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

(a) (1) The consolidated financial statements listed in the Index to Consolidated Financial Statements included in the table of contents are filed as part of this report.

(2) All financial statement schedules were omitted because they are not applicable, are not required, or the required information is shown in the consolidated financial statements or notes thereto.

(3) Exhibits:

Exhibits marked with an asterisk (\*) are incorporated by reference to documents previously filed by the Company with the SEC, as indicated. In accordance with Regulation S-T, the XBRL-related information marked with a double asterisk (\*\*) in Exhibit No. 101 to this Annual Report on Form 10-K is deemed filed. All other documents are filed with this report. Exhibits marked with a tilde (~) are management contracts, compensatory plan contracts or arrangements filed pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K.

Exhibit Number	Description
3.1	* Amended and Restated Certificate of Incorporation of the Company (Exhibit 3.1 to Amendment No. 3 to the Company's Form 10 dated January 18, 2008 (Securities and Exchange Commission File No. 001-33741) (the "Third Amendment to Form 10"))
3.2	* Certificate of Designations of Series A Junior Participating Preferred Stock of the Company dated January 11, 2008 (Exhibit 3.2 to Post-Effective Amendment No. 1 to Form 10 filed January 31, 2008 (Securities and Exchange Commission File No. 001-33741))
3.3	* Amended and Restated Bylaws of the Company, effective December 11, 2014 (Exhibit 3.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2014 (Securities and Exchange Commission File No. 001-33741))
4.1	* Certain rights of the holders of the Company's Common Stock set forth in Exhibits 3.1-3.3 above
4.2	* Specimen Form of Certificate representing shares of the Company's Series A Common Stock (Exhibit 4.2 to the Third Amendment to Form 10)
4.3	* Specimen Form of Certificate representing shares of the Company's Series B Common Stock (Exhibit 4.3 to the Third Amendment to Form 10)
4.4	* Rights Agreement dated as of January 11, 2008 between the Company and Mellon Investor Services LLC (Exhibit 4.4 to the Third Amendment to Form 10)
10.1	* Material Contracts
~(1)	* Asset Purchase Agreement by and between the Press-Enterprise Company, AHC California Properties LLC, A. H. Belo Management Services, Inc. and Freedom Communications Holdings, Inc. dated October 9, 2013 (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 11, 2013 (Securities and Exchange Commission file no. 001-33741) (the "October 11, 2013 Form 8-K"))
~(2)	* Form of Limited Guaranty by and between A. H. Belo Corporation and Freedom Communications Holdings, Inc (Exhibit 10.2 to the October 11, 2013 Form 8-K)
~(3)	* Amendment No. 1 to Asset Purchase Agreement dated October 31, 2013, between the Press-Enterprise Company, AHC California Properties LLC, A. H. Belo Management Services, Inc. and Freedom Communications Holdings Inc. (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 4, 2013 (Securities and Exchange Commission file no. 001-33741))
~(4)	* Amendment No. 2 to Asset Purchase Agreement dated November 21, 2013, between the Press-Enterprise Company, AHC California Properties LLC, A. H. Belo Management Services, Inc. and Freedom Communications Holdings Inc. (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 25, 2013 (Securities and Exchange Commission file no. 001-33741))

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Exhibit Number	Description
~(5)	* Asset Purchase Agreement among The Providence Journal Company and LMG Rhode Island Holdings, Inc. dated as of July 22, 2014 (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 25, 2014 (Securities and Exchange Commission file no. 001-33741))
~(6)	* Unit Purchase Agreement dated August 5, 2014 by and among Gannett Company, Inc., Classified Ventures, LLC, and Unitholders of Classified Ventures, LLC (Exhibit 2.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 6, 2014 (Securities and Exchange Commission file no. 001-33741))
10.2	* Compensatory plans and arrangements:
~(1)	A. H. Belo Savings Plan as Amended and Restated Effective January 1, 2015
~(2)	* A. H. Belo Corporation 2008 Incentive Compensation Plan (Exhibit 10.5 to the February 12, 2008 Form 8-K)
	* (a) First Amendment to A. H. Belo 2008 Incentive Compensation Plan effective July 23, 2008 (Exhibit 10.2(2)(a) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2008 (Securities and Exchange Commission File No. 001-33741))
	* (b) Form of A. H. Belo 2008 Incentive Compensation Plan Non-Employee Director Evidence of Grant (for Non-Employee Director Awards) (Exhibit 10.2(2)(b) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 13, 2010 (Securities and Exchange Commission File No. 001-33741) (the "1st Quarter 2010 Form 10-Q"))
	* (c) Form of A. H. Belo 2008 Incentive Compensation Plan Evidence of Grant (for Employee Awards) (Exhibit 10.2(2)(c) to the 1st Quarter 2010 Form 10-Q)
	* (d) Form of A. H. Belo 2008 Incentive Compensation Plan Evidence of Grant (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 12, 2012 (Securities and Exchange Commission File No. 001-33741) (the "March 12, 2012 Form 8-K"))
	* (e) Form of A. H. Belo Cash Long-Term Incentive Evidence of Grant (Exhibit 10.2 to the March 12, 2012 Form 8-K)
~(3)	* A. H. Belo Pension Transition Supplement Restoration Plan effective January 1, 2008 (Exhibit 10.6 to the February 12, 2008 Form 8-K)
	* (a) First Amendment to the A. H. Belo Pension Transition Supplement Restoration Plan dated March 31, 2009 (Exhibit 10.4 to the April 2, 2009 Form 8-K)
~(4)	* A. H. Belo Corporation Change In Control Severance Plan (Exhibit 10.7 to the February 12, 2008 Form 8-K)
	* (a) Amendment to the A. H. Belo Change in Control Severance Plan dated March 31, 2009 (Exhibit 10.3 to the April 2, 2009 Form 8-K)
~(5)	* Robert W. Decherd Compensation Arrangements dated June 19, 2013 (Exhibit 10.1 to the June 19, 2013 Form 8-K)
~(6)	* Daniel J. Blizzard Letter Agreement dated December 11, 2014 (Exhibit 10.1 to the December 11, 2014 Form 8-K)

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Exhibit Number	Description
10.3	Agreements relating to the separation of A. H. Belo from its former parent company:
(1)	* Tax Matters Agreement by and between Belo Corp. and A. H. Belo Corporation dated as of February 8, 2008 (Exhibit 10.1 to the February 12, 2008 Form 8-K)
	* (a) First Amendment to Tax Matters Agreement by and between Belo Corp. and A. H. Belo Corporation dated September 14, 2009 (Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 15, 2009 (Securities and Exchange Commission file No. 00-00371))
(2)	* Employee Matters Agreement by and between Belo Corp. and A. H. Belo Corporation dated as of February 8, 2008 (Exhibit 10.2 to the February 12, 2008 Form 8-K)
	* (a) Amendment to Employee Matters Agreement as set forth in the Pension Plan Transfer Agreement dated as of October 6, 2010 (Exhibit 10.1 to the Company's Report on Form 8-K filed with the Securities and Exchange Commission on October 8, 2010 (Securities and Exchange Commission File No. 001-33741)) (the "October 8, 2010 Form 8-K")
(3)	* Services Agreement by and between Belo Corp. and A. H. Belo Corporation dated as of February 8, 2008 (Exhibit 10.3 to the February 12, 2008 Form 8-K)
(4)	* Separation and Distribution Agreement by and between Belo Corp. and A. H. Belo Corporation dated as of February 8, 2008 (Exhibit 2.1 to the February 12, 2008 Form 8-K)
(5)	* Pension Plan Transfer Agreement by and between Belo Corp. and A. H. Belo Corporation dated as of October 6, 2010 (Exhibit 10.1 to the Company's current Report on Form 8-K filed with the Securities and Exchange Commission (October 8, 2010 Form 8-K))
(6)	* Agreement among the Company, Belo Corp., and The Pension Benefit Guaranty Corporation, effective March 9, 2011 (Exhibit 10.3(6) to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 11, 2011 (Securities and Exchange Commission File No. 001-33741))
12	Computation of Ratio of Earnings to Fixed Charges
21	Subsidiaries of the Company
23.1	Consent of KPMG LLP
23.2	Consent of Moss Adams LLP
23.3	Consent of PwC LLP
24	Power of Attorney (set forth on the signature page(s) hereof)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications of Chief Executive Officer and principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Classified Ventures, LLC financial statements
99.2	Wanderful Media, LLC financial statements
101.INS	** XBRL Instance Document
101.SCH	** XBRL Taxonomy Extension Schema
101.CAL	** XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	** XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	** XBRL Taxonomy Extension Label Linkbase Document
101.PRE	** XBRL Taxonomy Extension Presentation Linkbase Document

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

A. H. BELO CORPORATION

By: /s/ James M. Moroney III

James M. Moroney III

Chairman of the Board, President and Chief

Executive Officer

Dated: March 5, 2015

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**POWER OF ATTORNEY**

The undersigned hereby constitute and appoint James M. Moroney III and Daniel J. Blizzard, and each of them and their substitutes, our true and lawful attorneys-in-fact with full power to execute in our name and behalf in the capacities indicated below any and all amendments to this report and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, and hereby ratify and confirm all that such attorneys-in-fact, or any of them, or their substitutes shall lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated:

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ James M. Moroney III</u> James M. Moroney III	Chairman of the Board, President and Chief Executive Officer	March 5, 2015
<u>/s/ Robert W. Decherd</u> Robert W. Decherd	Director	March 5, 2015
<u>/s/ John A. Beckert</u> John A. Beckert	Director	March 5, 2015
<u>/s/ Louis E. Caldera</u> Louis E. Caldera	Director	March 5, 2015
<u>/s/ Dealey D. Hemdon</u> Dealey D. Hemdon	Director	March 5, 2015
<u>/s/ Ronald D. McCray</u> Ronald D. McCray	Director	March 5, 2015
<u>/s/ Tyree B. Miller</u> Tyree B. Miller	Director	March 5, 2015
<u>/s/ John P. Puemer</u> John P. Puemer	Director	March 5, 2015
<u>/s/ Nicole G. Small</u> Nicole G. Small	Director	March 5, 2015
<u>/s/ Michael N. Lavey</u> Michael N. Lavey	Vice President/ Controller (Principal Financial Officer)	March 5, 2015



**KPMG LLP**  
Suite 3100  
717 North Harwood Street  
Dallas, TX 75201-6585

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders  
A. H. Belo Corporation:

We have audited the accompanying consolidated balance sheets of A. H. Belo Corporation and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income and loss, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. We also have audited A. H. Belo Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). A. H. Belo Corporation's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of A. H. Belo Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, A. H. Belo Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by COSO.

**KPMG LLP**

Dallas, Texas  
March 5, 2015

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**A. H. Belo Corporation and Subsidiaries**  
**Consolidated Statements of Operations**

In thousands, except share and per share amounts	Years Ended December 31,		
	2014	2013	2012
<b>Net Operating Revenue</b>			
Advertising and marketing services	\$ 158,183	\$ 167,945	\$ 170,113
Circulation	84,922	86,274	88,662
Printing, distribution and other	29,683	21,964	22,149
Total net operating revenue	272,788	276,183	280,924
<b>Operating Costs and Expense</b>			
Employee compensation and benefits	111,710	110,412	111,255
Other production, distribution and operating costs	122,239	114,720	114,417
Newsprint, ink and other supplies	32,507	34,847	34,073
Depreciation	13,820	14,861	17,045
Amortization	198	121	—
Total operating costs and expense	280,474	274,961	276,790
Operating income (loss)	(7,686)	1,222	4,134
<b>Other Income, Net</b>			
Gains on equity method investments, net	93,898	2,269	2,399
Other income, net	5,773	196	996
Interest expense	—	311	629
Total other income, net	99,671	2,154	2,766
<b>Income from Continuing Operations Before Income Taxes</b>			
Income tax provision	5,978	1,460	1,793
<b>Income from Continuing Operations</b>			
Income (loss) from discontinued operations	4,064	665	(4,749)
Gain related to the divestiture of discontinued operations, net	17,057	13,402	—
Tax expense (benefit) from discontinued operations	14,351	57	(61)
<b>Gain (Loss) from Discontinued Operations, Net</b>			
Net Income	92,777	15,926	419
Net loss attributable to noncontrolling interests	(152)	(193)	(107)
<b>Net Income Attributable to A. H. Belo Corporation</b>			
	\$ 92,929	\$ 16,119	\$ 526
<b>Per Share Basis</b>			
<b>Basic</b>			
Continuing operations	\$ 3.84	\$ 0.07	\$ 0.22
Discontinued operations	0.31	0.64	(0.21)
Net income attributable to A. H. Belo Corporation	\$ 4.15	\$ 0.71	\$ 0.01
<b>Diluted</b>			
Continuing operations	\$ 3.82	\$ 0.07	\$ 0.22
Discontinued operations	0.31	0.64	(0.21)
Net income attributable to A. H. Belo Corporation	\$ 4.13	\$ 0.71	\$ 0.01
<b>Weighted average shares outstanding</b>			
Basic	21,899,602	21,967,666	21,947,981
Diluted	22,006,022	22,063,741	22,065,856

See accompanying Notes to Consolidated Financial Statements.



[Table of Contents](#)**A. H. Belo Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income (Loss)**

<b>In thousands</b>	<b>Years Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Net Income</b>	\$ 92,777	\$ 15,926	\$ 419
<b>Other Comprehensive Income (Loss), Net of Tax:</b>			
Actuarial gains (losses)	(49,228)	57,458	(10,495)
Amortization of net actuarial losses	6,954	981	32
Total other comprehensive (loss) income	(42,274)	58,439	(10,463)
<b>Comprehensive Income (Loss)</b>	50,503	74,365	(10,044)
Comprehensive loss attributable to noncontrolling interests	(152)	(193)	(107)
<b>Total Comprehensive Income (Loss) Attributable to A. H. Belo Corporation</b>	\$ 50,655	\$ 74,558	\$ (9,937)

See accompanying Notes to Consolidated Financial Statements.

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**A. H. Belo Corporation and Subsidiaries**  
**Consolidated Balance Sheets**

In thousands, except share amounts	December 31,	
	2014	2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 158,171	\$ 82,193
Accounts receivable (net of allowance of \$1,262 and \$1,248 at December 31, 2014 and December 31, 2013, respectively)	34,396	32,270
Inventories	4,901	5,567
Prepays and other current assets	8,422	5,618
Deferred income taxes, net	—	61
Assets of discontinued operations	565	42,716
Total current assets	206,455	168,425
Property, plant and equipment, at cost:		
Land	22,150	25,734
Buildings and improvements	155,035	158,713
Publishing equipment	214,179	214,959
Other	79,941	88,716
Construction in process	881	876
Property, plant and equipment, at cost	472,186	488,998
Less accumulated depreciation	(410,597)	(414,135)
Property, plant and equipment, net	61,589	74,863
Intangible assets, net	656	241
Goodwill	24,582	24,582
Investments	2,572	7,333
Deferred income taxes, net	—	538
Other assets	2,893	3,236
Total assets	\$ 298,747	\$ 279,218
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 12,904	\$ 13,717
Accrued compensation and benefits	8,233	9,816
Dividends payable	50,148	—
Other accrued expense	13,684	4,459
Advance subscription payments	15,894	14,842
Liabilities of discontinued operations	543	11,538
Total current liabilities	101,406	54,372
Long-term pension liabilities	65,859	50,082
Other post-employment benefits	2,656	2,730
Deferred income taxes, net	530	—
Other liabilities	2,277	3,258
Shareholders' equity:		
Preferred stock, \$.01 par value; Authorized 2,000,000 shares; none issued	—	—
Common stock, \$.01 par value; Authorized 125,000,000 shares		
Series A: issued 20,341,501 and 19,931,599 shares at December 31, 2014 and December 31, 2013, respectively	203	199
Series B: issued 2,388,237 and 2,397,155 shares at December 31, 2014 and December 31, 2013, respectively	24	24
Treasury stock, Series A, at cost; 944,636 and 495,200 shares held at December 31, 2014 and December 31, 2013, respectively	(8,087)	(3,113)
Additional paid-in capital	499,320	496,682
Accumulated other comprehensive loss	(57,367)	(15,093)
Accumulated deficit	(308,330)	(310,099)
Total shareholders' equity attributable to A. H. Belo Corporation	125,763	168,600
Noncontrolling interests	256	176
Total shareholders' equity	126,019	168,776
Total liabilities and shareholders' equity	\$ 298,747	\$ 279,218

See accompanying Notes to Consolidated Financial Statements.



**A. H. Belo Corporation and Subsidiaries**  
**Consolidated Statements of Shareholders' Equity**

<i>In thousands, except share amounts</i>	Common Stock			Additional Paid-in Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Non-controlling Interests	Total
	Shares Series A	Shares Series B	Amount		Shares Series A	Amount				
<b>Balance at December 31, 2011</b>	19,182,236	2,398,017	\$ 216	\$ 493,773	—	\$ —	(63,069)	\$ (309,441)	\$ —	\$ 121,479
Net income (loss)	—	—	—	—	—	—	—	526	(107)	419
Other comprehensive loss	—	—	—	—	—	—	(10,463)	—	—	(10,463)
Capital contributions of noncontrolling interests	—	—	—	—	—	—	—	—	162	162
Treasury stock purchases	—	—	—	—	(74,130)	(350)	—	—	—	(350)
Issuance of shares for restricted stock units	319,807	—	3	(3)	—	—	—	—	—	—
Issuance of shares for stock option exercises	136,826	16,500	2	298	—	—	—	—	—	300
Income tax benefit on options and RSUs	—	—	—	173	—	—	—	—	—	173
Share-based compensation	—	—	—	1,287	—	—	—	—	—	1,287
Conversion of Series B to Series A	12,961	(12,961)	—	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—	(10,947)	—	(10,947)
<b>Balance at December 31, 2012</b>	19,651,830	2,401,556	221	495,528	(74,130)	(350)	(73,532)	(319,862)	55	102,060
Net income (loss)	—	—	—	—	—	—	—	16,119	(193)	15,926
Other comprehensive income	—	—	—	—	—	—	58,439	—	—	58,439
Capital contributions of noncontrolling interests	—	—	—	—	—	—	—	—	314	314
Treasury stock purchases	—	—	—	—	(421,070)	(2,763)	—	—	—	(2,763)
Issuance of shares for restricted stock units	256,548	—	2	(2)	—	—	—	—	—	—
Issuance of shares for stock option exercises	18,820	—	—	69	—	—	—	—	—	69
Income tax expense on options and RSUs	—	—	—	(188)	—	—	—	—	—	(188)
Share-based compensation	—	—	—	1,275	—	—	—	—	—	1,275
Conversion of Series B to Series A	4,401	(4,401)	—	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—	(6,356)	—	(6,356)
<b>Balance at December 31, 2013</b>	19,931,599	2,397,155	223	496,682	(495,200)	(3,113)	(15,093)	(310,099)	176	168,776
Net income (loss)	—	—	—	—	—	—	—	92,929	(152)	92,777
Other comprehensive loss	—	—	—	—	—	—	(42,274)	—	—	(42,274)
Capital contributions by noncontrolling interests	—	—	—	—	—	—	—	—	232	232
Treasury stock purchases	—	—	—	—	(449,436)	(4,974)	—	—	—	(4,974)
Issuance of shares for restricted stock units	210,522	—	2	(2)	—	—	—	—	—	—
Issuance of shares for stock option exercises	190,462	—	2	939	—	—	—	—	—	941
Income tax benefit on options and RSUs	—	—	—	933	—	—	—	—	—	933
Share-based compensation	—	—	—	768	—	—	—	—	—	768
Conversion of Series B to Series A	8,918	(8,918)	—	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—	(91,160)	—	(91,160)
<b>Balance at December 31, 2014</b>	20,341,501	2,388,237	\$ 227	\$ 499,320	(944,636)	\$ (8,087)	(57,367)	(308,330)	\$ 256	\$ 126,019

See accompanying Notes to Consolidated Financial Statements.

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**A. H. Belo Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**

In thousands	Years Ended December 31,		
	2014	2013	2012
<b>Operating Activities</b>			
Net Income	\$ 92,777	\$ 15,926	\$ 419
Adjustments to reconcile net income to net cash (used for) provided by operations:			
Net (income) loss from discontinued operations	(6,770)	(14,010)	4,688
Net periodic benefit and contributions related to employee benefit plans	(26,448)	(16,830)	(33,896)
Equity method investment (gains) losses in excess of dividends	(18,677)	683	(201)
Depreciation and amortization	14,018	14,982	17,045
Share-based compensation	702	1,059	1,095
Gain on disposal of fixed assets	(2,787)	(6)	(387)
Deferred income taxes	780	(244)	269
Gain on investment related activity, net	(78,762)	—	—
Other operating activities	(672)	485	(144)
Changes in working capital and other operating assets and liabilities, net			
Accounts receivable	1,002	(1,708)	1,177
Inventories, prepaids and other current assets	(2,138)	1,236	535
Other assets	343	(478)	1,435
Accounts payable	(813)	2,005	(2,964)
Compensation and benefit obligations	(2,564)	(1,512)	98
Other accrued expenses	(4,304)	(397)	(4,971)
Advance subscription payments	1,052	1,160	(3,016)
Other post-employment benefits	(57)	110	—
Net cash (used for) provided by continuing operations	(33,318)	2,461	(18,818)
Net cash provided by discontinued operations	6,856	11,777	17,461
Net cash (used for) provided by operating activities	(26,462)	14,238	(1,357)
<b>Investing Activities</b>			
Investment distribution proceeds	97,440	—	—
Proceeds from sale of fixed assets	10,085	6	628
Capital expenditures, net	(7,844)	(4,258)	(7,047)
Other investment related proceeds	3,540	—	—
Purchase of investments	(2,279)	(1,377)	(742)
Proceeds from the recovery of an impaired investment	—	—	144
Net cash provided by (used for) continuing investing activities	100,942	(5,629)	(7,017)
Net cash provided by (used for) discontinued investing activities	45,561	48,313	(4,275)
Net cash provided by (used for) investing activities	146,503	42,684	(11,292)
<b>Financing Activities</b>			
Dividends paid	(41,012)	(6,356)	(10,947)
Purchase of treasury stock	(4,974)	(2,763)	(350)
Proceeds from exercise of stock options	941	69	300
Income tax benefit on options and RSUs	933	—	173
Capital contributions by noncontrolling interests	49	227	127
Net cash used for financing activities	(44,063)	(8,823)	(10,697)
Net increase (decrease) in cash and cash equivalents	75,978	48,099	(23,346)
Cash and cash equivalents at beginning of period	82,193	34,094	57,440
Cash and cash equivalents at end of period	\$ 158,171	\$ 82,193	\$ 34,094

See accompanying Notes to Consolidated Financial Statements.

**A. H. Belo Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements**

**Note 1: Significant Accounting Policies and Recently Issued Accounting Standards**

**Description of Business.** A. H. Belo Corporation and subsidiaries (“A. H. Belo” or the “Company”), headquartered in Dallas, Texas, is a leading local news and information publishing company with commercial printing, distribution and direct mail capabilities, as well as expertise in emerging media and digital marketing. With a continued focus on extending the Company’s media platform, A. H. Belo is able to deliver news and information in innovative ways to a broad spectrum of audiences with diverse interests and lifestyles.

The Company publishes *The Dallas Morning News* ([www.dallasnews.com](http://www.dallasnews.com)), Texas’ leading newspaper and winner of nine Pulitzer Prizes; the *Denton Record-Chronicle* ([www.dentonrc.com](http://www.dentonrc.com)), a daily newspaper operating in Denton, Texas, and various niche publications targeting specific audiences. A. H. Belo also offers digital marketing solutions through 508 Digital and Your Speakeasy, LLC and provides event promotion and marketing services through Crowdsource.

**Basis of Presentation.** These consolidated financial statements include the accounts of A. H. Belo and its subsidiaries. The Company follows the guidance set by the Financial Accounting Standards Board (“FASB”) or other authoritative accounting standards-setting bodies. Under Accounting Standards Codification (“ASC”) 810 – *Consolidation*, the Company determines whether subsidiaries, joint ventures, partnerships and other arrangements should be consolidated. Transactions between the consolidated companies are eliminated and noncontrolling interests in less than wholly-owned subsidiaries are reflected in the consolidated financial statements. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In the opinion of management, all adjustments considered necessary for a fair presentation are included. All dollar amounts are presented in thousands, except per share amounts, unless the context requires otherwise.

The FASB recently issued Accounting Standards Update (“ASU”) 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. Under this amendment, requirements for reporting discontinued operations have changed. Discontinued operations may include disposals of a business, nonprofit activity or component of an entity upon meeting certain other criteria. Disposals representing components of an entity must reflect a strategic shift that has a major effect on the entity’s operations and financial results. Previous conditions prohibiting the entity from having significant continuing involvement in the disposal group and requiring the elimination of operations and cash flows from ongoing operations of the entity have been removed. The update is effective on a prospective basis for disposals that occur within annual periods beginning on or after December 15, 2014, and interim periods in those years.

In 2014, the Company completed the sale of substantially all of the assets and certain liabilities which comprise the newspaper operations of *The Providence Journal*, a daily newspaper in Providence, Rhode Island and the oldest continuously-published daily newspaper in the United States. In 2013, the Company completed the disposition of *The Press-Enterprise*, a daily newspaper in Riverside, California, which serves the Inland Southern California region. As described in Note 2 – Discontinued Operations and Sales of Assets, these dispositions meet the criteria of discontinued operations as prescribed under the Accounting Standards Codification 205 - *Presentation of Financial Statements*. Accordingly, presentation of current and prior period amounts in the consolidated financial statements and notes thereto reflect continuing operations of the Company unless otherwise noted.

The update to the standard also expands the scope of ASC 205 to disposals of equity method investments and businesses that, upon initial acquisition, qualify as held for sale. Also in 2014, the Company completed the sale of its membership interest in Classified Ventures, an equity method investee. This disposition was completed prior to the Company’s adoption of ASU 2014-08 and, as such, current and prior period amounts related to the investment are presented as continuing operations of the Company.

The Company adopted ASU 2014-08 on January 1, 2015. The Company does not anticipate the implementation of this update will impact the presentation of discontinued operations within its financial statements.

**Cash and Cash Equivalents.** The Company considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents.

**Accounts Receivable.** Accounts receivable are net of a valuation reserve that represents an estimate of amounts considered uncollectible. The Company estimates the allowance for doubtful accounts based on historical write-off experience and the Company's knowledge of the customers' ability to pay amounts due. The Company's policy is to write-off accounts after all collection efforts fail; generally, amounts past due by more than one year are written-off. Expense for such uncollectible amounts is included in other production, distribution and operating costs. Bad debt expense for 2014 and 2013 was \$2,220 and \$2,025, respectively. Write-offs, net of recoveries and other adjustments for 2014 and 2013 were \$2,206 and \$2,553, respectively.

**Risk Concentration.** Financial instruments subject to potential concentration of credit risk include cash equivalents and accounts receivable. The Company invests available cash balances in an overnight deposit fund holding commercial paper of a single issuer. The issuer's commercial paper is graded A1 by Moody's and overnight holdings in the fund were \$147,437 as of December 31, 2014.

A significant portion of the Company's customer base is concentrated within the North Texas geographical area. The Company generally extends credit to customers, and the ultimate collection of accounts receivable could be affected by the national and local economy. Management continually performs credit evaluations of its customers and may require cash in advance or other special arrangements from certain customers. The Company maintains an allowance for losses based upon the collectibility of accounts receivable. Management does not believe significant credit risk exists that could have a material adverse effect on the Company's consolidated financial condition, liquidity or results of operations.

**Inventories.** Inventories, consisting primarily of newsprint, ink and other supplies used in printing newspapers, are recorded at average cost. The Company reviews its inventories for obsolescence and records an expense for any items that no longer have future value.

**Property, Plant and Equipment.** The Company records property, plant and equipment at cost or its fair value if acquired through a business acquisition or non-monetary exchange. Depreciable assets are reviewed to ensure the remaining useful life of the assets continue to be appropriate and the Company records any resulting adjustments to depreciation expense on a prospective basis. Depreciation of property, plant and equipment is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Estimated Useful Lives</u>
Buildings and improvements	5 - 30 years
Newspaper publishing equipment	3 - 20 years
Other	3 - 10 years

**Goodwill.** The Company records goodwill at the reporting unit level based on the excess fair value of prior business acquisitions over the fair value of the assets and liabilities acquired. Reporting units of the Company are based on its internal reporting structure and represent a reporting level below an operating segment. Unless qualitative factors allow the Company to conclude it is more likely than not that the fair value of the reporting unit exceeds its carrying value, the Company tests for goodwill impairment by estimating the fair value of the reporting unit. If the fair value of the reporting unit is less than its carrying value, the Company will determine a fair value for the reporting unit's underlying assets and liabilities and adjust goodwill accordingly. The Company uses a discounted cash flow model to calculate the fair value of its reporting units. The model includes a number of significant assumptions and estimates regarding future cash flows including discount rates, volumes, prices, capital expenditures and the impact of current market conditions. These estimates could be materially impacted by changes in market conditions. The Company performs the goodwill impairment test as of December 31 each fiscal year or when changes in circumstances indicate an impairment event may have occurred. Impairment charges represent non-cash charges and do not affect the Company's liquidity, cash flows from operating activities or have any effect on future operations.

**Long-Lived Assets.** The Company evaluates its ability to recover the carrying value of property, plant and equipment and finite-lived intangible assets, using the lowest level of cash flows associated with the assets, which are grouped based on the Company's intended use of these assets. This evaluation is performed whenever a change in circumstances indicates that the carrying value of the asset groups may not be recoverable from future undiscounted cash flows. If the analysis of future cash flows indicates the carrying value of the long-lived assets cannot be recovered, the assets are adjusted to the lower of its carrying value or fair value.

**Investments.** The Company owns certain equity securities in companies in which it does not exercise control. For those investments where the Company is able to exercise significant influence over the investee as defined under ASC 323 – *Equity Method and Joint Ventures*, the Company accounts for the investment under the equity method of accounting, recognizing its share of the investee’s income or loss as a component of earnings. All other investments are recorded under the cost method and the Company recognizes income or loss upon the receipt of dividends or distributions, or upon liquidation of the investment. Each reporting period, the Company evaluates its ability to recover the carrying value of both equity and cost method investments based upon the financial strength of the investee. If the Company determines the carrying value is not recoverable, an impairment charge is recorded for the difference between the fair value of the investment and the carrying value.

**Self-Insured Risks.** A. H. Belo self-insures certain risks for employee medical costs, workers’ compensation, general liability and commercial automotive claims and records a liability for such risks. The Company purchases stop-loss insurance and/or high deductible policies with third-party insurance carriers to limit these risks, and third-party administrators are used to process claims. Each period, the Company estimates, utilizing third party experts, the undiscounted liability associated with its uninsured risks based on historical claim patterns, employee demographic data, assets insured and insurance policy. The estimates associated with these uninsured liabilities are monitored by A. H. Belo’s management for adequacy based on information currently available. However, actual amounts could vary significantly from such estimates if actual trends, including the severity or frequency of claims and/or medical cost inflation, were to change.

**Pension and Other Retirement Obligations.** The Company follows accounting guidance for single employer defined benefit plans. Plan assets and the projected benefit obligation are measured each December 31, and the Company records as an asset or liability the net funded position of the plans. Certain changes in actuarial valuations related to returns on plan assets and projected benefit obligations are recorded to other comprehensive income (loss) and are amortized to net periodic pension expense over the weighted average remaining life of plan participants, to the extent the cumulative balance in accumulated other comprehensive income (loss) exceeds 10 percent of the greater of the respective plan’s (a) projected benefit obligation or (b) the market-related value of the plan’s assets. Net periodic pension expense is recognized each period by accruing interest expense on the projected benefit obligation and accruing a return on assets associated with the plan assets. Participation in and accrual of new benefits to participants has been frozen since 2007 and, accordingly, on-going service costs are not a component of net periodic pension expense. From time to time, the Company-sponsored plans may settle pension obligations with certain plan participants through the plans’ master trust as part of its de-risking strategies. The gains or losses associated with settlements of plan obligations to participants are recognized to earnings if such settlements exceed the interest component of net periodic pension cost for the year. Otherwise, such amounts are included in actuarial gains (losses) in accumulated other comprehensive income (loss).

The A. H. Belo Savings Plan is the Company’s defined contribution plan. As a result of fulfilling its obligations to the A.H. Belo Pension Transition Supplement Plan and in order to achieve efficient administration of the Company’s defined contribution plans, the A. H. Belo Pension Transition Supplement Plan was merged into the A.H. Belo Savings Plan in 2013 and ceased to exist as a stand-alone benefit plan of the Company. Contributions by the Company to its defined contribution plan are subject to change at management’s discretion. The Company recognizes expense for contributions to the plan based on current commitments made by management to plan participants.

**Contingencies.** A. H. Belo is involved in certain claims and litigation related to its operations. The Company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual matter. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

**Share-Based Compensation.** The Company recognizes the granting of share-based awards at fair value in the financial statements. The fair value of option awards is estimated at the date of grant using the Black-Scholes-Merton pricing model and the fair value of restricted stock unit awards (“RSU”) is the closing price of the Company’s common stock on the date of grant. Total compensation cost is amortized to earnings over the requisite service period. Vested RSUs are redeemed 60 percent in A. H. Belo Series A common stock and 40 percent in cash over a period of three years. The Company records a liability for the portion of the outstanding RSUs to be redeemed in cash, which is adjusted to its fair value each period, based on the closing price of the Company’s common stock.

**Shareholders’ Equity.** The Company authorized the issuance of shares of Series A and Series B common stock. Series A common stock has one vote per share and Series B common stock has 10 votes per share. Shares of Series B common stock are convertible at any time on a share-for-share basis into shares of Series A common stock, but not vice versa.



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The Company is authorized to grant stock option and restricted stock unit awards to employees and directors of the Company. Upon vesting of restricted stock units, shares of Series A common stock are issued. Upon the exercise of stock options, Series A common stock is issued if the holder of the stock options executes a simultaneous exercise and sale. If the holder of the stock option chooses not to sell the shares, Series B common stock is issued.

In 2012, the Company's board of directors authorized the purchase of the Company's Series A or Series B common stock, for use other than retirement, through open market purchases, privately negotiated transactions or otherwise. Treasury stock is recorded at cost, reducing shareholders' equity. Treasury stock purchased privately through negotiated transactions at other than market prices shall be recorded at cost and the price paid in excess of the market cost shall be accounted for according to its substance. When treasury shares are subsequently sold or reissued, the cost of the treasury shares is reversed and the realized gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related tax, is recognized as a change in additional paid in capital.

Accumulated other comprehensive income (loss) consists of actuarial gains and losses associated with the A. H. Belo Pension Plans and prior service costs and deferral of gains resulting from negative plan amendments related to other post-employment benefit plans. The cumulative balances are amortized to earnings over the weighted average remaining life expectancy of the participants to the extent such balances exceed 10 percent of the greater of the respective plan's (a) projected benefit obligation or (b) the market-related value of the plan's assets. The Company discloses amounts reclassified from accumulated other comprehensive income (loss) to net income in Note 9 – Accumulated Other Comprehensive Loss.

**Revenue Recognition.** The Company's principal sources of revenue is the advertising space in published issues of its newspapers and on the Company's websites, the sale of newspapers to distributors and individual subscribers, as well as amounts charged to customers for commercial printing, distribution and direct mail. Advertising revenue is recorded net of agency commission at the time the advertisements are published in the newspaper and ratably over the period of time the advertisement is placed on the websites. Marketing services revenue is recognized at the time the services are rendered. Proceeds from subscriptions are deferred and included in revenue ratably over the term of the subscriptions. Subscription revenue under buy-sell arrangements with distributors is recorded based on the net amount received from the distributor, whereas subscription revenue under fee-based delivery arrangements with distributors is recorded based on the amount received from the subscriber. Commercial printing and direct mail revenue is recorded when the product is distributed or shipped.

The FASB recently issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance generally clarified the principles for recognizing revenue and develops a common revenue standard for GAAP and International Financial Reporting Standards. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The update is effective for fiscal years and interim periods beginning after December 15, 2016, and interim periods in those years. The Company is currently evaluating the impact this update will have on its recognition and presentation of revenues within the consolidated statements of operations.

**Income Taxes.** The Company uses the asset and liability method of accounting for income taxes and recognizes deferred tax assets and liabilities based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates. The Company establishes a valuation allowance if it is more likely than not that the deferred tax assets will not be realized. The factors used to assess the likelihood of realization of the deferred tax asset include reversal of future deferred tax liabilities, available tax planning strategies and future taxable income.

The Company also evaluates any uncertain tax positions each reporting period by tax jurisdiction to determine if it is more likely than not that the tax position will not be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements for such positions are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. If a net operating loss or other tax credit carryforward exists, the Company records the unrecognized tax benefits for such tax positions as a reduction to a deferred tax asset. Otherwise, the unrecognized tax benefits are recorded as a liability. The Company records a liability for uncertain tax positions taken or expected to be taken in a tax return. Any change in judgment related to the expected ultimate resolution of uncertain tax positions is recognized in earnings in the period in which such change occurs. Interest and penalties, if any, related to unrecognized tax benefits are recorded in interest expense.

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**Use of Estimates.** Company management makes estimates and assumptions that affect the amounts and disclosures reported in its financial statements and include valuation allowances for doubtful accounts, uncertain tax positions and deferred tax assets, fair value measurements related to assets held for sale, pension plan assets and equity based compensation, actuarial liabilities related to self-insured risks, pension plan obligations and assumptions related to impairment and recovery of goodwill and long lived assets. Estimates are based on past experience and other considerations reasonable under the circumstances. Actual results may differ from these estimates.

**Segments.** The Company's operating segments are defined by the operating activities which leverage the customer base, content and other assets of its newspapers. As of December 31, 2014, the Company operates as one segment.

**Fair Value Measurements.** The Company's financial instruments, including cash, cash equivalents, accounts receivable, interest receivable, accounts payable and amounts due to customers are carried at cost, which approximates its fair value because of the short-term nature of these instruments.

**Other New Accounting Pronouncements.** The FASB recently issued ASU 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40)*. This standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for fiscal years and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company does not anticipate the adoption of this standard to have a material impact on the presentation of the consolidated financial statements or footnotes.

**Note 2: Discontinued Operations and Sales of Assets**

**Discontinued Operations.** On September 3, 2014, The Providence Journal Company, a wholly-owned subsidiary of the Company, completed a transaction for the (i) sale of substantially all of the assets comprising the newspaper operations of *The Providence Journal* and related real property located in Providence, Rhode Island, and (ii) assumption of certain liabilities by LMG Rhode Island Holdings, Inc. (“LMG”), a subsidiary of New Media Investment Group Inc. The purchase price consisted of \$46,000 plus a working capital adjustment of \$2,654. Closing costs of \$110 and estimated selling and exit costs of \$3,237 were recognized, and a pretax gain on the sale of \$17,104 was recorded in 2014.

In July 2013, the Company completed the sale of the headquarters building and certain press equipment used by *The Press-Enterprise* in its operations. Total proceeds of \$29,093 were received, after selling costs of \$1,457. The Company recorded a pretax gain of \$4,746 related to these transactions in the third quarter of 2013. On November 21, 2013, the Company completed the sale of the newspaper operations of *The Press-Enterprise*, including the production facility and related land, to Freedom Communications, Inc. (“Freedom Communications”) under a definitive asset purchase agreement, resulting in sales proceeds of \$27,828. A gain of \$8,656 was recorded in the fourth quarter of 2013, which was decreased by \$47 in 2014.

Upon completion of these divestitures, the Company no longer owns newspaper operations in Providence, Rhode Island or Riverside, California. The Company continues to hold and market for sale certain land and buildings in Providence, Rhode Island, including the administrative headquarters of *The Providence Journal*. The Company also retains the obligation for the A. H. Belo Pension Plan II, which provides benefits to employees of The Providence Journal Company.

As a result of the above transactions, the activity and balances of *The Providence Journal* and *The Press-Enterprise* are presented as discontinued operations. Major components of these amounts presented as discontinued operations in the consolidated financial statements are set forth below.

	Years Ended December 31,		
	2014	2013	2012
<b>Income (loss) from discontinued operations</b>			
<i>The Providence Journal</i>			
Revenue	\$ 58,591	90,068	93,766
Costs and expense	(54,527)	(84,703)	(90,489)
	<u>4,064</u>	<u>5,365</u>	<u>3,277</u>
<i>The Press-Enterprise</i>			
Revenue	—	46,648	65,356
Costs and expense	—	(51,348)	(73,382)
	<u>—</u>	<u>(4,700)</u>	<u>(8,026)</u>
Income (loss) from discontinued operations	<u>4,064</u>	<u>665</u>	<u>(4,749)</u>
<b>Gain related to the divestiture of discontinued operations, net</b>			
Gain on sale of <i>The Providence Journal</i>	17,104	—	—
Gain on sale of <i>The Press-Enterprise</i>	(47)	8,656	—
Gain on sale of <i>The Press-Enterprise</i> office building and press equipment	—	4,746	—
	<u>17,057</u>	<u>13,402</u>	<u>—</u>
<b>Tax expense (benefit) from discontinued operations</b>			
<i>The Providence Journal</i>	14,351	124	11
<i>The Press-Enterprise</i>	—	(67)	(72)
	<u>14,351</u>	<u>57</u>	<u>(61)</u>
<b>Gain (loss) from discontinued operations</b>	<u><u>6,770</u></u>	<u><u>14,010</u></u>	<u><u>(4,688)</u></u>

	<i>December 31,</i> <i>2014</i>	<i>December 31,</i> <i>2013</i>
<b>Assets of discontinued operations</b>		
<i>The Providence Journal</i>		
Current assets	\$ 312	\$ 13,343
State income tax receivable	253	—
Property, plant and equipment, net	—	22,249
Other assets	—	5,491
Total	<u>565</u>	<u>41,083</u>
<i>The Press-Enterprise</i>		
Current assets	—	1,633
Total	<u>—</u>	<u>1,633</u>
Total assets of discontinued operations	<u>\$ 565</u>	<u>\$ 42,716</u>
<b>Liabilities of discontinued operations</b>		
<i>The Providence Journal</i>		
Accrued expenses	\$ 543	\$ 5,168
Deferred revenue	—	4,342
Total	<u>543</u>	<u>9,510</u>
<i>The Press-Enterprise</i>		
Accrued expenses	—	2,028
Total	<u>—</u>	<u>2,028</u>
Total liabilities of discontinued operations	<u>\$ 543</u>	<u>\$ 11,538</u>

**Other Dispositions.** In 2014, the Company completed the sales of various parcels of property, including land and buildings, to third-party buyers. In the fourth quarter of 2014, the Company sold the land and building formerly used as a commercial packaging operation in southern Dallas, generating sales proceeds of \$6,677 and a gain of \$1,827. During the third quarter of 2014, the Company received sales proceeds totaling \$3,408 for the sales of land and buildings in Riverside, California and 97 acres of undeveloped land in southern Dallas, Texas, resulting in gains totaling \$862.

### Note 3: Goodwill and Intangible Assets

The Company recorded goodwill and intangible assets from its previous acquisitions. At December 31, 2014 and 2013, the carrying value of goodwill was \$24,582.

As of December 31, 2014, the Company operated as a single reporting unit and performed its annual impairment testing under which a qualitative assessment was performed to determine whether it was more likely than not that the fair value of the reporting unit was less than its carrying value. The qualitative factors considered included the market capitalization of the Company, industry trends, management's plan for existing assets and other factors that could have an economic impact on the reporting unit. If this assessment suggested the fair value of the reporting unit was less than its carrying value, the Company would then use a discounted cash flow model to estimate the fair value of the reporting unit, giving consideration to factors such as pricing of recent mergers and acquisitions, earnings multiples among industry peers and recent performance of the Company's stock.

Upon completion of the qualitative assessment, the Company believes the market capitalization and the liquidity of the Company suggest the fair value of its reporting unit exceeded its carrying value by a margin in excess of 75 percent as of December 31, 2014, and no further impairment analysis was considered necessary.

The carrying value of customer relationships amortized over an estimated useful life of three years, is set forth in the table below.

	<i>December 31,</i> <i>2014</i>	<i>December 31,</i> <i>2013</i>
Gross intangible assets	\$ 975	\$ 362
Accumulated amortization	(319)	(121)
Net balance	<u>\$ 656</u>	<u>\$ 241</u>

Amortization expense for intangible assets for 2014 and 2013 was \$198 and \$121, respectively. Amortization expense is expected to be \$328, \$207 and \$121 for 2015, 2016 and 2017, respectively, at which time the intangibles will be fully amortized.

#### Note 4: Investments

The Company owns investment interests in various entities which are recorded under the equity method or cost method of accounting, or consolidated if the Company holds a controlling financial interest. Under the equity method, the Company records its share of the investee's earnings or losses each period as a component of other income, net, in the consolidated statements of operations. Under the cost method, the Company records earnings or losses when such amounts are realized. The Company evaluates the recoverability of its investments each period and estimates the fair value of its investments if identified events or circumstances indicate a significant adverse effect on the carrying value. Net gains on equity method investments were \$93,898, \$2,269 and \$2,399 for the years ended December 31, 2014, 2013 and 2012, respectively. The table below sets forth the Company's investments.

	<i>December 31,</i> <i>2014</i>	<i>December 31,</i> <i>2013</i>
Equity method investments	\$ 1,640	\$ 6,401
Cost method investments	932	932
Total investments	<u>\$ 2,572</u>	<u>\$ 7,333</u>

**Equity method investments.** Investments recorded under the equity method of accounting include the following:

Classified Ventures, LLC ("Classified Ventures") – The Company owned a 3.3 percent interest in Classified Ventures through its sale date on October 1, 2014. The principal business of Classified Ventures is the operation of [cars.com](#). On April 1, 2014, Classified Ventures sold its [apartments.com](#) business unit for \$585,000. Distribution proceeds of \$18,861 were received and a gain of \$18,479 was recorded related to the sale. On October 1, 2014, the Company completed a transaction with Gannett Co. Inc. and other unit holders of Classified Ventures whereby Gannett acquired all membership interests from the unit holders for Classified Ventures' remaining business which primarily consists of [cars.com](#). Pre-tax cash proceeds of \$77,661 were received, net of selling costs, and escrow proceeds of \$3,280 will be received within one year. A gain of \$77,092 was recorded related to the transaction. The Company entered into a new, five-year affiliate agreement with Classified Ventures that will allow *The Dallas Morning News* to continue to resell [cars.com](#) products and services exclusively in its local market. The affiliate agreement increases the wholesale rate that the Company will pay to Classified Ventures for selling [cars.com](#) products. The Company received dividends of \$765, \$2,952 and \$2,427 from Classified Ventures in 2014, 2013 and 2012, respectively. Other income of \$3,540 was recorded for the receipt of an economic parity payment from the former parent company in conjunction with the dissolution of the jointly-owned partnership holding the Company's investment in Classified Ventures.

Wanderful Media, LLC ("Wanderful") – The Company owns a 13.0 percent interest in Wanderful, which operates [FindnSave.com](#), a digital shopping platform where consumers can find national and local retail goods and services for sale. This platform combines local media participation with advanced search and database technology to allow consumers to view local advertised offers and online sales circulars or search for an item and receive a list of local advertisers and the price and terms offered for the searched item. It also provides key logistics technology and incentives to drive consumers to retailer locations.

In 2014, the Company determined that an other-than-temporary decline occurred in the value of its investment in Wanderful Media after evaluating the estimated fair value of the investee as determined by an independent valuation specialist, which resulted in an impairment charge of \$1,871. The Company attributes the impairment primarily to a decline in business related to Wanderful Media's legacy products. An additional contribution of \$1,909 was made in 2014 to provide capital for development of new product offerings as Wanderful Media establishes its market presence.

The Company included the consolidated financial statements for Classified Ventures as of December 31, 2014, 2013 and 2012, and Wanderful Media as of December 31, 2014, as exhibits to the Company's 2014 Annual Report on Form 10-K, as each represented a significant subsidiary as defined by Securities and Exchange Commission regulations for the respective periods.

**Consolidated investments.** The Company owns a 70.0 percent interest in Your Speakeasy, LLC (“Speakeasy”), which targets middle-market business customers and provides turnkey social media account management and content development services. The Company owns a 51.0 percent interest in Untapped Festivals, LLC (“Untapped”), which hosts festivals providing food, craft beer and entertainment across events across major Texas cities.

**Note 5: Long-term Incentive Plans**

A. H. Belo sponsors a long-term incentive plan under which 8,000,000 common shares were authorized for equity based awards. Awards may be granted to A. H. Belo employees and outside directors in the form of non-qualified stock options, incentive stock options, restricted shares, RSUs, performance shares, performance units or stock appreciation rights. In addition, stock options may be accompanied by full and limited stock appreciation rights. Rights and limited stock appreciation rights may also be issued without accompanying stock options. Awards under the plan were also granted to holders of stock options issued by the former parent company in connection with the Company’s separation from the former parent. The Company recognizes compensation expense for any awards related to its respective employees, regardless of which company ultimately issued the awards.

**Stock Options.** The non-qualified stock options granted to employees under the Company’s long-term incentive plans are exercisable in cumulative installments over periods of one to three years and expire after 10 years. No options have been granted since 2009. The grant date fair value of outstanding stock option awards was estimated using the Black-Scholes-Merton valuation. Volatility was calculated using an analysis of historical stock prices. The expected lives of stock options were determined based on the Company’s employees’ historical stock option exercise experience, which the Company believed to be the best estimate of future exercise patterns available. The risk-free interest rates were determined using the implied yield currently available for zero-coupon United States Government debt securities with a remaining term equal to the expected life of the stock options. The expected dividend yields were based on the approved annual dividend rate in effect and current market price of the underlying common stock at the time of grant. The exercise price of stock options granted under the A. H. Belo long-term incentive plan equals the closing stock price on the day of grant. Accordingly, no intrinsic value exists on the option on the grant date.

The table below sets forth a summary of stock option activity under the A. H. Belo long-term incentive plan.

	Number of Options	Weighted-Average Exercise Price
<b>Outstanding at December 31, 2011</b>	1,696,690	\$ 16.99
Exercised	(153,326)	1.97
Canceled	(327,684)	20.64
<b>Outstanding at December 31, 2012</b>	1,215,680	17.90
Exercised	(18,820)	3.70
Canceled	(286,327)	27.13
<b>Outstanding at December 31, 2013</b>	910,533	15.29
Exercised	(190,462)	4.94
Canceled	(287,348)	25.37
<b>Outstanding at December 31, 2014</b>	432,723	\$ 13.15

The table below summarizes vested and exercisable A. H. Belo stock options outstanding as of December 31, 2014.

Range of Exercise Prices	Number of Options Outstanding	Weighted-Average Remaining Life (years)	Weighted-Average Exercise Price
\$0.00 - \$9.99	204,270	3.8	\$ 4.29
\$10.00 - \$19.99	58,832	1.7	18.30
\$20.00 - \$29.99	169,621	0.9	22.04
	<u>432,723</u>	2.4	\$ 13.15

The intrinsic value of options exercised in 2014, 2013, and 2012 was \$1,099, \$91 and \$395, respectively, and the intrinsic value of outstanding options at December 31, 2014 was \$1,245. As of December 31, 2014, the Company’s employees and non-employee

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directors held 315,322 A. H. Belo stock options and the remaining 117,401 stock options are held by former parent company employees.

**Restricted Stock Units.** Under A. H. Belo's long-term incentive plan, the Company's board of directors periodically awards RSUs. The RSUs have service and/or performance conditions and vest over a period of up to three years. Vested RSUs are redeemed 60 percent in A. H. Belo Series A common stock and 40 percent in cash over a period of three years. As of December 31, 2014, the liability for the portion of the award to be redeemed in cash was \$1,766. The table below sets forth a summary of RSU activity under the A. H. Belo long-term incentive plan.

	Total RSUs	Issuance of Common Stock	RSUs Redeemed in Cash	Cash Payments at Closing Price of Stock	Weighted- Average Price on Date of Grant
<b>Non-vested at December 31, 2011</b>	1,002,230				\$ 6.01
Granted	375,686				4.82
Vested	(533,043)	319,807	213,236	\$ 1,025	5.22
Canceled	(33,255)				6.13
<b>Non-vested at December 31, 2012</b>	811,618				5.97
Granted	344,811				5.51
Vested	(427,611)	256,548	171,063	\$ 939	5.49
<b>Non-vested at December 31, 2013</b>	728,818				5.59
Granted	123,232				11.85
Vested	(350,892)	210,522	140,370	\$ 1,489	6.05
<b>Non-vested at December 31, 2014</b>	501,158				\$ 6.81

The fair value of the RSUs granted is determined using the closing trading price of the Company's shares on the grant date. As of December 31, 2014, the Company had \$234 of total unrecognized compensation cost related to non-vested RSUs, which is expected to be recognized over a weighted-average period of 0.7 years.

**Compensation Expense.** A. H. Belo recognizes compensation expense for any awards issued to its employees and directors under its long-term incentive plan. Compensation expense related to Company issued stock awards is set forth in the table below.

	RSUs Redeemable in Stock	RSUs Redeemable in Cash	Total RSU Awards Expense
2014	\$ 702	\$ 1,117	\$ 1,819
2013	1,059	1,330	2,389
2012	1,095	830	1,925

**Note 6: Long-term Debt**

In January 2013, the Company voluntarily terminated its credit agreement as cash flows from operations were sufficient to meet liquidity requirements and the credit agreement had not been drawn upon since 2009. All liens and security interests under the credit agreement were released and no early termination penalties were incurred by the Company as a result of the termination. Unamortized debt issuance costs of \$401 were recorded to interest expense in 2013 as a result of the termination.

**Note 7: Income Taxes**

The table below sets forth the income tax provision related to continuing operations.

	<i>2014</i>	<i>2013</i>	<i>2012</i>
<b>Current</b>			
Federal	\$ 3,865	\$ —	\$ —
State	1,333	1,704	1,524
Total current	<u>5,198</u>	<u>1,704</u>	<u>1,524</u>
<b>Deferred</b>			
Federal	28,577	2,317	1,811
State	646	(394)	182
Total deferred	<u>29,223</u>	<u>1,923</u>	<u>1,993</u>
<b>Valuation allowance</b>	<u>(28,443)</u>	<u>(2,167)</u>	<u>(1,724)</u>
<b>Total income tax provision</b>	<u>\$ 5,978</u>	<u>\$ 1,460</u>	<u>\$ 1,793</u>

The table below reconciles the income tax provision for continuing operations computed by applying the applicable United States federal income tax rate to the tax provision computed at the effective income tax rate.

	<i>2014</i>	<i>2013</i>	<i>2012</i>
Computed expected income tax provision	\$ 32,195	\$ 1,182	\$ 2,415
State income tax (net of federal benefit)	1,314	852	1,297
Valuation allowance	(28,443)	(2,167)	(1,724)
Equity compensation	—	1,582	—
Recognition of equity windfall	—	(563)	—
Other	912	574	(195)
Income tax provision	<u>\$ 5,978</u>	<u>\$ 1,460</u>	<u>\$ 1,793</u>
Effective income tax rate	<u>6.5%</u>	<u>43.2%</u>	<u>26.0%</u>

As a result of the sale of *The Providence Journal* and the investment in Classified Ventures, the Company generated taxable income. Accordingly, the tax provision was reduced for changes in the valuation allowance, primary resulting from the use of \$19,567 of net operating loss carryforwards. As of December 31, 2014, the Company had no cumulative federal or state net operating loss assets. In 2013, tax provision increased due to canceled equity compensation awards that could not be recognized in additional paid in capital.



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The table below sets forth the significant components of the Company's deferred tax liabilities and assets.

	<i>December 31,</i>	
	<i>2014</i>	<i>2013</i>
<b>Deferred tax assets</b>		
Deferred compensation and benefits	\$ 1,671	\$ 2,923
Expenses deductible for tax purposes in a year different from the year accrued	1,221	2,612
Tax depreciation less than book depreciation	3,541	6,964
Defined benefit plans	22,952	18,071
Net operating loss	—	19,853
Investments	2,317	420
Other	370	1,013
Total deferred tax assets	32,072	51,856
Valuation allowance for deferred tax assets	(31,498)	(46,189)
Deferred tax assets, net	574	5,667
<b>Deferred tax liabilities</b>		
Tax amortization in excess of book amortization	935	1,769
State taxes	169	3,299
Total deferred tax liabilities	1,104	5,068
<b>Net deferred tax (liabilities) assets</b>	\$ (530)	\$ 599

Deferred taxes are classified as current and long-term deferred assets or liabilities based on the classification of the related assets or liabilities in the Company's consolidated balance sheets as of December 31, 2014 and 2013. Deferred tax assets related to net losses recorded in accumulated other comprehensive loss as of December 31, 2014 and 2013, respectively, are fully reserved and there is no net effect to tax provision for 2014, 2013 or 2012. The Company places a threshold for recognition of deferred tax assets based on whether it is more likely than not that these assets will be realized. In making this determination, all positive and negative evidence is considered, including future reversals of existing taxable temporary differences, tax planning strategies, future taxable income and taxable income in prior carryback years.

In accordance with realization requirements of ASC 718 – *Stock Compensation*, certain 2011 and 2012 tax deductions totaling \$104, related to equity compensation in excess of recognized compensation expense, had not been recognized and were not included in the 2013 deferred tax assets because of available net operating loss assets. In the fourth quarter 2014, these prior year deductions and 2014 tax deductions of \$829 were recognized, resulting in an increase to additional paid in capital.

During 2013, the Company effectively completed the U.S. federal audit for tax years 2008 and 2009. The audit resulted in a 2013 refund of \$1,334 due to the carryback of taxable losses to a prior tax return of the former parent company. The Company is not currently under examination by federal or state jurisdictions for income tax purposes. Additionally, the Company made income tax payments, net of refunds, of \$8,759 and \$1,432 in 2014 and 2013, respectively. The increase in 2014 taxes paid primarily reflects federal income tax.

The Company follows accounting guidance under ASC 740-10 – *Income Taxes* related to uncertainty in income tax positions, which clarifies the accounting and disclosure requirements for uncertainty in tax positions. The Company assessed its filing positions in all significant jurisdictions where it is required to file income tax returns for all open tax years. Tax returns filed in major jurisdictions, as defined, include the U. S. federal income tax return and state income tax returns in three states. The Company's federal income tax returns for the years subsequent to December 31, 2009, remain subject to examination. The Company's income tax returns in major state income tax jurisdictions where the Company operates remain subject to examination for various periods subsequent to December 31, 2007.

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The Company evaluates uncertain tax positions and recognizes a liability for the tax benefit associated with an uncertain position only if it is more likely than not the position will not be sustained on examination by taxing authorities, based on the technical merits of the position. In 2010, the Company identified a tax benefit that did not meet the more likely than not criteria as stipulated in the accounting guidance that the position would be sustainable. As a result, the Company recorded a reserve for this item in other liabilities at December 31, 2011, for the portion of the tax benefit that was not greater than 50 percent likely to be realized upon settlement with a taxing authority. In 2013, federal regulations were further clarified. As a result, the Company filed certain accounting method changes to comply with the newly issued regulations. As such, the Company reversed the unrecognized tax benefit in 2013. The Company has concluded there are no uncertain tax positions as of December 31, 2014 and 2013. The table below sets forth a reconciliation of the beginning and ending amount of unrecognized tax benefit.

	2014	2013
Balance at January 1	\$ —	\$ 324
Reductions for tax positions of prior years	—	(324)
Balance at December 31	\$ —	\$ —

**Note 8: Pension and Other Retirement Plans**

**Defined Benefit Plans.** The Company sponsors the A. H. Belo Pension Plans, which provide benefits to approximately 4,000 current and former employees of the Company. A. H. Belo Pension Plan I provides benefits to certain employees primarily employed with *The Dallas Morning News* or the A. H. Belo corporate offices. A. H. Belo Pension Plan II provides benefits to certain employees of The Providence Journal Company, the obligation for which was retained by the Company in the sale transaction of the newspaper operations of *The Providence Journal*. No additional benefits are accruing under the A. H. Belo Pension Plans, as future benefits were frozen prior to the plans' effective date.

The Company made required contributions of \$9,927 and \$7,396 in 2014 and 2013, respectively, and voluntary contributions of \$20,000 and \$4,604 in 2014 and 2013, respectively, to the A. H. Belo Pension Plans, directly reducing the unfunded projected pension obligation of these plans. Actuarial gains (losses) of \$(49,243), \$57,171 and \$(10,613) were recorded to other comprehensive income (loss) in 2014, 2013 and 2012, respectively, see Note 9 – Accumulated Other Comprehensive Loss for information on amounts recorded to accumulated other comprehensive income.

The Company-sponsored plans implemented a de-risking strategy whereby voluntary and mandatory lump sum payments to participants may be made to decrease future benefit obligations. Payments to 721 and 889 participants totaling \$52,919 and \$10,526 were made in 2014 and 2012, respectively. These liquidations reduced projected benefit obligations by approximately \$70,000 and \$14,500 in 2014 and 2012, respectively. The obligations were funded through the plans' master trust account and are a component of benefit payments as shown in the table below. A charge of \$7,648 was recorded to pension expense in 2014 related to the amortization of prior period actuarial losses associated with the liquidated obligations. No such charge was recorded in 2012 as the cost of these settlements was less than the interest component of net periodic pension expense. The related cost associated with 2012 settlements was reflected as a component of the actuarial loss and included in accumulated other comprehensive loss. The Company will continue to evaluate the feasibility of additional settlements of participant obligations based on the economic benefits to the Company.

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The table below sets forth summarized financial information about the A. H. Belo Pension Plans.

	<u>2014</u>	<u>2013</u>
<b>Change in projected benefit obligation</b>		
Projected benefit obligation at beginning of year	\$ 388,698	\$ 441,395
Interest cost	17,320	15,995
Actuarial (gain) loss	63,898	(48,649)
Benefit payments	(73,260)	(20,043)
Projected benefit obligation at end of year	<u>396,656</u>	<u>388,698</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	338,616	318,574
Return on plan assets	35,514	28,085
Employer contributions	29,927	12,000
Benefit payments	(73,260)	(20,043)
Fair value of plan assets at end of year	<u>330,797</u>	<u>338,616</u>
<b>Funded status</b>	<u>\$ (65,859)</u>	<u>\$ (50,082)</u>
<b>Amounts recorded on the balance sheet</b>		
Noncurrent liability - Accrued benefit cost	<u>\$ 65,859</u>	<u>\$ 50,082</u>
<b>Accumulated benefit obligation</b>	<u>\$ 396,656</u>	<u>\$ 388,698</u>

*Net Periodic Pension Expense*

The projected benefit obligations of the A. H. Belo Pension Plans are estimated using the Citigroup Pension Yield Curve, which is based upon a portfolio of high quality corporate debt securities with maturities that correlate to the timing of benefit payments to the plans' participants. Future benefit payments are discounted to their present value at the appropriate yield curve rate to determine the projected benefit obligation outstanding at each year end. Yield curve discount rates as of December 31, 2014, and 2013, were 3.7 percent and 4.6 percent, respectively.

Interest expense included in net periodic pension expense is based on the Citigroup Pension Yield Curve established at the beginning of the fiscal year. Interest expense for 2014, 2013 and 2012 was determined using beginning of year yield curve rates of 4.6 percent, 3.7 percent and 4.2 percent, respectively.

The Company assumed a 6.5 percent long-term return on the plans' assets in 2014, 2013 and 2012. This return is based upon historical returns of similar investment pools having asset allocations consistent with the expected allocations of the A. H. Belo Pension Plans. Investment strategies for the plans' assets are based upon factors such as the remaining useful life expectancy of participants and market risks. The table below sets forth components of net periodic pension expense for 2014, 2013 and 2012.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Interest cost	\$ 17,320	\$ 15,995	\$ 17,300
Expected return on plans' assets	(20,859)	(19,563)	(18,400)
Amortization of actuarial loss	—	1,702	700
Recognized settlement loss	7,648	—	—
Net periodic pension expense (benefit)	<u>\$ 4,109</u>	<u>\$ (1,866)</u>	<u>\$ (400)</u>

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*Plan Assets*

The Company is responsible for directing the investment strategies of the A. H. Belo Pension Plans' assets. The investment strategies focus on asset class diversification, liquidity to meet benefit payments and an appropriate balance of long-term investment return and risks. The long-term targeted allocation of the plans' assets invested in equity securities and fixed-income securities is 50.0 percent and 50.0 percent, respectively. These targets are determined by matching the actuarial projections of the plans' future liabilities and benefit payments with the expected long-term rates of return on assets and expected market risks. Investment risk is continuously monitored and plan assets are rebalanced to target allocations to meet the Company's strategy and the plans' liquidity needs. At December 31, 2014, the plans' investments in equity securities and fixed income securities accounted for 49.0 percent and 51.0 percent of the total non-cash holdings, respectively.

The table below sets forth the A. H. Belo Pension Plans' assets at fair value as of December 31, 2014 and 2013, with inputs used to develop fair value measurements.

Description	Fair Value Measurements Using							
	Total		Quoted Price in Active Markets for Identical Assets (Level I)		Significant Other Observable Inputs (Level II)		Significant Unobservable Inputs (Level III)	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Cash and money market funds</b>	\$ 6,485	\$ 5,389	\$ 6,485	\$ 5,389	\$ —	\$ —	\$ —	\$ —
<b>Equity Funds</b>								
U.S. Equity Securities	115,253	107,281	—	—	115,253	107,281	—	—
International Equity Securities	43,675	58,690	8,071	10,633	35,604	48,057	—	—
<b>Fixed Income Funds</b>								
Domestic Corporate and Government Debt Securities	77,488	92,804	—	—	77,488	92,804	—	—
Domestic Corporate Debt Securities	80,906	67,827	—	—	80,906	67,827	—	—
International Corporate and Government Debt Securities	6,990	6,625	—	—	6,990	6,625	—	—
<b>Total</b>	<b>\$ 330,797</b>	<b>\$ 338,616</b>	<b>\$ 14,556</b>	<b>\$ 16,022</b>	<b>\$ 316,241</b>	<b>\$ 322,594</b>	<b>\$ —</b>	<b>\$ —</b>

Inputs and valuation techniques used to measure the fair value of plan assets vary according to the type of asset being valued. Cash and money market funds, as well as exchange traded funds, are designated as Level I. Remaining equity securities and fixed income securities represent units of commingled pooled funds and fair values are based on net asset value ("NAV") of the units of the fund determined by the fund manager. Commingled pooled funds are similar in nature to retail mutual funds, but are typically more efficient for institutional investors than retail mutual funds. As commingled pooled funds are typically only accessible by institutional investors, the NAV is not readily observable by non-institutional investors. Equity securities held through units in these funds are monitored as to issuer and industry. As of December 31, 2014, there were no significant concentrations of equity or debt securities in any single issuer or industry.

*Other*

The table below sets forth the Company's expected future benefit payments as of December 31, 2014.

Payment year	Expected Benefit Payments
2015	\$ 21,809
2016	21,907
2017	22,045
2018	22,257
2019	22,378
2020 – 2024	113,675

The Company expects to make no required contributions to the A. H. Belo Pension Plans in 2015.

Other defined benefit plans – A. H. Belo also sponsors post-retirement benefit plans which provide health and life insurance benefits for certain retired employees. These plans were frozen subsequent to the separation from the former parent company and no future benefits accrue. The Company recorded a liability of \$1,651 and \$1,680 related to these plans as of December 31, 2014 and 2013, respectively. A net benefit of \$630, \$631 and \$602 in 2014, 2013 and 2012, respectively, was recorded to employee compensation and benefits. The net benefit primarily represents amortization of actuarial gains (losses) and prior service costs, offset by interest expense associated with the actuarial liability. Actuarial gains of \$15, \$287 and \$118 were recorded to other comprehensive income (loss) in 2014, 2013 and 2012, respectively. See Note 9 – Accumulated Other Comprehensive Loss for information on balances recorded to accumulated other comprehensive income (loss).

**Defined Contribution Plans.** The A. H. Belo Savings Plan, a defined contribution 401(k) plan, covers substantially all employees of A. H. Belo. Participants may elect to contribute a portion of their pretax compensation, as provided by the plan and the Internal Revenue Code. Employees can contribute up to 100 percent of their annual eligible compensation (less required withholdings and deductions) up to statutory limits. The Company provides an ongoing dollar-for-dollar match of eligible employee contributions, up to 1.5 percent of the employees' compensation on a per-pay-period basis. The Company recorded expense of \$987, \$973 and \$919 in 2014, 2013 and 2012, respectively, for matching contributions to these plans.

The Company sponsored the A. H. Belo Pension Transition Supplement Plan ("PTS Plan"), a defined contribution plan, which covered certain employees affected by the curtailment of a defined benefit plan sponsored by the former parent company. The Company was obligated to make contributions to this plan based on the earnings of actively employed participants for a period of five years, which concluded on March 31, 2013. The Company recorded expense for the PTS Plan of \$598 and \$2,227 in 2013 and 2012, respectively. Contributions, generally paid in the first quarter following each plan year were \$2,826 and \$2,305 in 2013 and 2012, respectively. As a result of fulfilling its obligations to the PTS Plan and in order to achieve efficient administration of the Company's defined contribution plans, the PTS Plan was merged into the A. H. Belo Savings Plan on July 1, 2013. Accordingly, individual participant account balances within the PTS Plan were transferred to their respective accounts of the A. H. Belo Savings Plan and the PTS Plan has ceased to exist as a stand alone benefit plan of the Company.

#### Note 9: Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss contains actuarial gains and losses associated with the A. H. Belo Pension Plans and gains and losses resulting from negative plan amendments and other actuarial experience related to other post-employment benefit plans. The table below sets forth the changes in accumulated other comprehensive loss, net of tax, as presented in the Company's consolidated financial statements.

	2014			2013		
	Total	Defined benefit pension plans	Other post-employment benefit plans	Total	Defined benefit pension plans	Other post-employment benefit plans
Balance, beginning of period	\$ (15,093)	\$ (16,059)	\$ 966	\$ (73,532)	\$ (74,932)	\$ 1,400
Amortization	6,954	7,648	(694)	981	1,702	(721)
Actuarial gains (losses)	(49,228)	(49,243)	15	57,458	57,171	287
Balance, end of period	\$ (57,367)	\$ (57,654)	\$ 287	\$ (15,093)	\$ (16,059)	\$ 966

The Company records amortization of accumulated other comprehensive loss in salaries, wages and employee benefits in the consolidated statements of operations. In 2015, the Company anticipates amortizing \$1,251 of net losses in accumulated other comprehensive loss related to its defined benefit pension plans and other post-employment benefit plans. Deferred tax assets related to amounts recorded in accumulated other comprehensive loss in 2014 and 2013 are fully reserved. See Note 7 – Income Taxes.

**Note 10: Earnings Per Share**

The table below sets forth the reconciliations for net income (loss) and weighted average shares used for calculating basic and diluted earnings per share (“EPS”). The Company’s Series A and B common stock equally share in the distributed and undistributed earnings.

	2014	2013	2012
<b>Earnings (numerator)</b>			
Net income attributable to A. H. Belo Corporation	\$ 92,929	\$ 16,119	\$ 526
Less: Income (loss) from discontinued operations, net	6,770	14,010	(4,688)
Less: Income to participating securities	2,118	535	390
Net income available to common shareholders from continuing operations	\$ 84,041	\$ 1,574	\$ 4,824
<b>Shares (denominator)</b>			
Weighted average common shares outstanding (basic)	21,899,602	21,967,666	21,947,981
Effect of dilutive securities	106,420	96,075	117,875
Adjusted weighted average shares outstanding (diluted)	22,006,022	22,063,741	22,065,856
<b>Earnings per share from continuing operations</b>			
Basic	\$ 3.84	\$ 0.07	\$ 0.22
Diluted	\$ 3.82	\$ 0.07	\$ 0.22

Holders of service-based RSUs participate in A. H. Belo dividends on a one-on-one share basis. Distributed and undistributed income associated with participating securities is included in the calculation of EPS under the two-class method as prescribed under ASC 260 – *Earnings Per Share*.

The Company considers outstanding stock options and RSUs in the calculation of its earnings per share. A total of 729,611, 1,474,999 and 1,909,423 options and RSUs outstanding as of December 31, 2014, 2013 and 2012, respectively, were excluded from the calculation because they did not affect the earnings per share for common shareholders or the effect was anti-dilutive.

**Note 11: Commitments and Contingencies**

As of December 31, 2014, the Company had contractual obligations for leases and capital expenditures that primarily related to newspaper production equipment. The table below sets forth the summarized commitments of the Company as of December 31, 2014.

	Total	2015	2016	2017	2018	2019	Thereafter
Operating lease commitments	\$ 4,601	\$ 1,224	\$ 1,129	\$ 1,038	\$ 748	\$ 443	\$ 19
Capital commitments	3,867	3,867	—	—	—	—	—
Total commitments	\$ 8,468	\$ 5,091	\$ 1,129	\$ 1,038	\$ 748	\$ 443	\$ 19

Total lease expense for property and equipment was \$1,724, \$1,813 and \$1,883 in 2014, 2013 and 2012, respectively.

The Company funds the A. H. Belo Pension Plans to meet or exceed statutory requirements and currently expects to make no required contributions to these plans in 2015. See Note 8 – Pension and Other Retirement Plans for discussion of pension funding relief.

On December 11, 2014, the Company announced a \$2.25 per share dividend to shareholders of record and holders of RSUs as of the close of business on December 30, 2014, totaling \$50,148, which was paid on January 14, 2015. Also on December 11, 2014, the Company announced an \$0.08 per share dividend to shareholders of record and holders of RSUs as of the close of business on February 13, 2015, which will be paid on March 6, 2015.

A number of legal proceedings are pending against A. H. Belo. In the opinion of management, liabilities, if any, arising from these legal proceedings would not have a material adverse effect on A. H. Belo’s results of operations, liquidity or financial condition.

**Note 12: Related Party Transactions**

In connection with the Company's separation from its former parent, the Company entered into various agreements under which the Company and Belo Corp. ("Belo"), its former parent company, furnished services to each other through 2013. During 2013 and 2012, Belo provided \$853 and \$1,399, respectively, in legal, payroll and accounts payable services to the Company. The Company was also able to carryback taxable losses against Belo's taxable income from prior years, as described in Note 7 – Income Taxes.

**Note 13: Supplemental Cash Flow Data**

The table below sets forth supplemental disclosures related to the Company's Consolidated Statements of Cash Flows.

	<i>Years Ended December 31,</i>		
	<i>2014</i>	<i>2013</i>	<i>2012</i>
Income tax paid, net of refunds	\$ 8,759	\$ 1,432	\$ 1,489
Noncash investing and financing activities:			
Dividends payable at year-end	\$ 50,148	\$ —	\$ —
Receivable for investment sales proceeds	\$ 3,280	\$ —	\$ —
Impairment of equity method investment	\$ 1,871	\$ —	\$ —
Noncash contributions by noncontrolling interests	\$ 183	\$ 87	\$ 35

**Note 14: Subsequent Events**

On January 5, 2015, the Company acquired an 80 percent voting interest in Distribion, Inc., Vertical Nerve, Inc. and CDFX, LLC for \$14,120. The three companies, located in Dallas, Texas, specialize in local marketing automation, search engine marketing, direct mail and promotional products. A. H. Belo's acquisition of the three companies represents another step in its ongoing strategy to diversify the Company's revenue sources and provide an opportunity for existing and future advertising clients to take advantage of data driven marketing automation technology and services.

Costs related to the transaction are estimated to be \$1,300, of which \$527 were incurred in 2014 and were recorded in other production, distribution and operating costs. The Company expects to finalize its allocation of the purchase price by the end of the second quarter of 2014.

**Note 15: Quarterly Results of Operations (Unaudited)**

The table below sets forth a summary of the unaudited consolidated quarterly results of operations for 2014 and 2013.

	<i>1st Quarter</i>		<i>2nd Quarter</i>		<i>3rd Quarter</i>		<i>4th Quarter</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
<b>Continuing Operations:</b>								
Net Operating Revenue	\$ 64,392	\$ 66,106	\$ 69,261	\$ 69,123	\$ 65,923	\$ 67,473	\$ 73,212	\$ 73,481
Operating Income (Loss)	(3,644)	(4,854)	2,407	1,399	500	(168)	(6,949)	4,845
Income (Loss) from Continuing Operations	(4,826)	(5,309)	19,687	1,505	2,269	431	68,877	5,289
Income (Loss) from Discontinued Operations, Net	783	(2,767)	2,269	(389)	16,125	4,838	(12,407)	12,328
Net Income (Loss)	(4,043)	(8,076)	21,956	1,116	18,394	5,269	56,470	17,617
Net Income (Loss) Attributable to A. H. Belo Corporation	(4,037)	(8,022)	21,980	1,181	18,444	5,321	56,542	17,639

**Net Income (Loss) per Share from Continuing Operations <sup>(a)</sup>**

Basic	\$ (0.22)	\$ (0.24)	\$ 0.86	\$ 0.07	\$ 0.10	\$ 0.02	\$ 3.09	\$ 0.23
Diluted	\$ (0.22)	\$ (0.24)	\$ 0.85	\$ 0.07	\$ 0.10	\$ 0.02	\$ 3.07	\$ 0.23

<sup>(a)</sup> Per share amounts are computed independently for each of the quarters presented. The sum of the quarters may not equal the total year amount due to the impact of changes in average quarterly shares outstanding.



**A. H. BELO SAVINGS PLAN**

**As Amended and Restated Effective January 1, 2015**

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## **A. H. BELO SAVINGS PLAN**

A. H. Belo Corporation, a Delaware corporation, originally adopted the A. H. Belo Savings Plan (the "Plan") effective as of February 5, 2008. The Plan is a profit sharing plan with a cash or deferred arrangement intended to qualify under Code section 401(a) and to meet the requirements of Code section 401(k), including, for certain plan years, the alternative methods of meeting the nondiscrimination requirements set forth in Code section 401(k)(13) and Code section 401(m)(12).

Effective as of February 5, 2008, the account balances of each Participant under the Belo Savings Plan were transferred to the Plan in anticipation of the distribution on February 8, 2008, by Belo Corp. to its shareholders of all of the issued and outstanding common stock of A. H. Belo Corporation.

The Plan has been amended on several occasions following its original effective date. The Plan is hereby amended and restated in its entirety effective January 1, 2015, primarily to incorporate all such previously adopted amendments.

Words and phrases with initial capital letters used throughout the Plan are defined in Article 1.

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## ARTICLE 1

### DEFINITIONS

1.1 **Account** means the records, including subaccounts, maintained by the Committee in the manner provided in Article 5 to determine the interest of each Participant in the assets of the Plan and may refer to any or all of the Participant's Deferral Contribution Account, Matching Contribution Account, Profit Sharing Account, Rollover Account, and PTS Plan Account.

1.2 **A. H. Belo Stock Fund** means the investment fund established under Section 4.1, the assets of which consist exclusively of shares of Series A common stock, par value \$.01 per share, of the Company.

1.3 **Alternate Payee** means any spouse, former spouse, child or other dependent of a Participant who is recognized by a domestic relations order within the meaning of Code section 414(p) as having the right to receive all or a portion of the Participant's Account.

1.4 **Belo Corp.** means Belo Corp., a Delaware corporation.

1.5 **Belo/Gannett Closing Date** means the date of the consummation of the transactions contemplated by the Belo/Gannett Merger Agreement.

1.6 **Belo/Gannett Merger Agreement** means that certain Agreement and Plan of Merger among Belo Corp., Gannett Co., Inc., and Delta Acquisition Corp. dated as of June 12, 2013, pursuant to which shares of common stock of Belo Corp. will be converted into a right to receive cash consideration.

1.7 **Belo Savings Plan** means the 401(k) plan sponsored by Belo Corp. on the effective date of the Plan.

1.8 **Belo Stock Fund** means the investment fund established under Section 4.1, the assets of which consist exclusively of shares of Belo Corp.'s Series A Common Stock, par value \$1.67 per share. Effective as of the Belo/Gannett Closing Date, the Belo Stock Fund will no longer be available as an investment fund under the Plan.

1.9 **Beneficiary** means the one or more persons or entities entitled to receive distribution of a Participant's interest in the Plan in the event of his death as provided in Article 8.

1.10 **Board of Directors** or **Board** means the Board of Directors of the Company.

1.11 **Code** means the Internal Revenue Code of 1986, as amended from time to time.

1.12 **Committee** or **Administrative Committee** means the Committee appointed under Article 10.

1.13 **Company** means A. H. Belo Corporation, a Delaware corporation.

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1.14 **Company Stock** means the Series A Common Stock, par value \$.01 per share, of the Company.

1.15 **Compensation** means the base pay, overtime pay, shift differential pay, premium pay, bonuses and commissions paid to an Employee by the Participating Employers for services performed for the Participating Employers, excluding (i) any awards (other than annual incentive compensation awards), whether paid in cash, Company Stock or any other medium, under the A. H. Belo 2008 Incentive Compensation Plan, the Belo 2004 Executive Compensation Plan or any other long term incentive compensation plan; (ii) any payment made after the later of (A) 2½ months after the Employee's termination of employment or (B) the end of the Plan Year that includes the Employee's date of termination of employment; (iii) any payment made in connection with or after the Employee's termination of employment that would not have been made if the Employee had continued in employment, such as severance pay or any other amount that would not qualify as compensation under Section 1.415(c)-2(e)(3) of the Treasury Regulations; and (iv) any other form of remuneration. In addition, Compensation includes any contributions made by the Participating Employers on behalf of an Employee pursuant to a deferral election under any employee benefit plan containing a cash or deferred arrangement under Code section 401(k) and any amounts that would have been received as cash but for an election to receive benefits under a cafeteria plan meeting the requirements of Code section 125. Effective January 1, 2009, Compensation will include differential wage payments (within the meaning of Code section 414(u)(12)) that are paid to a Participant by a Participating Employer. The annual Compensation of an Employee taken into account for any purpose will not exceed \$265,000 for any Plan Year beginning after December 31, 2014, as adjusted for cost-of-living increases in accordance with Code section 401(a)(17). The annual Compensation of an Employee who is covered by a collective bargaining agreement will also be subject to any applicable limit on the amount of such Compensation that may be taken into account for purposes of the Plan.

1.16 **Controlled Group** means the Company and all other corporations, trades and businesses, the employees of which, together with employees of the Company, are required by the first sentence of subsection (b), by subsection (c), by subsection (m) or by subsection (o) of Code section 414 to be treated as if they were employed by a single employer.

1.17 **Controlled Group Member** means each corporation or unincorporated trade or business that is or was a member of the Controlled Group, but only during such period as it is or was such a member.

1.18 **Deferral Contribution** means the amount of a Participant's Compensation that he elects to have contributed to the Plan by the Participating Employers rather than paid to him directly in cash.

1.19 **Deferral Contribution Account** means the Account established for each Participant, the balance of which is attributable to (i) the Participant's Deferral Contributions and earnings and losses of the Trust Fund with respect to such contributions and (ii) the balance of the Participant's deferral contribution account under the Belo Savings Plan transferred to the Plan.

1.20 **Distribution** means the distribution by Belo Corp. to its shareholders of all of the outstanding shares of Series A Common Stock and Series B Common Stock of the Company.

1.21 **Distribution Date** means the date on which Belo Corp. effects the Distribution.

1.22 **Effective Date** means January 1, 2015. The original effective date of the Plan is February 5, 2008.

1.23 **Employee** means any individual who is: (i) employed by any Controlled Group Member if their relationship is, for federal income tax purposes, that of employer and employee, or (ii) "a leased employee" of a Controlled Group Member within the meaning of Code section 414(n)(2) but only for purposes of the requirements of Code section 414(n)(3). Effective January 1, 2009, to the extent required by Code section 414(u)(12), an Employee will include an individual receiving differential wage payments (within the meaning of Code section 414(u)(12)) from a Controlled Group Member.

For purposes of this Section 1.23, a "leased employee" means any person who, pursuant to an agreement between a Controlled Group Member and any other person ("leasing organization") has performed services for the Controlled Group Member on a substantially full-time basis for a period of at least one year and such services are performed under the primary direction or control of the Controlled Group Member. Contributions or benefits provided a leased employee by the leasing organization that are attributable to services performed for a Controlled Group Member will be treated as provided by the Controlled Group Member. A leased employee will not be considered an Employee of a Controlled Group Member, however, if (a) leased employees do not constitute more than 20 percent of the Controlled Group Member's nonhighly compensated work force (within the meaning of Code section 414(n)(5)(C)(ii)), and (b) such leased employee is covered by a money purchase plan maintained by the leasing organization that provides (i) a nonintegrated employer contribution rate of at least 10 percent of Compensation, (ii) immediate participation and (iii) full and immediate vesting.

1.24 **ERISA** means the Employee Retirement Income Security Act of 1974, as amended from time to time.

1.25 **Hour of Service** means each hour credited in accordance with the following rules:

(a) **Credit for Services Performed.** An Employee will be credited with one Hour of Service for each hour for which he is paid, or entitled to payment, by one or more Controlled Group Members for the performance of duties.

(b) **Credit for Periods in Which No Services Are Performed.** An Employee will be credited with one Hour of Service for each hour for which he is paid, or entitled to payment, by one or more Controlled Group Members on account of a period of time during which no duties are performed (irrespective of whether the employment relationship has terminated); except that (i) no more than 501 Hours of Service will be credited under this Section 1.25(b) to an Employee on account of any single continuous period during which he performs no duties (whether or not such period occurs in a single Plan Year), (ii) an hour for which an Employee is directly or indirectly paid, or entitled to payment, on account of a period during which no duties

are performed will not be credited to the Employee if the payment is made or due under a plan maintained solely for the purpose of complying with applicable workers' compensation or unemployment compensation or disability insurance laws, and (iii) Hours of Service will not be credited for a payment which solely reimburses an Employee for medical or medically related expenses incurred by the Employee. For purposes of this Section 1.25(b), an Employee will be credited with Hours of Service on the basis of his regularly scheduled working hours per week (or per day if he is paid on a daily basis) or, in the case of an Employee without a regular work schedule, on the basis of 40 Hours of Service per week (or 8 Hours of Service per day if he is paid on a daily basis) for each week (or day) during the period of time during which no duties are performed; except that an Employee will not be credited with a greater number of Hours of Service for a period during which no duties are performed than the number of hours for which he is regularly scheduled for the performance of duties during the period or, in the case of an Employee without a regular work schedule, on the basis of 40 Hours of Service per week (or eight Hours of Service per day if he is paid on a daily basis).

(c) **Credit for Back Pay.** An Employee will be credited with one Hour of Service for each hour for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to by one or more Controlled Group Members; except that an hour will not be credited under both Section 1.25(a) or Section 1.25(b), as the case may be, and this Section 1.25(c), and Hours of Service credited under this Section 1.25(c) with respect to periods described in Section 1.25(b) will be subject to the limitations and provisions under Section 1.25(b).

(d) **Credit for Certain Absences.** If an Employee is absent from work on or after the Effective Date for any period by reason of the pregnancy of the Employee, by reason of the birth of a child of the Employee, by reason of the placement of a child with the Employee, or for purposes of caring for a child for a period beginning immediately following the birth or placement of that child, the Employee will be credited with Hours of Service (solely for the purpose of determining whether he has a One Year Break in Service under the Plan) equal to (i) the number of Hours of Service which otherwise would normally have been credited to him but for his absence, or (ii) if the number of Hours of Service under clause (i) is not determinable, eight Hours of Service per normal workday of the absence, provided, however, that the total number of Hours of Service credited to an Employee under this Section 1.25(d) by reason of any pregnancy, birth or placement will not exceed 501 Hours of Service. Such Hours of Service will be credited (i) only in the one-year computation period (determined under Section 1.41) in which the absence from work begins, if the Employee would be prevented from incurring a One Year Break in Service in such period solely because the period of absence is treated as Hours of Service pursuant to this Section 1.25(d), or (ii) in any other case, in the immediately following one-year computation period. Hours of Service will not be credited to an Employee under this Section 1.25(d) unless the Employee furnishes to the Committee such timely information as the Committee may reasonably require to establish that the Employee's absence from work is for a reason specified in this Section 1.25(d) and the number of days for which there was such an absence.

(e) **Manner of Counting Hours.** No hour will be counted more than once or be counted as more than one Hour of Service even though the Employee may receive more than straight-time pay for it. With respect to Employees whose compensation is not determined on the basis of certain amounts for each hour worked during a given period and for whom hours are not

required to be counted and recorded by any federal law (other than ERISA), Hours of Service will be credited on the basis of 10 Hours of Service daily, 45 Hours of Service weekly, 95 Hours of Service semi-monthly, or 190 Hours of Service monthly, if the Employee's compensation is determined on a daily, weekly, semi-monthly or monthly basis, respectively, for each period in which the Employee would be credited with at least one Hour of Service under this section. Except as otherwise provided in Section 1.25(d), Hours of Service will be credited to eligibility and vesting computation periods in accordance with the provisions of 29 C.F.R. § 2530.200b-2, which provisions are incorporated in this Plan by reference.

1.26 **Investment Committee** means the A. H. Belo Corporation 401(k) Investment Committee.

1.27 **Matching Contribution Account** means the Account established for each Participant, the balance of which is attributable to (i) Participating Employer matching contributions made pursuant to Article 3 and earnings and losses of the Trust Fund with respect to such contributions and (ii) the balance of the Participant's matching contribution account under the Belo Savings Plan transferred to the Plan.

1.28 **One Year Break in Service** means a period of at least 12 consecutive months in which an Employee is absent from service. A One Year Break in Service will begin on the Employee's termination date (as defined in Section 1.41) and will end on the day on which the Employee again performs an Hour of Service for a Controlled Group Member.

If an Employee who is absent from work with a Controlled Group Member because of (i) the Employee's pregnancy, (ii) the birth of the Employee's child, (iii) the placement of a child with the Employee in connection with the Employee's adoption of the child, or (iv) caring for such child immediately following such birth or placement, will be absent for such reason beyond the first anniversary of the first date of his absence, his period of absence, solely for purposes of preventing a One Year Break in Service, will commence on the second anniversary of the first day of his absence from work. The period of absence from work between the first and second anniversaries of the first date of his absence from work will not be taken into account in determining whether the Employee has completed a Year of Service. The provisions of this paragraph will not apply to an Employee unless the Employee furnishes to the Committee such timely information that the Committee may reasonably require to establish (i) that the absence from work is for one of the reasons specified in this paragraph and (ii) the number of days for which there was such an absence.

1.29 **Participant** means an Employee or former Employee who has met the applicable eligibility requirements of Article 2 and who has not yet received a distribution of the entire amount of his vested interest in the Plan. In addition, the term "Participant" will include (i) any other Employee of a Participating Employer who makes a Rollover Contribution, provided, however, that such Employee will not be eligible for Participating Employer matching or profit sharing contributions until he has met the applicable eligibility requirements of Article 2; (ii) a participant in the Belo Savings Plan on February 5, 2008, whose account balances were transferred to the Plan on such date; and (iii) a participant in the A. H. Belo Pension Transition Supplement Plan on July 1, 2013, whose account balances were transferred to the Plan on such date, who, in



either case, has not yet received a distribution of the entire amount of his vested interest in the Plan.

1.30 **Participating Employer** means each Controlled Group Member set forth on Appendix A and any other Controlled Group Member or organizational unit of the Company or a Controlled Group Member that is designated as a Participating Employer under the Plan by the Board of Directors.

1.31 **Plan** means the A. H. Belo Savings Plan set forth herein, as amended from time to time.

1.32 **Plan Year** means the period with respect to which the records of the Plan are maintained, which will be the 12-month period beginning on January 1 and ending on December 31. The initial Plan Year was the short Plan Year beginning on February 5, 2008, and ending on December 31, 2008.

1.33 **Profit Sharing Account** means the Account established for each Participant, the balance of which is attributable to (i) Participating Employer profit sharing contributions made pursuant to Article 3 and earnings and losses of the Trust Fund with respect to such contributions and (ii) the balance of the Participant's profit sharing account under the Belo Savings Plan transferred to the Plan.

1.34 **PTS Plan Account** means the Account established for a Participant or Beneficiary, the balance of which is attributable to the balance of the Participant's or Beneficiary's account under the A. H. Belo Pension Transition Supplement Plan transferred to the Plan and earnings and losses of the Trust Fund with respect to such amount.

1.35 **Qualified Plan** means an employee benefit plan that is intended to qualify under Code section 401(a).

1.36 **Rollover Account** means the Account established for each Participant, the balance of which is attributable to (i) the Participant's rollover contributions made pursuant to Article 3 and earnings and losses of the Trust Fund with respect to such contributions and (ii) the balance of the Participant's rollover account under the Belo Savings Plan transferred to the Plan.

1.37 **Trust Agreement** means the agreement or agreements executed by the Company and the Trustee that establishes a trust fund to provide for the investment, reinvestment, administration and distribution of contributions made under the Plan and the earnings thereon, as amended from time to time.

1.38 **Trust Fund** means the assets of the Plan held by the Trustee pursuant to the Trust Agreement.

1.39 **Trustee** means the one or more individuals or organizations who have entered into the Trust Agreement as Trustee, and any duly appointed successor.

1.40 **Valuation Date** means the date with respect to which the Trustee determines the fair market value of the assets comprising the Trust Fund or any portion thereof. The assets of the Trust Fund will be valued as of the close of business on each day on which the New York Stock Exchange is open for trading.

1.41 **Year of Service** means each period of 365 days (determined by aggregating periods of service that are not consecutive) beginning on the date an Employee is first credited with an Hour of Service (or is again credited with an Hour of Service following his reemployment) and ending on the earlier of (i) the date on which the Employee quits, retires, is discharged or dies or (ii) the first anniversary of the date on which the Employee is absent from service with a Controlled Group Member for any other reason, such as vacation, holiday, sickness, disability, leave of absence or layoff (the earlier of such dates is hereafter referred to as the Employee's "termination date"). An Employee's period of service for purposes of determining a Year of Service will include each period in which the Employee is absent from service for less than 12 months (measured from the Employee's termination date) and any periods during which he is in the service of the armed forces of the United States and his reemployment rights are guaranteed by law, provided he returns to employment with a Controlled Group Member within the time such rights are guaranteed.

In addition, an Employee's Years of Service will include the service credited to the Employee under the Belo Savings Plan, provided the Employee was employed by Belo Corp. or a subsidiary of Belo Corp. immediately prior to the Distribution Date and either (i) was employed by a Controlled Group Member on the Distribution Date or (ii) transfers employment directly from Belo Corp. or a subsidiary of Belo Corp. to employment with a Controlled Group Member without any intervening employment by an employer unrelated to Belo Corp. or the Company.

## ARTICLE 2

### PARTICIPATION

#### 2.1 Eligibility to Participate.

(a) **Deferral Contributions.** An Employee who was a Participant on December 31, 2014, will remain a Participant on the Effective Date. Each other Employee will become a Participant and may authorize Deferral Contributions to the Plan as of the first payroll period beginning on or after the later of the Effective Date or the date on which the Employee first completes an Hour of Service, or as soon as administratively practicable thereafter, if he is then employed by a Participating Employer. An Employee who becomes a Participant will not be eligible for Participating Employer matching contributions or profit sharing contributions until he satisfies the eligibility requirements of Section 2.1(b).

(b) **Matching and Profit Sharing Contributions.** Each Employee who is a Participant with respect to Participating Employer matching contributions and profit sharing contributions on December 31, 2014, will remain a Participant on the Effective Date. Each other Employee will become a Participant with respect to Participating Employer matching contributions and profit sharing contributions as of the first payroll period beginning on or after the later of the Effective Date or the date he has completed a Year of Service, or as soon as administratively practicable thereafter, if he is then employed by a Participating Employer.

## 2.2 Exclusions from Participation.

(a) **Ineligible Employees.** An Employee who is otherwise eligible to participate in the Plan will not become or continue as an active Participant if (i) he is covered by a collective bargaining agreement that does not expressly provide for participation in the Plan, provided that the representative of the Employees with whom the collective bargaining agreement is executed has had an opportunity to bargain concerning retirement benefits for those Employees; (ii) he is represented by a bargaining representative but is not covered by a collective bargaining agreement, unless the Company and the bargaining representative agree in writing that the Employee will be eligible to participate in the Plan; (iii) he is a nonresident alien who receives no earned income (within the meaning of Code section 911(d)(2)) from a Participating Employer which constitutes income from sources within the United States (within the meaning of Code section 861(a)(3)); (iv) he is a leased employee required to be treated as an Employee under Code section 414(n) or otherwise performs services under an arrangement with an employment agency, leasing organization or any other person or entity that provides personnel to one or more Controlled Group Members; (v) he is classified by a Participating Employer as an independent contractor whose compensation for services is reported on a form other than Form W-2 or any successor form for reporting wages paid to employees; (vi) he is employed by a Controlled Group Member or an organizational unit thereof that has not been designated as a Participating Employer by the Board; or (vii) he is then on an approved leave of absence without pay or in the service of the armed forces of the United States. An individual described in clause (iv) or (v) of this Section 2.2(a) who is subsequently determined to be a common law employee of a Participating Employer will not be eligible to participate in the Plan during any period prior to the date on which such determination is actually and finally made.

(b) **Exclusion after Participation.** A Participant who becomes ineligible under Section 2.2(a) may not elect to have Deferral Contributions made or continued to the Plan and will not be eligible to receive an allocation of Participating Employer matching or profit sharing contributions.

(c) **Participation after Exclusion.** An Employee or Participant who is excluded from active participation will be eligible to participate in the Plan on the first day he is no longer described in Section 2.2(a) and is credited with one or more Hours of Service by a Participating Employer, provided that he has otherwise met the requirements of Section 2.1. This Section 2.2(c) will apply to an Employee who returns from an approved leave of absence or from military leave and who would otherwise be treated as a new Employee under Section 2.3 only if he returns to employment with a Controlled Group Member immediately following the expiration of the leave of absence or, in the case of an Employee on military leave, during the period in which reemployment rights are guaranteed by law.

2.3 **Reemployment Provisions.** If an Employee terminates employment before satisfying the eligibility requirements set forth in Section 2.1(b) with respect to Participating Employer matching contributions and profit sharing contributions and is reemployed by a Controlled Group Member before an absence from employment of 12 months, he will become a Participant with respect to such matching and profit sharing contributions on the later of the date initially determined under Section 2.1(b) or the date he is credited with one or more Hours of

Service by a Participating Employer after reemployment; but if he is reemployed by a Controlled Group Member after an absence of 12 months or more, he will be treated as a new Employee and will be eligible for Participating Employer matching contributions and profit sharing contributions upon satisfying the eligibility requirements set forth in Section 2.1(b) after his reemployment. If an Employee terminates employment after satisfying the eligibility requirements set forth in Section 2.1(b) with respect to Participating Employer matching contributions and profit sharing contributions, he will become a Participant with respect to such matching and profit sharing contributions on the date he is credited with one or more Hours of Service by a Participating Employer.

**2.4 Veterans' Reemployment Rights.** The provisions of this Section 2.4 will apply to any Employee who is reemployed by a Controlled Group Member following a period of Qualified Military Service.

(a) **Service Credit.** An Employee who returns to employment with a Controlled Group Member following a period of Qualified Military Service (as hereinafter defined) will not be treated as having incurred any One Year Breaks in Service because of his period of Qualified Military Service. In addition, each period of Qualified Military Service will, upon reemployment with a Controlled Group Member, be deemed to be employment with such Controlled Group Member for purposes of the Plan.

(b) **Compensation.** An Employee described in Section 2.4(a) will be treated for Plan purposes as having received compensation from the Controlled Group Member during each period of Qualified Military Service equal to (i) the compensation the Employee would have received during such period of Qualified Military Service if he were not in Qualified Military Service, based on the rate of pay the Employee would have received from the Controlled Group Member but for his absence during the period of Qualified Military Service or (ii) if the compensation the Employee would have received during his period of Qualified Military Service is not reasonably certain, the Employee's average compensation from the employer during the 12-month period immediately preceding the Qualified Military Service, or if shorter, during the period of employment immediately preceding the Qualified Military Service.

(c) **Qualified Military Service.** For purposes of the Plan, the term "Qualified Military Service" means service in the uniformed services (within the meaning of the Uniformed Services Employment and Reemployment Rights Act ("USERRA")), provided the Employee is entitled under USERRA to reemployment rights with a Controlled Group Member and the Employee returns to employment with the Controlled Group Member within the period in which such reemployment rights are guaranteed.

(d) **Make-Up Contributions.** Pursuant to procedures adopted from time to time by the Committee, an Employee described in Section 2.4(a) may elect additional Deferral Contributions and will receive an allocation of additional Participating Employer matching contributions and, if applicable, profit sharing contributions, for the period of his Qualified Military Service. Such additional Deferral Contributions and Participating Employer matching contributions may be made during the period that begins on the date of the Employee's reemployment and extends for the lesser of five years or the duration of the Employee's Qualified

Military Service multiplied by three. An Employee's Deferral Contributions and allocation of Participating Employer matching contributions made pursuant to this Section 2.4 will be subject to the limitations of the Plan and the Code applicable to the years of the Employee's period of Qualified Military Service, except that the average deferral percentage and average contribution percentage limitations described in Code section 401(k) and Code section 401(m), respectively, will not be recalculated for such years and, if applicable, will be determined for the Plan Years in which the make-up Deferral Contributions and Participating Employer matching contributions are made without regard to such make-up Deferral Contributions and Participating Employer matching contributions.

(e) **Loan Repayments.** An Employee may elect to suspend the repayment of a Plan loan during a period of Qualified Military Service as permitted under Code section 414(u)(4) or may elect to continue loan repayments during such period.

## ARTICLE 3

### CONTRIBUTIONS

#### 3.1 Elective Deferral Contributions.

(d) **Amount of Deferral Contributions.** A Participant may elect, in accordance with procedures established by the Committee from time to time, (i) to have Deferral Contributions made to the Plan by the Participating Employers for any payroll period in an amount up to 100% of the Participant's Compensation for the payroll period or (ii) to have no Deferral Contributions made to the Plan by the Participating Employers. Any such election will be effective as soon as administratively practicable. Notwithstanding the foregoing, the Committee may reduce the amount of Deferral Contributions elected by a Participant in order to permit a Participating Employer to withhold from the Participant's Compensation (i) all taxes and other amounts the Participating Employer is required to withhold under applicable law and (ii) any other amounts the Participant has elected to be withheld from his Compensation for any purpose, including without limitation, amounts to be withheld as contributions to Company-sponsored welfare benefit plans.

(e) **Modification and Suspension of Deferral Contributions.** A Participant may increase or decrease the amount of his Deferral Contributions and may suspend his Deferral Contributions at any time during the Plan Year. A Participant who suspends his Deferral Contributions may again authorize Deferral Contributions to the Plan and such authorization will be effective as soon as administratively practicable. If a Participant receives a distribution on account of deemed severance from employment pursuant to Section 7.2(d) or hardship pursuant to Section 7.3, such Participant's Deferral Contributions will automatically be suspended for a six-month period following the date on which such Participant receives the distribution.

(f) **Catch-Up Deferral Contributions.** A Participant who has attained age 50 before the close of a Plan Year will be eligible to make catch-up Deferral Contributions in accordance with, and subject to the limitations of, Code section 414(v). Such catch-up Deferral Contributions will not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Code sections 402(g) and 415. The Plan will not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Code sections 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416, as applicable, solely because of such catch-up Deferral Contributions.

#### 3.2 Automatic Deferral Contributions.

(a) **Certain Terms Defined.** For purposes of this Section 3.2, the following terms have the meanings set forth below.

(i) **Automatic Adjustment Date** means April 1 of each Plan Year beginning after December 31, 2008.

(ii) **Automatic Enrollment Date** means the enrollment date that is determined by the Committee and communicated to the Participant, which enrollment date will be approximately 60 days after the Participant's date of hire by a Participating Employer.

(iii) **Non-Electing Participant** means a Participant who has not made an affirmative election pursuant to Section 3.1 either to have Deferral Contributions made to the Plan by the Participating Employers or to have no Deferral Contributions made to the Plan by the Participating Employers.

**(b) Amount of Automatic Deferral Contributions.**

(i) Each Non-Electing Participant will be deemed to have elected to have Deferral Contributions made to the Plan by the Participating Employers in an amount equal to 3% of Compensation effective as of the earliest practicable payroll period that begins after the Participant's Automatic Enrollment Date. The Deferral Contributions of each Non-Electing Participant who has been an Employee for at least six months as of an Automatic Adjustment Date will be increased by 1% of Compensation effective as of the first payroll period beginning after such Automatic Adjustment Date until the Participant's Deferral Contributions to the Plan are in an amount equal to 6% of Compensation. Thereafter, no further adjustments to the Participant's rate of Deferral Contributions will be made in the absence of an affirmative election by the Participant.

(ii) If a Participant receives a distribution on account of deemed severance from employment pursuant to Section 7.2(d) or hardship pursuant to Section 7.3, such Participant's Deferral Contributions will automatically be suspended for a six-month period following the date on which such Participant receives the distribution. Upon resumption of the Participant's Deferral Contributions, the Deferral Contributions will be increased as provided in Section 3.2(b)(i) as of the next Automatic Adjustment Date.

(iii) A Participant will cease to be a Non-Electing Participant for purposes of the Deferral Contributions described in Section 3.2(b)(i) when he makes an affirmative election pursuant to Section 3.1.

(iv) A Participant who terminates employment before completing 60 days of employment and prior to making an affirmative election pursuant to Section 3.1 will be subject to the provisions of this Section 3.2 upon his rehire by a Participating Employer. Any other Participant who terminates employment and is rehired by a Participating Employer may participate in the Plan only by making a deferral election pursuant to Section 3.1.

(c) **No Refund of Automatic Deferral Contributions.** If a Participant makes an affirmative election pursuant to Section 3.1 at any time after his Automatic Enrollment Date or any Automatic Adjustment Date, the terms of the affirmative election will cancel the automatic Deferral Contributions for the Participant under this Section 3.2 as soon as administratively practicable. However, the Deferral Contributions made to the Plan and allocated to his Account



prior to his affirmative election becoming effective will not be distributed to the Participant until he is entitled to a distribution under the provisions of Article 7.

(d) **Notice to Participants.** The Committee will provide to each Participant a written notice of the Participant's rights and obligations under this Section 3.2 and containing such other information as may be necessary to comply with the notice requirements of Code section 401(k)(13).

**3.3 Limitations on Deferral Contributions.** The sum of a Participant's Deferral Contributions and his elective deferrals (within the meaning of Code section 402(g)(3)) under any other plans, contracts or arrangements of any Controlled Group Member will not exceed the dollar limitation contained in Code section 402(g) (as such amount is adjusted for cost-of-living increases in the manner described in Code section 415(d)) for any taxable year of the Participant. A Participant's Deferral Contributions will also be subject to the deferral percentage limitation set forth in Section 11.4. In the event a Participant's Deferral Contributions and other elective deferrals (whether or not under a plan, contract or arrangement of a Controlled Group Member) for any taxable year exceed the foregoing dollar limitation, the excess allocated by the Participant to Deferral Contributions (adjusted for Trust Fund earnings and losses in the manner described in Section 11.4) may, in the discretion of the Committee, be distributed to the Participant no later than April 15 following the close of such taxable year. The amount of Deferral Contributions distributed to a Participant for a Plan Year pursuant to this Section will be reduced by any excess Deferral Contributions previously distributed to him pursuant to Section 11.4 for the same Plan Year.

#### **3.4 Participating Employer Matching Contributions.**

(a) **Eligibility.** The provisions of this Section 3.4 will apply to only those Participants who have satisfied the eligibility requirements of Section 2.1(b).

(b) **Matching Formula.** For Plan Years beginning on or after January 1, 2015, the Participating Employers will pay to the Trustee as a matching contribution for each payroll period an amount equal to 100% of each Participant's Deferral Contributions for the payroll period to the extent that such Deferral Contributions do not exceed 1.5% of the Participant's Compensation for the payroll period.

(c) **Catch-Up Contributions and Limits.** For purposes of this Section 3.4, Deferral Contributions include catch-up Deferral Contributions described in Section 3.1(c). Participating Employer matching contributions will be subject to the contribution percentage limitation set forth in Section 11.5.

**3.5 Profit Sharing Contributions.** For Plan Years beginning on or after January 1, 2015, the Participating Employers may pay to the Trustee as a discretionary profit sharing contribution for each payroll period an amount equal to a specified percentage of the Compensation for the payroll period of each Participant who is eligible to receive a matching contribution under Section 3.4 and who is employed by a Participating Employer on the last day of the payroll period. The amount of such discretionary profit sharing contribution, if any, will be determined by the Compensation Committee of the Board of Directors of the Company. Each

Participating Employer may, in the discretion of its board of directors, make an additional, discretionary profit sharing contribution to the Plan for any payroll period or for any Plan Year in such amount as is determined by the Participating Employer and is approved by the Compensation Committee of the Board of Directors of the Company.

**3.6 Collectively Bargained Employees.** Notwithstanding the provisions of Section 3.4 and Section 3.5, the Participating Employers will not make a matching contribution or a profit sharing contribution for any Employee who is covered by collective bargaining agreement unless and until the terms of such collective bargaining agreement, as amended or renewed from time to time, permit employer matching and profit sharing contributions to be made. In no event will the matching contribution or profit sharing contribution made for such an Employee exceed the amount of matching contributions or profit sharing contributions permitted under such collective bargaining agreement.

**3.7 Time of Payment.** Deferral Contributions will be paid to the Trustee as soon as practicable following the close of each payroll period. Participating Employer matching contributions will be paid to the Trustee as soon as practicable following the close of each calendar month during the Plan Year, and discretionary profit sharing contributions may be paid to the Trustee on any date or dates selected by the Participating Employers, but in no event later than the time prescribed by law (including extensions) for filing the Participating Employer's federal income tax return for its tax year ending with or within the Plan Year.

**3.8 Rollover and Transfer Contributions.** Unless otherwise directed to do so by the Committee, the Trustee is authorized to accept (i) any part of the cash or other assets distributed to a Participant from a Qualified Plan, a qualified annuity plan described in Code section 403(a), an annuity contract described in Code section 403(b), an eligible plan under Code section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, or from an individual retirement account or annuity described in Code sections 408(a) or (b) that is eligible to be rolled over and would otherwise be includible in gross income and (ii) a direct transfer of assets to the Plan on behalf of a Participant from the trustee or other funding agent of a Qualified Plan. Any amounts contributed to the Plan pursuant to this Section 3.8 will be allocated to the Participant's Rollover Account; provided, however, that (i) any amounts transferred to the Plan due to the merger of the A. H. Belo Pension Transition Supplement Plan with and into the Plan effective July 1, 2013, will be allocated to the Participant's PTS Plan Account, and (ii) in the case of any other direct transfer of assets from the trustee of another Qualified Plan sponsored by a Controlled Group Member, the Committee will maintain such records as may be necessary to determine the portions of the transferred amount which represent employer profit sharing, matching and salary deferral contributions made by the former employer and earnings and losses attributable thereto and will allocate such amounts to the Participant's Profit Sharing Account, Matching Contribution Account and Deferral Contribution Account, respectively.

## ARTICLE 4

### INVESTMENT OF CONTRIBUTIONS.

#### 4.1 Investment Funds.

(e) **Establishment of Investment Funds.** The investment funds established under the Plan for the investment of Plan assets will be (i) the A. H. Belo Stock Fund, (ii) the Belo Stock Fund and (iii) such investment funds as may be established by the Trustee under the Trust Agreement at the direction of the Investment Committee.

(f) **A. H. Belo Stock Fund.** Effective as of the Distribution Date, no further purchases of Company Stock may be made in the A. H. Belo Stock Fund, and no Plan fiduciary, including without limitation the Investment Committee and the Administrative Committee, is authorized to permit any such purchases. The Company intends that the A. H. Belo Stock Fund will be a permanent fund, frozen to new investment as of the Distribution Date, notwithstanding any other applicable fiduciary standard relating to (i) the diversification of Trust Fund assets, (ii) the speculative character of Trust Fund investments, (iii) the lack or inadequacy of income provided by Trust Fund assets, or (iv) the fluctuation in the fair market value of Trust Fund assets, unless the Investment Committee determines, using an abuse of discretion standard, that there is a serious question concerning the short-term viability of the Company as a going concern. Subject to the foregoing statement of the Company's intent, the Investment Committee will evaluate the prudence of maintaining the A. H. Belo Stock Fund not on the basis of the risk associated with the A. H. Belo Stock Fund standing alone but in light of the availability of other investment options under the Plan and the ability of Participants to construct a diversified portfolio of investments consistent with their individual desired level of risk and return.

(g) **Belo Stock Fund.** Effective as of the Distribution Date, no further purchases of common stock of Belo Corp. may be made in the Belo Stock Fund, and no Plan fiduciary, including without limitation the Investment Committee and the Administrative Committee, is authorized to permit any such purchases. The Company intends that, in light of the historical relationship between the Company and Belo Corp., the Belo Stock Fund will be a permanent fund, frozen to new investment as of the Distribution Date, notwithstanding any other applicable fiduciary standard relating to (i) the diversification of Trust Fund assets, (ii) the speculative character of Trust Fund investments, (iii) the lack or inadequacy of income provided by Trust Fund assets, or (iv) the fluctuation in the fair market value of Trust Fund assets, unless the Investment Committee determines, using an abuse of discretion standard, that there is a serious question concerning the short-term viability of Belo Corp. as a going concern. Subject to the foregoing statement of the Company's intent, the Investment Committee will evaluate the prudence of maintaining the Belo Stock Fund not on the basis of the risk associated with the Belo Stock Fund standing alone but in light of the availability of other investment options under the Plan and the ability of Participants to construct a diversified portfolio of investments consistent with their individual desired level of risk and return.

Subject to the consummation of the transactions contemplated by the Belo/Gannett Merger Agreement and effective as of the Belo/Gannett Closing Date, the Belo Stock Fund will no longer

be available as an investment fund under the Plan. No Plan fiduciary, including without limitation the Investment Committee and the Administrative Committee, is authorized to re-establish the Belo Stock Fund or establish any other investment fund designed to invest primarily or exclusively in securities of Belo Corp. The cash consideration received by the Plan pursuant to the Belo/Gannett Merger Agreement with respect to a Participant's investment in the Belo Stock Fund will be invested in the applicable default investment fund described in Section 4.3, and the Belo Stock Fund will thereafter cease to be an investment fund available under the Plan.

**4.2 Participant Investment Directions.** The Plan is designed to satisfy the requirements of ERISA section 404(c) and the regulations under that section. All amounts allocated to each Participant's Account will be invested by the Trustee at the direction of the Participant or, where applicable, the Participant's Beneficiary, in one or more of the investment funds described in Section 4.1. The Committee from time to time will establish rules and procedures regarding Participant and Beneficiary investment directions, including without limitation rules and procedures with respect to the manner in which such directions may be furnished, the frequency with which such directions may be changed during the Plan Year, the minimum portion of a Participant's or Beneficiary's Account that may be invested in any one investment fund, the manner in which Participants and Beneficiaries may provide for periodic automatic rebalancing of their Accounts among available investment funds and, in accordance with applicable law (including the diversification requirements of Code section 401(a)(35)), the frequency with which transactions in any investment fund may be executed (daily, weekly or at some other interval).

**4.3 Default Investment Fund.** Until the Investment Committee designates a different default investment fund, the Account of a Participant who fails to provide explicit investment directions will be invested in the Fidelity Freedom Fund® that has a target retirement date closest to the year of the Participant's retirement, based on the Participant's current age and the assumption that the Participant will retire at age 65; provided, however, that the Fidelity Freedom Fund® for any Participant's whose age is not known by the Committee will be the Fidelity Freedom Income Fund®. The Administrative Committee will advise Participants and Beneficiaries that their failure to provide explicit investment directions will operate as an implicit direction to the Trustee to invest their Accounts in such default investment option.

**4.4 Investment of Dividends on Company Stock and Belo Corp. Stock.** Dividends paid on Company Stock and on common stock of Belo Corp. allocated to a Participant's Account will be invested proportionately in the investment funds selected by the Participant or Beneficiary in his most recent investment direction to the Trustee or, in the absence of an explicit investment direction, in the default investment fund.

**4.5 Suspension of Investment Directions.** The Committee may temporarily suspend Participant investment directions in connection with any event or transaction in which the Committee determines such suspension is necessary or appropriate, including without limitation a merger of the Plan with another plan, a transfer of assets from the Plan to another plan or from another plan to the Plan, a change in administrative services provided to the Plan or a change in the investment options to be offered to Participants. Such temporary suspension will apply to those Participants designated by the Committee for such periods of time as the Committee determines in

its discretion. The Committee will give Participants affected by any suspension in investment directions such advance notice of the suspension as the Committee determines to be reasonable under the circumstances.

## ARTICLE 5

### ALLOCATIONS TO PARTICIPANTS' ACCOUNTS

5.1 **Establishment of Accounts.** The Committee will establish for each Participant, to the extent applicable, a Deferral Contribution Account, a Matching Contribution Account, a Profit Sharing Account, a Rollover Account, and a PTS Plan Account. The Committee may also establish one or more subaccounts of a Participant's Account, if the Committee determines that subaccounts are necessary or desirable in administering the Plan.

#### 5.2 Allocation of Contributions.

(d) **Deferral Contributions.** Each Deferral Contribution made by a Participating Employer on behalf of a Participant will be allocated by the Committee to the Participant's Deferral Contribution Account.

(e) **Matching Contributions.** Each Participating Employer matching contribution made with respect to a payroll period on behalf of Participants who are eligible to receive a matching contribution under Section 3.4 will be allocated by the Committee to each such Participant's Matching Contribution Account.

(f) **Profit Sharing Contributions.** Each profit sharing contribution made by a Participating Employer for a payroll period will be allocated only to the Profit Sharing Accounts of Participants who are employed by the Participating Employer on the last day of the payroll period and are eligible to receive profit sharing contributions pursuant to Section 3.5. For purposes of this allocation, an Employee will be a Participant in the Plan on the last day of a payroll period if the Employee is eligible to make Deferral Contributions as of the last day of the payroll period, without regard to whether the Participant has elected to make Deferral Contributions. The amount of a Participating Employer's profit sharing contribution to be allocated to the Profit Sharing Account of each such eligible Participant for a payroll period will bear the same ratio to the Participating Employer's total profit sharing contribution for the payroll period as the Participant's Compensation for the payroll period bears to the total Compensation of all such Participants eligible to receive an allocation of the Participating Employer's profit sharing contribution for the payroll period.

5.3 **Limitation on Allocations.** Article 11 sets forth certain rules under Code sections 401(k), 401(m) and 415 that limit the amount of contributions and forfeitures that may be allocated to a Participant's Accounts for a Plan Year.

#### 5.4 Allocation of Trust Fund Income and Loss.

(a) **Accounting Records.** The Committee, through its accounting records, will clearly segregate each Account and subaccount and will maintain a separate and distinct record of all income and losses of the Trust Fund attributable to each Account or subaccount. Income or loss of the Trust Fund will include any unrealized increase or decrease in the fair market value of the assets of the Trust Fund.

(b) **Method of Allocation.** The share of net income or net loss of the Trust Fund to be credited to, or deducted from, each Account will be the allocable portion of the net income or net loss of the investment fund in which such Account, or any subaccount of such Account, is invested as of each Valuation Date, as determined by the Committee in a uniform and nondiscriminatory manner.

5.5 **Valuation of Trust Fund.** The fair market value of the total net assets comprising the Trust Fund will be determined by the Trustee as of each Valuation Date.

5.6 **No Guarantee.** The Participating Employers, the Committee and the Trustee do not guarantee the Participants or their Beneficiaries against loss or depreciation or fluctuation of the value of the assets of the Trust Fund.

5.7 **Benefit Statements.** The Committee will furnish each Participant and each Beneficiary of a deceased Participant with a quarterly benefit statement. No statement will be provided to a Participant or Beneficiary after the Participant's entire vested and nonforfeitable interest in his Account has been distributed.

ARTICLE 6

VESTING

6.1 Determination of Vested Interest.

(g) **Deferral Contributions.** Except as provided in Section 6.3, the interest of each Participant in his Deferral Contribution Account and his Rollover Account will be 100% vested and nonforfeitable at all times.

(h) **Matching and Profit Sharing Contributions.**

(i) **General Rule.** Subject to Section 6.3, the Matching Contribution Account and Profit Sharing Account of each Participant who is an Employee on or after January 1, 2013, will be 100% vested and nonforfeitable without regard to the Participant's Years of Service. The Matching Contribution Account and Profit Sharing Account of each other Participant will become vested and nonforfeitable in accordance with the following schedule, subject to Section 6.3:

<u>Years of Service</u>	<u>Percent Vested and Nonforfeitable</u>
Less than 2	0
2 or more	100

(ii) **Accelerated Vesting Prior to 2013.** Except as provided in Section 6.3 or Section 11.4(e), a Participant's interest in his Matching Contribution Account and his Profit Sharing Account will become 100% vested and nonforfeitable without regard to his Years of Service upon the earliest to occur of (i) his attainment of age 55 if he is then an Employee, (ii) his death while he is an Employee or while he is performing Qualified Military Service (within the meaning of Code section 414(u)(5)), or (iii) his becoming totally and permanently disabled (as hereinafter defined) while he is an Employee. A person will be totally and permanently disabled for purposes of this paragraph only if he is eligible to receive disability benefits under the Social Security Act.

In addition, a Participant who terminates employment on or after February 8, 2008, and on or before December 31, 2012, as a result of (i) an Employer's involuntary reduction in force, dissolution of workforce, position elimination or other job restructuring program, (ii) an Employer's voluntary severance program or (iii) an Employer's failure to renew the Participant's employment contract, will have a 100% vested interest in his Matching Contribution Account and his Profit Sharing Account without regard to his Years of Service.

(i) **PTS Plan Account.** Except as provided in Section 6.3, the interest of each Participant in his PTS Plan Account will be 100% vested and nonforfeitable at all times.



**6.2 Forfeiture of Nonvested Amounts.** If a Participant terminates employment and receives a distribution of his entire vested interest in the Plan, the Participant's nonvested interest will be forfeited immediately. If the Participant again becomes an Employee before incurring five or more consecutive One Year Breaks in Service, the forfeited amounts will be reinstated to his Account, unadjusted for earnings or losses since the date of forfeiture. If the Participant becomes an Employee after incurring five or more consecutive One Year Breaks in Service, the forfeited amounts will not be reinstated. If, however, a Participant terminates employment and does not receive a distribution of his entire vested interest in the Plan, the Participant's nonvested interest will be forfeited when the Participant incurs five consecutive One Year Breaks in Service.

**6.3 Unclaimed Distribution.** If the Committee cannot locate a person entitled to receive a benefit under the Plan within a reasonable period (as determined by the Committee in its discretion), the amount of the benefit will be treated as a forfeiture during the Plan Year in which the period ends. If, before final distributions are made from the Trust Fund following termination of the Plan, a person who was entitled to a benefit which has been forfeited under this Section 6.4 makes a claim to the Committee or the Trustee for his benefit, he will be entitled to receive, as soon as administratively feasible, a benefit in an amount equal to the value of the forfeited benefit on the date of forfeiture. This benefit will be reinstated from forfeitures arising during such Plan Year or, if forfeitures are insufficient, from Participating Employer contributions made to the Plan for this purpose.

**6.4 Application of Forfeited Amounts.** The amount of a Participant's Account which is forfeited pursuant to this Article or Section 11.4(e) will be applied to one of the following Plan purposes as determined by the Committee in its discretion: to pay the expenses of administering the Plan, to reinstate any forfeitures that must be reinstated in accordance with this Article, to reduce Participating Employer profit sharing contributions pursuant to Section 3.5 or to reduce Participating Employer matching contributions pursuant to Section 3.4.

**6.5 Reemployment Provisions.** If a Participant terminates employment and again becomes an Employee, his Years of Service completed before his reemployment will be included in determining his vested and nonforfeitable interest after he again becomes an Employee.

## ARTICLE 7

### DISTRIBUTIONS TO PARTICIPANTS

#### 7.1 Basic Rules Governing Distributions.

(a) **Timing of Distributions.** Except as set forth in Sections 7.1(c), 7.2 and 7.3, distribution of a Participant's vested Account balance will be made as soon as practicable after the Valuation Date coinciding with or immediately following the Participant's termination of employment, or if earlier, the date on which the Participant becomes eligible to receive benefits under the Social Security Act on account of total and permanent disability. If a loan is outstanding from the Trust Fund to the Participant on the date his vested Account balances become distributable, the amount distributed to the Participant will be reduced by any security interest in his Account held by the Plan by reason of the loan (except to the extent that the Participant requests, and the Committee approves, a direct rollover that includes the rollover of the note evidencing such loan).

(b) **Form of Distributions.** Distributions made before age 70½ will be in the form of a single lump sum payment. Distributions that are delayed until a Participant reaches age 70½ will be in the form of a single lump sum payment or as otherwise provided under the minimum required distribution provisions of Article 12. The cash value of the whole and fractional shares of Company Stock and common stock of Belo Corp. allocated to a Participant's Account will be distributed to the Participant in cash unless the Participant elects to receive distribution of the whole shares allocated to his Account in the form of shares. In addition, at the election of a Participant who makes a rollover distribution of all or any part of his Account to a Fidelity Investments® individual retirement account, distribution may also be made in fund shares of marketable securities (as defined in Code section 731(c)(2)). For this purpose, the term "fund share" means a share, unit or other evidence of ownership in an investment fund established under the Trust Agreement.

(c) **Participant's Consent to Certain Payments.** If the amount of a Participant's vested Account balance exceeds \$1,000, the Committee will not distribute the Participant's vested Account balance to him prior to the date distributions are required to begin under Article 12 following his attainment of age 70½, unless he elects to receive a distribution at any earlier date following termination of employment. For purposes of the preceding sentence, the value of a Participant's vested Account balances will include that portion that is attributable to his Rollover Account. A distribution may be made less than 30 days after the Participant has been furnished an explanation of his distribution options provided that (i) the Committee clearly informs the Participant that he has the right to consider whether to accept a distribution and whether to consent to a particular form of distribution for at least 30 days after he has been provided the relevant information, (ii) the Participant affirmatively elects to waive the 30-day notice period and receive a distribution, and (iii) with respect to a distribution to which Code section 417 applies, the Participant is permitted to revoke the election and make a new election at any time prior to the later of the date of distribution or the expiration of the seven-day period after the explanation of distribution options is provided to the Participant.

## 7.2 Withdrawals.

(c) **After Age 59½.** A Participant who has not terminated employment may request a distribution from his Account if he has reached age 59½. A Participant who is a director, officer or principal stockholder of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934 may exercise the foregoing withdrawal right only in accordance with rules and procedures established from time to time by the Committee. All other Participants may exercise their withdrawal rights at any time or times during the Plan Year.

(d) **Former Journal Broadcasting Employees.** A Participant who, on December 31, 1997, was a participant in the Journal Broadcasting 401(k) Plan may withdraw, in accordance with rules and procedures established from time to time by the Committee, all or any portion of his Rollover Account attributable to his after-tax contributions and rollover contributions that were transferred to the Plan from the Journal Broadcasting 401(k) Plan effective January 1, 1998.

(e) **Qualified Reservist Distributions.** Effective January 1, 2011, a Participant may elect to receive a “qualified reservist distribution” within the meaning of Code section 72(t)(2)(G)(iii).

(f) **Deemed Severance From Employment.** Effective January 1, 2011, a Participant will be treated as having incurred a severance from employment with the Controlled Group for purposes of Code section 401(k)(2)(B)(i)(1) during any period that the Participant is performing service in the uniformed services described in Code section 3401(h)(2)(A). A Participant who receives a distribution from the Plan by reason of this Section 7.2(d) will have his Deferral Contributions suspended for a period of six months beginning on the date of distribution.

## 7.3 Hardship Distributions.

### (a) General Rule.

(i) A Participant who has not terminated employment may request a distribution from his Deferral Contribution Account or his Rollover Account in the event of his hardship; provided, however that a Participant who was a participant in the Denton Publishing Company Retirement Plan on December 31, 1999, may request such a distribution only with respect to his Deferral Contributions made after December 31, 1999, or his Rollover Account. A distribution will be on account of hardship only if the distribution is necessary to satisfy an immediate and heavy financial need of the Participant, as defined below, and satisfies all other requirements of this Section 7.3. Pursuant to Section 3.1(b) or Section 3.2(b), whichever applies, a Participant’s Deferral Contributions will automatically be suspended for a six-month period after the date on which such Participant receives a distribution on account of hardship.

(ii) Alternate Payees are not eligible for a hardship distribution from the Plan.

(b) **Deemed Financial Need.** For purposes of this Section 7.3, a distribution is made on account of an immediate and heavy financial need of the Participant only if the

distribution is for (i) the payment of expenses for (or necessary to obtain) medical care that would be deductible under Code section 213(d) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income); (ii) costs directly related to the purchase of a principal residence for the Participant (excluding mortgage payments); (iii) the payment of tuition, related educational fees and room and board expenses for the next 12 months of post-secondary education for the Participant, his spouse, children or dependents (as defined in Code section 152 and, for taxable years beginning on or after January 1, 2005, without regard to Code sections 152(b)(1), 152(b)(2) or 152(d)(1)(B)); (iv) payments necessary to prevent the eviction of the Participant from his principal residence or foreclosure on the mortgage of the Participant's principal residence; (v) the payment of burial or funeral expenses of the Participant's deceased parent, spouse, children or dependents (as defined in Code section 152 and, for taxable years beginning on or after January 1, 2005, without regard to Code section 152(d)(1)(B)); or (vi) expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under Code section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income).

(c) **Reasonable Reliance Test.** A distribution will be considered necessary to satisfy an immediate and heavy financial need of the Participant only if all three of the following requirements are satisfied: (i) the distribution is not in excess of the amount required to relieve the immediate and heavy financial need of the Participant (taking into account the taxable nature of the distribution); (ii) the Participant represents in writing, in accordance with procedures established by the Committee, that the need cannot be relieved in whole or in part through reimbursement or compensation by insurance or otherwise, by reasonable liquidation of the Participant's assets, to the extent such liquidation would not itself cause an immediate and heavy financial need, by cessation of Deferral Contributions under the Plan, or by distributions other than hardship distributions or nontaxable (at the time of the loan) loans from the Plan and any other plans maintained by any Controlled Group Member or any other entity by which the Participant is employed, or relieved in whole by borrowing from commercial sources on reasonable commercial terms; and (iii) the Committee determines that it can reasonably rely on the Participant's representation.

**7.4 Distribution Procedures.** Distributions pursuant to Sections 7.2 and 7.3 will be made as soon as practicable following the Committee's approval of the Participant's written request for withdrawal and will be made in the form described in Section 7.1(b). Distributions pursuant to Sections 7.2(a) and 7.3 will be made pro rata from each contribution source in the Participant's Account, provided, however, that in the case of a hardship distribution under Section 7.3, the cumulative amount distributed to a Participant from his Deferral Contribution Account will not exceed the amount of his Deferral Contributions that have not been previously withdrawn (but not the income allocable to his Deferral Contributions). No distribution under Section 7.2 or Section 7.3 will be made in an amount that is greater than the excess of the Participant's vested interest in the Account from which the distributions are made over the aggregate amount of outstanding loans, plus accrued interest, secured by such Account. For purposes of determining the amount available for distribution, a Participant's Account will be valued as of the Valuation Date immediately preceding the date on which the Participant requests a distribution.

## 7.5 Loans to Participants.

### (a) General Provisions.

(i) A Participant may, subject to the provisions of this Section 7.5 and the loan procedures adopted by the Committee from time to time, borrow from the balance of his Deferral Contribution Account and Rollover Account, provided, however that no loan may be made from a Participant's Profit Sharing Account, Matching Contribution Account or PTS Plan Account. All such loans will be subject to the requirements of this Section 7.5 and such other rules as the Committee may from time to time prescribe, including without limitation any rules restricting the purposes for which loans will be approved. The Committee will have complete discretion as to approval of a loan hereunder and as to the terms thereof, provided that its decisions will be made on a uniform and nondiscriminatory basis and in accordance with this Section 7.5. If the Committee approves a loan, the Committee will direct the Trustee to make the loan and will advise the Participant and the Trustee of the terms and conditions of the loan. Nothing in this Section 7.5 will require the Committee to make loans available to Participants.

(ii) Alternate Payees may not borrow any amount from the Plan.

(b) **Terms and Conditions.** Loans to Participants will be made according to the following terms and conditions and such additional terms and conditions as the Committee may from time to time establish: (i) no loan will be for a term of longer than five years; (ii) all loans will be in default on the first date that a required loan repayment is not made and the entire unpaid balance of the loan will be treated as a deemed distribution to the Participant unless all past due payments are made before the expiration of any grace period established under the loan procedures; (iii) all loans will bear a reasonable rate of interest established under the loan procedures; (iv) all loans will be made only upon receipt of adequate security (the security for a loan will be the Participant's interest in the separate investment fund established under Section 7.5(f) for that loan) in an amount that does not exceed 50% of the Participant's vested interest under the Plan); (v) except as otherwise provided by the loan procedures, payments of principal and interest will be made through payroll deductions sufficient to provide for substantially level amortization of principal and interest with payments not less frequently than quarterly, which will be irrevocably authorized by the Participant in writing on a form provided by the Committee at the time the loan is made; (vi) the amount of any indebtedness (including accrued and unpaid interest) under any loan will be deducted from a Participant's interest in the Trust Fund if and only if such indebtedness or any installment thereof is not paid when due (including amounts due by acceleration) unless the Committee determines that there is adequate security for such loan other than the Participant's interest in the Trust Fund; (vii) no more than two outstanding loans will be permitted with respect to a Participant at any time; (viii) no home loans will be permitted; and (ix) all loans will be evidenced by a note containing such additional terms and conditions as the Committee will determine. Notwithstanding anything in the foregoing to the contrary, no amount of any indebtedness will be deducted pursuant to clause (vi) of this Section 7.5(b) from a Participant's Account prior to the time that such Account are otherwise distributable.

(c) **Maximum Amount of Loans.** The amount of any loan made pursuant to this Section 7.5, when added to the outstanding balance of all other loans to the Participant from all

qualified employer plans (as defined in Code section 72(p)(4)) of the Controlled Group, will not exceed the lesser of (i) one-half of the aggregate nonforfeitable interest in his account balance(s) under all such plans, or (ii) \$50,000 reduced by the excess, if any, of (A) the highest outstanding balance of all other loans from qualified employer plans of the Controlled Group to the Participant during the 1-year period ending on the date on which such loan was made, over (B) the outstanding balance of all loans from qualified employer plans of the Controlled Group to the Participant on the date on which such loan was made.

(d) **Minimum Loan.** The minimum loan permitted under this Section 7.5 is \$1,000. If such minimum amount exceeds the limitations of Section 7.5(c), no loan will be made.

(e) **Source of Loans.** All loans will be made from available sources in such order as the Committee may determine from time to time.

(f) **Investment of Loan Payments.** All loans will be treated as a separate investment fund of the borrowing Participant. All payments with respect to a loan will be credited to the borrowing Participant's Account and will be invested in the investment funds under the Trust Agreement in accordance with the Participant's latest investment directions pursuant to Section 4.2.

(g) **Grandfathered Loans.** Loans that are transferred to the Plan from another Qualified Plan will be administered in accordance with their terms, notwithstanding the fact that the terms of such loans do not satisfy the foregoing provisions of this Section 7.5.

**7.6 Reemployment of Participant.** If a Participant who terminated employment again becomes an Employee before receiving a distribution of his Account balance, no distribution from the Trust Fund will be made while he is an Employee, and amounts distributable to him on account of his prior termination will be held in the Trust Fund until he is again entitled to a distribution under the Plan.

**7.7 Valuation of Accounts.** A Participant's distributable Account balances will be valued as of the Valuation Date immediately preceding the date the Account is to be distributed, except that there will be added to the value of his Account the fair market value of any amounts allocated to his Account under Article 5 after that Valuation Date.

#### **7.8 Direct Rollovers.**

(a) **Rollover Election.** Notwithstanding any other provision of the Plan, a Distributee (as hereinafter defined) may elect, at any time and in the manner prescribed by the Committee, to have any portion of an Eligible Rollover Distribution (as hereinafter defined) paid directly to an Eligible Retirement Plan (as hereinafter defined) specified by the Distributee, except to the extent that the total Eligible Rollover Distributions with respect to the Distributee in any Plan Year are reasonably expected to total less than \$200.

(b) **Eligible Rollover Distribution.** An Eligible Rollover Distribution is any distribution of all or any portion of the balance to the credit of the Distributee, except that an Eligible Rollover Distribution does not include (i) any distribution that is one of a series of

substantially equal periodic payments (not less frequently than annually) made for the life or life expectancy of the Distributee or the joint lives or life expectancies of the Distributee and the Distributee's designated beneficiary, or for a specified period of ten years or more, (ii) any distribution to the extent such distribution is required by Code section 401(a)(9), (iii) any distribution that qualifies as a hardship distribution under Section 7.3, and (iv) the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities). Notwithstanding the foregoing, a portion of a distribution will not fail to be an Eligible Rollover Distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to an individual retirement account or annuity described in Code section 408(a) or (b), respectively, or to a qualified plan described in Code section 401(a) or 403(a) or an annuity contract described in Code section 403(b), provided such plan or contract provides for separate accounting for amounts so transferred (and earnings thereon), including separately accounting for the portion of such distribution that is includible in gross income and the portion of such distribution that is not so includible.

(c) **Eligible Retirement Plan.** An Eligible Retirement Plan is an individual retirement account described in Code section 408(a), an individual retirement annuity described in Code section 408(b), an annuity plan described in Code section 403(a), or a qualified trust described in Code section 401(a) that is a defined contribution plan within the meaning of Code section 414(i), that accepts the Distributee's Eligible Rollover Distribution. An Eligible Retirement Plan includes an annuity contract described in Code section 403(b) or an eligible plan under Code section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and, effective for distributions made after December 31, 2007, a Roth IRA described in Code section 408A, provided that such eligible plan or Roth IRA agrees to separately account for amounts transferred into such plan from the Plan. The definition of Eligible Retirement Plan also applies in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the Alternate Payee.

(d) **Distributee.** A Distributee includes a Participant, the Participant's Spouse, or a Participant's former spouse who is an Alternate Payee. A Distributee also includes a Participant's nonspouse Beneficiary who is a designated beneficiary within the meaning of Code section 401(a)(9)(E), but only with respect to an Eligible Rollover Distribution paid to an Eligible Retirement Plan that is either an individual retirement account described in Code section 408(a) or an individual retirement annuity described in Code section 408(b), and such individual retirement account or individual retirement annuity is treated as an inherited individual retirement account or individual retirement annuity pursuant to Code section 402(c)(11).

7.9 **Restrictions on Distributions.** Article 12 sets forth certain rules under various provisions of the Code relating to restrictions on distributions to Participants.

## ARTICLE 8

### DISTRIBUTIONS TO BENEFICIARIES

8.1 **Designation of Beneficiary.** Each Participant will have the right to designate a Beneficiary or Beneficiaries to receive his vested Account balance upon his death. The designation will be made in accordance with procedures prescribed by the Committee from time to time and will be effective upon receipt by the Committee. A Participant will have the right to change or revoke any designation by filing a new designation or notice of revocation with the Committee, but the revised designation or revocation will be effective only upon receipt by the Committee.

8.2 **Consent of Spouse Required.** A Participant who is married may not designate a Beneficiary other than, or in addition to, his spouse unless his spouse consents to the designation by means of a written instrument that is signed by the spouse, contains an acknowledgment by the spouse of the effect of the consent, and is witnessed by a member of the Committee (other than the Participant) or by a notary public. The designation will be effective only with respect to the consenting spouse, whose consent will be irrevocable. A Beneficiary designation to which a spouse has consented may not be changed by the Participant without spousal consent (other than to designate the spouse as Beneficiary), unless the spouse's consent expressly permits Beneficiary designations by the Participant without any further consent of the spouse. For purposes of the Plan, "spouse" means a spouse within the meaning of ERISA.

8.3 **Failure to Designate Beneficiary.** In the event a Participant has not designated a Beneficiary, or in the event no Beneficiary survives a Participant, the distribution of the Participant's vested Account balance upon his death will be made (i) to the Participant's spouse, if living, (ii) if his spouse is not then living, to his then living issue by right of representation, (iii) if neither his spouse nor his issue are then living, to his then living parents, and (iv) if none of the above are then living, to his estate.

8.4 **Distributions to Beneficiaries.** Distribution of a Participant's vested Account balance to the Participant's Beneficiary will be made as soon as practicable after the earlier of the Beneficiary's request for a distribution or the required distribution date set forth in Article 12. The Participant's vested Account balance will be distributed to the Beneficiary in a single lump sum payment or as otherwise provided under the minimum required distribution provisions of Article 12. The Participant's Account balances will be valued as of the Valuation Date coinciding with or immediately preceding the date the Account is to be distributed to his Beneficiary, except that there will be added to the value of the Participant's Account the fair market value of any amounts allocated to his Account under Article 5 after that Valuation Date. If a loan is outstanding from the Trust Fund to the Participant on the date of his death, the amount distributed to his Beneficiary will be reduced by any security interest in the Participant's Account held by the Plan by reason of the loan.

8.5 **Restrictions on Distributions.** Article 12 sets forth certain rules under various provisions of the Code relating to restrictions on distributions to Beneficiaries.



## ARTICLE 9

### PROVISIONS REGARDING THE A. H. BELO STOCK FUND AND THE BELO STOCK FUND

9.1 **Participant Voting Instructions.** Before each annual or special meeting of shareholders of the Company or the shareholders of Belo Corp., the Committee will cause to be sent to each Participant and Beneficiary whose Account is invested in the A. H. Belo Stock Fund or the Belo Stock Fund, as applicable, on the record date of such meeting a copy of the proxy solicitation material for the meeting, together with a form requesting confidential instructions to the Trustee on how to vote the shares of Company Stock or the shares of common stock of Belo Corp. allocated to his Account. Upon receipt of such instructions, the Trustee will vote the shares allocated to such Participant's or Beneficiary's Account as instructed by the Participant or Beneficiary. The Trustee will vote shares for which it does not receive timely instructions from Participants or Beneficiaries proportionately in the same manner as it votes shares for which it receives timely instructions from Participants and Beneficiaries.

9.2 **Tender Offers.** In the event of a tender offer for shares of Company Stock or common stock of Belo Corp. subject to Section 14(d)(1) of the Securities Exchange Act of 1934 or subject to Rule 13e-4 promulgated under that Act (as those provisions may from time to time be amended or replaced by successor provisions of federal securities laws), the Committee will advise each Participant and Beneficiary whose Account is invested in the A. H. Belo Stock Fund or the Belo Stock Fund, as applicable, in writing of the terms of the tender offer as soon as practicable after its commencement and will furnish each Participant and Beneficiary with a form by which he may instruct the Trustee confidentially to tender shares allocated to his Account. The Trustee will tender those shares it has been properly instructed to tender, and will not tender those shares which it has been properly instructed not to tender or for which it has not received timely instructions from the Participant or Beneficiary. The number of shares to which a Participant's or Beneficiary's instructions apply will be the total number of shares allocated to his Account as of the latest date for which the Committee has records. The Committee will advise the Trustee of the commencement date of any tender offer and, until receipt of that advice, the Trustee will not be obligated to take any action under this Section 9.2. Funds received in exchange for tendered stock will be credited to the Account of the Participant or Beneficiary whose stock was tendered and will be invested proportionately in the investment funds selected by the Participant or Beneficiary in his most recent investment direction to the Trustee.

9.3 **Confidentiality.** The Committee will be responsible for establishing procedures designed to maintain the confidentiality of Participant and Beneficiary information relating to the purchase, holding and sale of Company Stock or common stock of Belo Corp. and the exercise of voting, tender and similar rights with respect to such stock, except to the extent such information is necessary to comply with federal laws or state laws that are not preempted by ERISA.

9.4 **Discontinuance of the Belo Stock Fund.** Notwithstanding any provision of the Plan to the contrary, the Belo Stock Fund will cease to be available under the Plan as of the Belo/Gannett Closing Date, and the provisions of Sections 9.1, 9.2, and 9.3 will be inapplicable with respect to the common stock of Belo Corp. and the Belo Stock Fund effective as of the Belo/

Gannett Closing Date. No Plan fiduciary, including without limitation the Investment Committee and the Administrative Committee, is authorized to re-establish the Belo Stock Fund or establish any other investment fund designed to invest primarily or exclusively in securities of Belo Corp.

## ARTICLE 10

### ADMINISTRATION OF THE PLAN AND TRUST AGREEMENT

10.1 **Appointment of Committee Members.** The Board of Directors or the Compensation Committee of the Board of Directors will appoint the Chairman of an Administrative Committee, which will consist of three or more members. The Chairman will appoint the remaining members of the Administrative Committee, who will hold office at the pleasure of the Chairman. Members of the Committee are not required to be Employees or Participants. Any member may resign by giving notice, in writing, filed with the Board or the Chairman.

10.2 **Officers and Employees of the Committee.** The Committee will choose a Secretary, who may be a member of the Committee. The Secretary will keep a record of the Committee's proceedings and all dates, records and documents pertaining to the Committee's administration of the Plan. The Committee may employ and suitably compensate such persons or organizations to render advice with respect to the duties of the Committee under the Plan as the Committee determines to be necessary or desirable.

10.3 **Action of the Committee.** Action of the Committee may be taken with or without a meeting of Committee members, provided that action will be taken only upon the vote or other affirmative expression of a majority of the Committee's members qualified to vote with respect to such action. The Chairman of the Committee may execute any certificate or other written direction on behalf of the Committee. In the event the Committee members qualified to vote on any question are unable to determine such question by a majority vote or other affirmative expression of a majority of the Committee members qualified to vote on such question, such question will be determined by the Board. A member of the Committee who is a Participant may not vote on any question relating specifically to himself unless he is the sole member of the Committee.

10.4 **Expenses and Compensation.** The expenses of administering the Plan, including without limitation the expenses of the Committee properly incurred in the performance of its duties under the Plan, will be paid from the Trust Fund, and all such expenses paid by the Participating Employers on behalf of the Plan will be reimbursed from the Trust Fund unless the Participating Employers in their discretion elect not to submit such expenses for reimbursement. Notwithstanding the foregoing, the members of the Committee will not be compensated by the Plan for their services as Committee members.

10.5 **General Powers and Duties of the Committee.** The Committee will have the full power and responsibility to administer the Plan and the Trust Agreement and to construe and apply their provisions. For purposes of ERISA, the Committee will be the named fiduciary with respect to the operation and administration of the Plan and the Trust Agreement. In addition, the Committee will have the powers and duties granted by the terms of the Trust Agreement. The Committee, and all other persons with discretionary control respecting the operation, administration, control, and/or management of the Plan, the Trust Agreement, and/or the Trust Fund, will perform their duties under the Plan and the Trust Agreement solely in the interests of Participants and their Beneficiaries.

**10.6 Specific Powers and Duties of the Committee.** The Committee will administer the Plan and the Trust Agreement and will have the authority and discretion to (i) resolve all questions relating to the eligibility of Employees to become Participants; (ii) determine the amount of benefits payable to Participants or their Beneficiaries, and determine the time and manner in which such benefits are to be paid; (iii) authorize and direct all disbursements by the Trustee from the Trust Fund; (iv) engage any administrative, legal, accounting, clerical, or other services it deems appropriate in administering the Plan or the Trust Agreement; (v) construe and interpret the Plan and the Trust Agreement, supply omissions from, correct deficiencies in, and resolve ambiguities in the language of the Plan and the Trust Agreement, and adopt rules for the administration of the Plan and the Trust Agreement which are not inconsistent with the terms of such documents; (vi) compile and maintain all records it determines to be necessary, appropriate or convenient in connection with the administration of benefit payments; (vii) determine the disposition of assets in the Trust Fund in the event the Plan is terminated; (viii) review the performance of the Trustee with respect to the Trustee's administrative duties, responsibilities and obligations under the Plan and the Trust Agreement, report to the Board regarding such administrative performance of the Trustee, and recommend to the Board, if necessary, the removal of the Trustee and the appointment of a successor Trustee; and (ix) resolve all questions of fact relating to any matter for which it has administrative responsibility.

**10.7 Allocation of Fiduciary Responsibility.** The Committee from time to time may allocate to one or more of its members and may delegate to any other persons or organizations any of its rights, powers, duties and responsibilities with respect to the operation and administration of the Plan and the Trust Agreement that are permitted to be delegated under ERISA. Any such allocation or delegation will be made in writing, will be reviewed periodically by the Committee, and will be terminable upon such notice as the Committee in its discretion deems reasonable and proper under the circumstances. Whenever a person or organization has the power and authority under the Plan or the Trust Agreement to delegate discretionary authority respecting the administration of the Plan or the Trust Fund to another person or organization, the delegating party's responsibility with respect to such delegation is limited to the selection of the person to whom authority is delegated and the periodic review of such person's performance and compliance with applicable law and regulations. Any breach of fiduciary responsibility by the person to whom authority has been delegated which is not proximately caused by the delegating party's failure to properly select or supervise, and in which breach the delegating party does not otherwise participate, will not be considered a breach by the delegating party.

**10.8 Information to be Submitted to the Committee.** To enable the Committee to perform its functions, the Participating Employers will supply full and timely information to the Committee on all matters relating to Employees and Participants as the Committee may require and will maintain such other records required by the Committee to determine the benefits due to Participants or their Beneficiaries under the Plan.

**10.9 Notices, Statements and Reports.** The Company will be the "administrator" of the Plan as defined in ERISA section 3(16)(A) for purposes of the reporting and disclosure requirements imposed by ERISA and the Code. The Committee will assist the Company, as requested, in complying with such reporting and disclosure requirements.

#### 10.10 Claims Procedure.

(a) **Filing Claim for Benefits.** If a Participant or Beneficiary does not receive the benefits which he believes he is entitled to receive under the Plan, he may file a claim for benefits with the Committee. All claims must be made in writing and signed by the claimant. If the claimant does not furnish sufficient information to determine the validity of the claim, the Committee will indicate to the claimant any additional information which is required.

(b) **Notification by the Committee.** Each claim will be approved or disapproved by the Committee within 90 days following the receipt of the information necessary to process the claim, or within 180 days if the Committee determines that special circumstances require an extension of the 90-day period and the claimant is notified of the extension within the original 90-day period. In the event the Committee denies a claim for benefits in whole or in part, the Committee will notify the claimant in writing of the adverse determination. Such notice by the Committee will also set forth, in a manner calculated to be understood by the claimant, the specific reason or reasons for the adverse determination, reference to the specific Plan provisions on which the determination is based, a description of any additional material or information necessary to perfect the claim with an explanation of why such material or information is necessary, and an explanation of the Plan's claim review procedure and applicable time limits as set forth in Section 10.10(c).

(c) **Review Procedure.** A claimant may appeal an adverse benefit determination by requesting a review of the decision by the Committee or a person designated by the Committee, which person will be a named fiduciary under ERISA section 402(a)(2) for purposes of this Section 10.10. An appeal must be submitted in writing within 60 days after receiving notification of the adverse determination and must (i) request a review of the claim for benefits under the Plan, (ii) set forth all of the grounds upon which the claimant's request for review is based and any facts in support thereof, and (iii) set forth any issues or comments which the claimant deems pertinent to the appeal. The claimant will be given the opportunity to submit written comments, documents, records and other information relating to the claim for benefits, and will be provided, upon written request and free of charge, reasonable access to and copies of, all documents, records and other information relevant to the claim for benefits, provided the Committee or the named fiduciary designated by the Committee finds the requested documents or materials are relevant to the appeal. The Committee or the named fiduciary designated by the Committee will make a full and fair review of each appeal and any materials submitted by the claimant relating to the claim, without regard to whether the information was submitted or considered in the initial determination. On the basis of its review, the Committee or the named fiduciary designated by the Committee will make an independent determination of the claimant's eligibility for benefits and will act upon each appeal within 60 days after receipt thereof unless special circumstances require an extension of the time for processing, in which case a decision will be rendered as soon as possible but not later than 120 days after the appeal is received. In the event of such special circumstances, the Committee or the named fiduciary designated by the Committee will notify the claimant within the initial 60-day period of the special circumstances that preclude a decision in the 60-day period. The decision of the Committee or named fiduciary on any claim for benefits will be final and conclusive upon all parties thereto. In the event the Committee or named fiduciary denies an appeal in whole or in part, it will give written notice of

the determination to the claimant. Such notice will set forth, in a manner calculated to be understood by the claimant, the specific reason or reasons for the adverse determination, reference to the specific Plan provisions on which the determination is based, a statement that the claimant is entitled to receive, upon request and free of charge, access to and copies of all documents, records and other information relevant to the claim, and a statement of the claimant's rights to bring an action under ERISA section 502(a), if applicable.

**10.11 Service of Process.** The Committee may from time to time designate an agent of the Plan for the service of legal process. The Committee will cause such agent to be identified in materials it distributes or causes to be distributed when such identification is required under applicable law. In the absence of such a designation, the Company will be the agent of the Plan for the service of legal process.

**10.12 Correction of Participants' Accounts.** If an error or omission is discovered in the Account of a Participant, or in the amount distributed to a Participant, the Committee will make such equitable adjustments in the records of the Plan as may be necessary or appropriate to correct such error or omission as of the Plan Year in which such error or omission is discovered. Further, a Participating Employer may, in its discretion, make a special contribution to the Plan which will be allocated by the Committee only to the Account of one or more Participants to correct such error or omission.

**10.13 Payment to Minors or Other Persons Under Legal Disability.** If any benefit becomes payable to a minor, payment of such benefit will be made only to the guardian of the person or the estate of the minor, provided the guardian acknowledges in writing, in a form acceptable to the Committee, receipt of the payment on behalf of the minor. If any benefit becomes payable to any other person under a legal disability, payment of such benefit will be made only to the conservator or the guardian of the estate of such person appointed by a court of competent jurisdiction. Any payment made in accordance with the provisions of this Section 10.13 on behalf of a minor or other person under a legal disability will fully discharge the Plan's obligation to such person.

**10.14 Uniform Application of Rules and Policies.** The Committee in exercising its discretion granted under any of the provisions of the Plan or the Trust Agreement will do so only in accordance with rules and policies established by it which will be uniformly applicable to all Participants and Beneficiaries.

**10.15 Funding Policy.** The Plan is to be funded through Participating Employer contributions and earnings on such contributions; and benefits will be paid to Participants and Beneficiaries as provided in the Plan.

**10.16 The Trust Fund.** The Trust Fund will be held by the Trustee for the exclusive benefit of Participants and Beneficiaries. The assets held in the Trust Fund will be invested and reinvested in accordance with the terms of the Trust Agreement, which is hereby incorporated into and made a part of the Plan. All benefits will be paid solely out of the Trust Fund, and no Participating Employer will be otherwise liable for benefits payable under the Plan.

## ARTICLE 11

### LIMITATIONS ON CONTRIBUTIONS AND ALLOCATIONS TO PARTICIPANTS' ACCOUNTS

11.1 **Priority over Other Contribution and Allocation Provisions.** The provisions set forth in this Article will supersede any conflicting provisions of Article 3 or Article 5.

11.2 **Definitions Used in this Article.** The following words and phrases, when used with initial capital letters, will have the meanings set forth below.

(a) **Annual Addition** means the sum of the following amounts with respect to all Qualified Plans and Welfare Benefit Funds maintained by the Controlled Group Members:

(i) the amount of Controlled Group Member contributions with respect to the Limitation Year allocated to a Participant's account;

(ii) the amount of any forfeitures for the Limitation Year allocated to a Participant's account;

(iii) the amount of a Participant's voluntary nondeductible contributions for the Limitation Year, provided, however, that the Annual Addition for any Limitation Year beginning before January 1, 1987, will not be recomputed to treat all of the Participant's nondeductible voluntary contributions as part of the Annual Addition;

(iv) the amount allocated after March 31, 1984, to an individual medical benefit account (as defined in Code section 415(l)(2)) which is part of a Defined Benefit Plan or an annuity plan; and

(v) the amount derived from contributions paid or accrued after December 31, 1985, in taxable years ending after such date that are attributable to post-retirement medical benefits allocated to the separate account of a key employee (as defined in Code section 419A(d)(3)) under a Welfare Benefit Fund.

A Participant's Annual Addition will not include any nonvested amounts restored to his account following his reemployment before incurring five consecutive One Year Breaks in Service, and a corrective allocation pursuant to Section 10.12 will be considered an Annual Addition for the Limitation Year to which it relates.

(b) **Average Deferral Percentage** means the average of the Deferral Percentages of each Participant in a group of Participants.

(c) **Deferral Percentage** means the ratio (expressed as a percentage) determined by dividing the Deferral Contributions made to the Plan on behalf of a Participant who is eligible to make Deferral Contributions for all or any portion of a Plan Year by the Participant's Compensation for the Plan Year. In addition, if the Matching Contributions to the Plan for any Plan Year satisfy the requirements of Code section 401(k)(2)(B) and (C), a Participant's Deferral

Percentage will be determined by aggregating the Deferral Contributions and the Matching Contributions made to the Plan on his behalf for such Plan Year, unless such aggregation is prohibited in regulations prescribed by the Secretary of the Treasury. A Participant is eligible to make Deferral Contributions for purposes of determining his Deferral Percentage even though he does not make Deferral Contributions because of the suspension of his Deferral Contributions under the terms of the Plan, because of an election not to participate, or because of the limitations contained in Section 11.3 of the Plan. A Deferral Contribution will be taken into account for a Plan Year only if (i) the allocation of such contribution is not contingent on participation in the Plan or the performance of services after the Plan Year, (ii) such contribution is paid to the Trustee within 12 months after the end of the Plan Year, and (iii) such contribution relates to Compensation that either would have been received by the Participant in the Plan Year, or that is attributable to services performed during the Plan Year and that would have been received within two and one-half months after the Plan Year, but for the election to defer. Deferral Contributions that are taken into account in the Average Contribution Percentage Test described in Section 11.5(a) of the Plan will be excluded from the Deferral Percentage (provided the Actual Deferral Percentage Test described in Section 11.4(a) of the Plan is satisfied both with and without exclusion of such Deferral Contributions).

(d) **Defined Benefit Plan** means a Qualified Plan other than a Defined Contribution Plan.

(e) **Defined Contribution Dollar Limitation** means, for any Limitation Year, \$53,000, as adjusted for increases in the cost-of-living under Code section 415(d) for Plan Years beginning after December 31, 2014. If a short Limitation Year is created because of a Plan amendment changing the Limitation Year to a different 12-consecutive month period, the Defined Contribution Dollar Limitation for the short Limitation Year will not exceed the amount determined in the preceding sentence multiplied by a fraction, the numerator of which is the number of months in the short Limitation Year and the denominator of which is 12.

(f) **Defined Contribution Plan** means a Qualified Plan that provides for an individual account for each participant and for benefits based solely on the amount contributed to the participant's account, and any income, expenses, gains and losses, and any forfeitures of accounts of other participants that may be allocated to such participant's account.

(g) **Highly Compensated Employee** means an Employee who during the current or preceding Plan Year was a 5-percent owner of a Controlled Group Member, or who for the preceding Plan Year had Includable Compensation in excess of \$120,000 (as adjusted pursuant to Code Section 415(d) for Plan Years beginning after December 31, 2014).

(h) **Includable Compensation** means an Employee's wages as defined in Code section 3401(a) for purposes of income tax withholding at the source (but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or services performed) that are paid to a Participant by the Participating Employers. In addition, Includable Compensation includes any contributions made by the Participating Employers on behalf of an Employee pursuant to a deferral election under any employee benefit plan containing a cash or deferred arrangement under Code section 401(k), any



amounts that would have been received as cash but for an election to receive benefits under a cafeteria plan meeting the requirements of Code section 125 and any elective amounts that are not includable in the gross income of the Employee by reason of Code section 132(f)(4), but excludes (i) any payment made after the later of (A) 2½ months after the Employee's termination of employment or (B) the end of the Limitation Year that includes the Employee's date of termination of employment and (ii) any payment made in connection with or after the Employee's termination of employment that would not have been made if the Employee had continued in employment, such as severance pay or any other amount that would not qualify as compensation under section 1.415(c)-2(e)(3) of the Treasury Regulations. The annual Includable Compensation of an Employee taken into account for any purpose will not exceed \$265,000 for any Plan Year beginning after December 31, 2014, as adjusted for cost-of-living increases in accordance with Code section 401(a)(17).

(i) **Limitation Year** means the 12-consecutive-month period used by a Qualified Plan for purposes of computing the limitations on benefits and annual additions under Code section 415. The Limitation Year for this Plan is the Plan Year.

(j) **Maximum Annual Addition** means with respect to a Participant for any Limitation Year an amount equal to the lesser of (i) the Defined Contribution Dollar Limitation or (ii) 100% of the Participant's Includable Compensation.

(k) **Nonhighly Compensated Employee** means an Employee who is not a Highly Compensated Employee.

(l) **Welfare Benefit Fund** means an organization described in paragraph (7), (9), (17) or (20) of Code section 501(c), a trust, corporation or other organization not exempt from federal income tax, or to the extent provided in Treasury Regulations, any account held for an employer by any person, which is part of a plan of an employer through which the employer provides benefits to employees or their beneficiaries, other than a benefit to which Code sections 83(h), 404 (determined without regard to section 404(b)(2)) or 404A applies, or to which an election under Code section 463 applies.

(m) **Average Contribution Percentage** means the average of the Contribution Percentages of each Participant in a group of Participants.

(n) **Contribution Percentage** means the ratio (expressed as a percentage) determined by dividing the Matching Contributions made to the Plan on behalf of a Participant who is eligible to receive an allocation of Matching Contributions for a Plan Year (but only to the extent such Matching Contributions are not taken into account in determining the Participant's Deferral Percentage for the Plan Year) by the Participant's Compensation for the Plan Year. A Participant is eligible to receive an allocation of Matching Contributions for purposes of determining his Contribution Percentage even though no Matching Contributions are made to the Plan on his behalf because of the suspension of his Deferral Contributions under the terms of the Plan, because of an election not to participate, or because of the limitations contained in Section 11.3 of the Plan. Deferral Contributions may also be included in the Contribution Percentages used to satisfy the Average Contribution Percentage Test described in Section 11.5(a) of the Plan,

provided that the Average Deferral Percentage Test described in Section 11.4(a) of the Plan is met before such Deferral Contributions are included in the Average Contribution Percentage Test and continues to be met following the exclusion of such Deferral Contributions.

(o) **Matching Contribution** means the Participating Employer matching contribution made to the Plan on behalf of a Participant pursuant to Article 3.

**11.3 Allocation Limitation.** The Annual Addition of a Participant for any Limitation Year will not exceed the Maximum Annual Addition. If the amount allocated or otherwise allocable to a Participant's Account would exceed the Maximum Annual Addition, the Committee will take such action as it deems appropriate under the circumstances to reduce the Participating Employer contributions and forfeitures which would cause the Participant's Annual Addition to exceed the Maximum Annual Addition. The limitations contained in this Article will apply on an aggregate basis to all Defined Contribution Plans (whether or not any of such plans have terminated) established by the Controlled Group Members. For this purpose, Controlled Group Members will be determined in accordance with the 50% control rule of Code section 415(h).

**11.4 Limitation on Deferral Contributions.** The limitations of this Section 11.4 will apply to Participants for Plan Years beginning on or after January 1, 2009. For Plan Years beginning prior to January 1, 2009, the limitations of this Section 11.4 will apply only to Participants who are eligible to make Deferral Contributions in any Plan Year but who are not eligible to receive an allocation of Participating Employer matching contributions under Section 3.4 for such Plan Year, and the limitations of this Section 11.4 will not apply to a Participant who is eligible to receive an allocation of Participating Employer matching contributions under Section 3.4 during any portion of a Plan Year.

(e) **Average Deferral Percentage Test.** Notwithstanding any other provision of the Plan, the Average Deferral Percentage for a Plan Year for Participants who are Highly Compensated Employees, using the current year testing method, will not exceed the greater of: (i) the Average Deferral Percentage of Participants who are Nonhighly Compensated Employees multiplied by 1.25; or (ii) the lesser of (A) the Average Deferral Percentage of Participants who are Nonhighly Compensated Employees plus two percentage points or (B) the Average Deferral Percentage of Participants who are Nonhighly Compensated Employees multiplied by 2.0.

(f) **Suspension of Deferral Contributions.** If at any time during a Plan Year the Committee determines, on the basis of estimates made from information then available, that the limitation described in Section 11.4(a) will not be met for the Plan Year, the Committee in its discretion may reduce or suspend the Deferral Contributions of one or more Participants who are Highly Compensated Employees to the extent necessary (i) to enable the Plan to meet such limitation or (ii) to reduce the amount of excess Deferral Contributions that would otherwise be distributed pursuant to this Section 11.4.

(g) **Reduction of Excess Deferral Contributions.** If the Average Deferral Percentage for Participants who are Highly Compensated Employees exceeds the limitation described in Section 11.4(a), the excess contributions will be distributed to the Highly Compensated Employees on the basis of the respective portions of the excess contributions

attributable to each such Highly Compensated Employee. For purposes of this subsection, excess contributions means, for a Plan Year, the excess of (i) the aggregate amount of Deferral Contributions paid to the Trust on behalf of Highly Compensated Employees for the Plan Year, over (ii) the maximum amount of Deferral Contributions permitted for such Plan Year under Section 11.4(a) (determined by reducing Deferral Contributions made on behalf of Highly Compensated Employees in order of the Deferral Percentages beginning with the highest of such percentages). Such excess contributions will be distributed on the basis of the dollar amount of Deferral Contributions for each such Participant (as hereinafter provided) until the aggregate amount of excess contributions has been distributed. The Deferral Contributions of the Highly Compensated Employee with the highest dollar amount of Deferral Contributions will be reduced first by the amount required to cause that Participant's Deferral Contributions to equal the dollar amount of the Deferral Contributions of the Highly Compensated Employee with the next highest dollar amount, and this process will be repeated until the total amount of excess Deferral Contributions has been distributed. Upon distribution of the total excess Deferral Contributions in this manner, the Plan will be treated as satisfying the limitations of Section 11.4(a). Matching Contributions made with respect to a Participant's excess Deferral Contributions will be forfeited and applied as provided in Section 6.4.

All distributions will be increased by Trust Fund earnings and decreased by Trust Fund losses for the Plan Year and will be made within two and one-half months following the close of the Plan Year, if practicable, but in no event later than the last day of the immediately following Plan Year. The amount of excess Deferral Contributions distributed pursuant to this Section with respect to a Participant for the Plan Year will be reduced by any Deferral Contributions previously distributed to the Participant for the same Plan Year pursuant to Section 3.3.

(h) **Determination of Earnings and Losses.** The earnings and losses of the Trust Fund for the Plan Year allocable to the portion of a Participant's Deferral Contributions that are distributed pursuant to Section 11.4(c) will be determined by multiplying the Trust Fund earnings or losses for the Plan Year allocable to the Participant's Deferral Contribution Account by a fraction, the numerator of which is the amount of Deferral Contributions to be distributed to the Participant and the denominator of which is the balance of the Participant's Deferral Contribution Account on the last day of the Plan Year, reduced by the earnings and increased by the losses allocable to such Account for the Plan Year.

(i) **Discriminatory Matching Contributions.** If the allocation of Matching Contributions to a Participant's Matching Contribution Account results in a discriminatory matching contribution (as determined under Code sections 401(a)(4) or 401(m) and the regulations thereunder) for such Participant because the Matching Contribution relates to a Deferral Contribution that exceeds the limitations described in Section 3.3 or this Section 11.4, or because of any other reason, and such discriminatory matching contribution cannot be distributed as an excess Matching Contribution pursuant to Section 11.5, such discriminatory matching contribution, or the portion thereof that results in prohibited discrimination, will be forfeited notwithstanding any other provision of the Plan to the contrary.

**11.5 Limitation on Matching Contributions.** The limitations of this Section 11.5 will apply to Participants for Plan Years beginning on or after January 1, 2009.

(a) **Average Contribution Percentage Test.** Notwithstanding any other provision of the Plan, the Average Contribution Percentage for a Plan Year for Participants who are Highly Compensated Employees will not exceed the greater of: (i) the Average Contribution Percentage for Participants who are Nonhighly Compensated Employees multiplied by 1.25; or (ii) the lesser of (A) the Average Contribution Percentage for Participants who are Nonhighly Compensated Employees plus two percentage points or (B) the Average Contribution Percentage for Participants who are Nonhighly Compensated Employees multiplied by 2.0.

(b) **Suspension of Matching Contributions.** If at any time during a Plan Year the Committee determines, on the basis of estimates made from information then available, that the limitation described in subsection (a) above will not be met for the Plan Year, the Committee in its discretion may reduce or suspend the Matching Contributions of one or more Participants who are Highly Compensated Employees to the extent necessary (i) to enable the Plan to meet such limitation or (ii) to reduce the amount of Excess Matching Contributions that would otherwise be forfeited or distributed pursuant to subsection (c) below.

(c) **Reduction of Excess Matching Contributions.** If for any Plan Year the Average Contribution Percentage for Participants who are Highly Compensated Employees exceeds the limitation described in Section 11.5(a) above, the dollar amount of excess Matching Contributions will be forfeited (if forfeitable) or distributed (if not forfeitable) to the Highly Compensated Employees on the basis of the respective portions of the excess Matching Contributions attributable to each such Highly Compensated Employee until the aggregate amount of excess Matching Contributions has been forfeited or distributed. For purposes of this subsection, excess Matching Contributions means, for a Plan Year, the excess of (i) the aggregate amount of Matching Contributions actually made on behalf of Highly Compensated Employees for the Plan Year, over (ii) the maximum amount of such contributions permitted for such Plan Year under Section 11.5(a) (determined by reducing Matching Contributions made on behalf of Highly Compensated Employees in order of the Contribution Percentages beginning with the highest of such percentages). Such excess Matching Contributions will be forfeited or distributed on the basis of the dollar amount of Matching Contributions for each such Participant (as hereinafter provided) until the aggregate amount of excess Matching Contributions has been forfeited or distributed. The Matching Contributions of the Highly Compensated Employee with the highest dollar amount of Matching Contributions will be reduced first by the amount required to cause that Participant's Matching Contributions to equal the dollar amount of the Matching Contributions of the Highly Compensated Employee with the next highest dollar amount, and this process will be repeated until the total amount of excess Matching Contributions has been forfeited or distributed. Upon forfeiture or distribution of the total excess Matching Contributions in this manner, the Plan will be treated as satisfying the limitations of subsection (a) above. All distributions under this subsection will be increased by Trust Fund earnings and decreased by Trust Fund losses for the Plan Year and will be made within two and one-half months following the close of the Plan Year, if practicable, but in no event later than the last day of the immediately following Plan Year.

(d) **Determination of Earnings and Losses.** The earnings and losses of the Trust Fund for the Plan Year allocable to the portion of a Participant's Matching Contributions that are forfeited pursuant to Section 11.4 or distributed pursuant to subsection (c) above will be determined by multiplying the Trust Fund earnings or losses for the Plan Year allocable to the

Participant's Matching Contribution Account by a fraction, the numerator of which is the amount of Matching Contributions to be distributed or forfeited and the denominator of which is the balance of the Participant's Matching Contribution Account on the last day of the Plan Year, reduced by the earnings and increased by the losses allocable to such Account for the Plan Year.

#### 11.6 Aggregation and Disaggregation Rules.

(a) **Code Section 415.** For purposes of the allocation limitations under Code section 415 set forth in this Article, (i) all Defined Benefit Plans ever maintained by a Controlled Group Member will be treated as one Defined Benefit Plan, and all Defined Contribution Plans ever maintained by a Controlled Group Member will be treated as one Defined Contribution Plan, and (ii) Controlled Group Members will be determined in accordance with the 50% control rule of Code section 415(h).

(b) **Code Section 401(k).** For purposes of the limitation on Deferral Contributions set forth in this Article, the Average Deferral Percentage for any Participant who is a Highly Compensated Employee for the Plan Year and who is eligible to have deferral contributions allocated to his account under two or more plans or arrangements described in Code section 401(k) that are maintained by the Company or any Controlled Group Member will be determined as if all such deferral contributions were made under a single arrangement (unless such plans or arrangements may not be permissively aggregated under applicable regulations). Plans that are aggregated for purposes of satisfying the minimum coverage rules of Code section 410(b) (other than for purposes of the average benefits percentage test) will be treated as a single plan for such purposes. For purposes of the limitation on Deferral Contributions set forth in this Article, the aggregation and disaggregation of plans will be determined under the rules of Code section 401(k) and the regulations thereunder.

(c) **Code Section 401(m).** The Contribution Percentage of a Participant who is a Highly Compensated Employee for a Plan Year and who is eligible to make voluntary employee contributions or receive deferral contributions or matching employer contributions allocated to his account under two or more Defined Contribution Plans maintained by the Company or a Controlled Group Member will be determined as if all such contributions were made to a single plan (unless such plans may not be permissively aggregated under applicable regulations). Plans that are aggregated for purposes of satisfying the minimum coverage rules of Code section 410(b) (other than for purposes of the average benefits percentage test) will be treated as a single plan for such purposes. For purposes of the limitation on Matching Contributions set forth in this Article, the aggregation and disaggregation of plans will be determined under the rules of Code section 401(m) and the regulations thereunder.

(d) **Testing Procedures.** In applying the limitations set forth in Sections 11.4 and 11.5, the Committee may, at its option, utilize such testing procedures as may be permitted under Code sections 401(a)(4), 401(k), 401(m) or 410(b), including without limitation (i) aggregation of the Plan with one or more other qualified plans maintained by a Controlled Group Member or disaggregation of the Plan into component plans, (ii) inclusion of qualified matching contributions, qualified nonelective contributions or elective deferrals made to plans of other Controlled Group Members, (iii) exclusion of all Employees (other than Highly

Compensated Employees) who have not met the minimum age and service requirements of Code section 410(a)(1)(A), or (iv) any permissible combination thereof.

## ARTICLE 12

### RESTRICTIONS ON DISTRIBUTIONS TO PARTICIPANTS AND BENEFICIARIES

12.1 **Priority over Other Distribution Provisions.** The provisions set forth in this Article will supersede any conflicting provisions of Article 7 or Article 8.

#### 12.2 **General Restrictions.**

(a) **Distributions Prior to a Severance From Employment.** Except for distributions permitted under Article 6 with respect to Participants who attain age 59½ or suffer a hardship, a Participant's interest in the Plan will not be distributed before the Participant's severance from employment with all Controlled Group Members, disability or death, unless the Plan is terminated without the establishment or maintenance by the Participating Employers of another defined contribution plan (except as permitted by Code section 401(k) and the Treasury Regulations thereunder).

(b) **Lump Sum Distribution Required.** An event described in Section 12.2(a) that would otherwise permit distribution of a Participant's interest in the Plan will not be treated as described in Section 12.2(a) unless the Participant receives a lump sum distribution by reason of the event. A lump sum distribution for this purpose will be a distribution described in Code section 402(e)(4)(D) (without regard to clauses (I), (II), (III), and (IV) of clause (i) thereof).

12.3 **Restrictions on Commencement of Distributions.** The provisions of this Section 12.3 will apply to restrict the Committee's ability to delay the commencement of distributions. Unless a Participant elects otherwise in writing, distribution of the Participant's vested interest in his Account will be made no later than the 60th day after the close of the Plan Year in which occurs the latest of (i) the date on which the Participant attains age 65, (ii) the tenth anniversary of the Plan Year in which the Participant began participation in the Plan, or (iii) the Participant's termination of employment.

12.4 **Restrictions on Delay of Distributions.** The following provisions will apply to limit a Participant's ability to delay the distribution of benefits. Unless the Participant's interest is distributed in the form of a single sum on or before the required beginning date, distributions will be made in accordance with this Section 12.4 as of the first distribution calendar year.

(e) **General Rule.** Distribution of a Participant's entire vested and nonforfeitable interest will be made or commence not later than April 1 following the calendar year (i) in which he attains age 70½, or (ii) in which his employment with the Controlled Group terminates, if later, except that a distribution to a Participant who is a 5-percent owner (as such term is defined in Code section 416(i)(1)(B)(i)) with respect to the Plan Year in which he attains age 70½ will be made pursuant to clause (i).

(f) **Amount of Required Minimum Distributions.** During the Participant's lifetime, the minimum amount that will be distributed for each distribution calendar year is the lesser of:

(i) the quotient obtained by dividing the Participant's Account balance by the distribution period in the Uniform Lifetime Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's age as of the Participant's birthday in the distribution calendar year; or

(ii) if the Participant's sole designated beneficiary for the distribution calendar year is the Participant's spouse, the quotient obtained by dividing the Participant's Account balance by the number in the Joint and Last Survivor Table set forth in Section 1.401(a)(9)-9 of the Treasury Regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the distribution calendar year.

(g) **Timing of Distributions.** Required minimum distributions will be determined under this Section 12.4 beginning with the first distribution calendar year and up to and including the distribution calendar year that includes the Participant's date of death. The required minimum distribution for the Participant's first distribution calendar year will be made on or before the Participant's required beginning date. The required minimum distribution for other distribution calendar years, including the required minimum distribution for the distribution calendar year in which the Participant's required beginning date occurs, will be made on or before December 31 of that distribution calendar year.

(h) **Definitions.** The following words and phrases, when used in this Article 12, will have the meanings set forth below.

(i) **designated beneficiary** means the individual who is designated as the Beneficiary under Article 8 and is the designated beneficiary under Code section 401(a)(9) and Section 1.401(a)(9)-1, Q&A-4, of the Treasury Regulations.

(ii) **distribution calendar year** means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin under Section 12.6.

(iii) **life expectancy** means life expectancy as computed by use of the Single Life Table in Section 1.401(a)(9)-9 of the Treasury Regulations.

(iv) **Participant's Account balance** means the Account balance as of the last valuation date in the calendar year immediately preceding the distribution calendar year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Account balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The Account balance for the valuation calendar year includes any amounts rolled



over or transferred to the Plan either in the valuation calendar year or in the distribution calendar year if distributed or transferred in the valuation calendar year.

(v) **required beginning date** means the date specified in Section 12.4(a).

(i) **Temporary Suspension.** Notwithstanding the foregoing, in accordance with the temporary waiver of the minimum required distribution provisions of Code section 401(a)(9)(H), the requirements of this Section will not apply to any initial minimum required distribution for the 2009 calendar year (payable no later than April 1, 2010) for a Participant who attains age 70½ in 2009 or to any annual minimum required distribution for the 2009 calendar year for Participants who attained age 70½ prior to 2009; provided, however, that a Participant may elect to receive such payments without regard to the temporary waiver provisions of Code section 401(a)(9)(H).

**12.5 Limitation to Assure Benefits Payable to Beneficiaries are Incidental.** In the event that any payments under the Plan are to be made to someone other than the Participant or jointly to the Participant and his spouse or other payee, such payments must conform to the “incidental benefit” rules of Code section 401(a)(9)(G) and the Treasury Regulations thereunder.

**12.6 Restrictions in the Event of Death.** Upon the death of a Participant, the following distribution provisions will apply to limit the Beneficiary’s ability to delay distributions.

(a) **Death after Distributions Begin.**

(i) **Participant Survived by Designated Beneficiary.** If the Participant dies on or after the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant’s death is the quotient obtained by dividing the Participant’s Account balance by the longer of the remaining life expectancy of the Participant or the remaining life expectancy of the Participant’s designated beneficiary, determined as follows:

(A) The Participant’s remaining life expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(B) If the Participant’s surviving spouse is the Participant’s sole designated beneficiary, the remaining life expectancy of the surviving spouse is calculated for each distribution calendar year after the year of the Participant’s death using the surviving spouse’s age as of the spouse’s birthday in that year. For distribution calendar years after the year of the surviving spouse’s death, the remaining life expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse’s birthday in the calendar year of the spouse’s death, reduced by one for each subsequent calendar year.

(C) If the Participant’s surviving spouse is not the Participant’s sole designated beneficiary, the designated beneficiary’s remaining life expectancy is

calculated using the age of the beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(ii) **No Designated Beneficiary.** If the Participant dies on or after the date distributions begin and there is no designated beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the Participant's remaining life expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(b) **Death before Date Distributions Begin.**

(i) **Commencement Date.** If the Participant dies before distributions begin, the Participant's entire interest will be distributed, or begin to be distributed, no later than as follows:

(A) If the Participant's surviving spouse is the Participant's sole designated beneficiary, then distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.

(B) If the Participant's surviving spouse is not the Participant's sole designated beneficiary, then distributions to the designated beneficiary will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(C) If there is no designated beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire interest will be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(D) If the Participant's surviving spouse is the Participant's sole designated beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 12.6(b)(i) (other than Section 12.6(b)(i)(A)), will apply as if the surviving spouse were the Participant.

(ii) **Participant Survived by Designated Beneficiary.** If the Participant dies before the date distributions begin and there is a designated beneficiary, the minimum amount that will be distributed for each distribution calendar year after the year of the Participant's death is the quotient obtained by dividing the Participant's Account balance by the remaining life expectancy of the Participant's designated beneficiary, determined as provided in Section 12.6(a)(i).

(iii) **No Designated Beneficiary.** If the Participant dies before the date distributions begin and there is no designated beneficiary as of September 30 of the year following

the year of the Participant's death, distribution of the Participant's entire interest will be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(iv) **Death of Surviving Spouse.** If the Participant dies before the date distributions begin, the Participant's surviving spouse is the Participant's sole designated beneficiary, and the surviving spouse dies before distributions are required to begin to the surviving spouse under Section 12.6(b)(i)(A), this Section 12.6(b) will apply as if the surviving spouse were the Participant.

(v) **Elections.** Participants or beneficiaries may elect on an individual basis whether the five-year rule or the life expectancy rule described above applies to distributions after the death of a Participant who has a designated beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under Section 12.6(b)(i), or by September 30 of the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, surviving spouse's) death. If neither the Participant nor the beneficiary makes an election under this Section 12.6(b)(v), distributions will be made in accordance with the foregoing provisions of this Section 12.6(b).

12.7 **Compliance with Regulations.** Distributions under the Plan to Participants or Beneficiaries will be made in accordance with Treasury Regulations issued under Code section 401(a)(9).

12.8 **Delayed Payments.** If the amount of a distribution required to begin on a date determined under the applicable provisions of the Plan cannot be ascertained by such date, or if it is not possible to make such payment on such date because the Committee has been unable to locate a Participant or Beneficiary after making reasonable efforts to do so, a payment retroactive to such date may be made no later than 60 days after the earliest date on which the amount of such payment can be ascertained or the date on which the Participant or Beneficiary is located (whichever is applicable).

## ARTICLE 13

### TOP-HEAVY PROVISIONS

13.1 **Priority over Other Plan Provisions.** If the Plan is or becomes a Top-Heavy Plan in any Plan Year, the provisions of this Article will supersede any conflicting provisions of the Plan. However, the provisions of this Article will not operate to increase the rights or benefits of Participants under the Plan except to the extent required by Code section 416 and other provisions of law applicable to Top-Heavy Plans.

13.2 **Definitions Used in this Article.** The following words and phrases, when used with initial capital letters, will have the meanings set forth below.

(j) **Defined Benefit Plan** means the Qualified Plan described in Section 11.2(b).

(k) **Defined Contribution Dollar Limitation** means the limitation described in Section 11.2(e).

(l) **Defined Contribution Plan** means the Qualified Plan described in Section 11.2(f).

(m) **Determination Date** means for the first Plan Year of the Plan the last day of the Plan Year and for any subsequent Plan Year the last day of the preceding Plan Year.

(n) **Determination Period** means the Plan Year containing the Determination Date and the four preceding Plan Years.

(o) **Includable Compensation** means the compensation described in Section 11.2(h).

(p) **Key Employee** means any Employee or former Employee (and the Beneficiary of a deceased Employee) who at any time during the Plan Year that includes the Determination Date was an officer of a Controlled Group Member having Includable Compensation greater than \$170,000 (as adjusted under Code section 416(i)(1) for Plan Years beginning after December 31, 2014), a 5-percent owner of a Controlled Group Member, or a 1-percent owner of a Controlled Group Member having Includable Compensation of more than \$170,000. The determination of who is a Key Employee will be made in accordance with Code section 416(i). For purposes of this Section 13.2(g), Includable Compensation will include the amount of any salary reduction contributions pursuant to a cash or deferred arrangement meeting the requirements of Code section 401(k) or a cafeteria plan meeting the requirements of Code section 125.

(q) **Minimum Allocation** means the allocation described in the first sentence of Section 13.3(a).

(r) **Permissive Aggregation Group** means the Required Aggregation Group of Qualified Plans plus any other Qualified Plan or Qualified Plans of a Controlled Group Member which, when considered as a group with the Required Aggregation Group, would continue to satisfy the requirements of Code sections 401(a)(4) and 410 (including simplified employee pension plans).

(s) **Present Value** means present value based only on the interest and mortality rates specified in a Defined Benefit Plan.

(t) **Required Aggregation Group** means the group of plans consisting of (i) each Qualified Plan (including simplified employee pension plans) of a Controlled Group Member in which at least one Key Employee participates, and (ii) any other Qualified Plan (including simplified employee pension plans) of a Controlled Group Member which enables a Qualified Plan to meet the requirements of Code sections 401(a)(4) or 410.

(u) **Top-Heavy Plan** means the Plan for any Plan Year in which any of the following conditions exists: (i) if the Top-Heavy Ratio for the Plan exceeds 60% and the Plan is not a part of any Required Aggregation Group or Permissive Aggregation Group of Qualified Plans; (ii) if the Plan is a part of a Required Aggregation Group but not part of a Permissive Aggregation Group of Qualified Plans and the Top-Heavy Ratio for the Required Aggregation Group exceeds 60%; or (iii) if the Plan is a part of a Required Aggregation Group and part of a Permissive Aggregation Group of Qualified Plans and the Top-Heavy Ratio for the Permissive Aggregation Group exceeds 60%.

(v) **Top-Heavy Ratio** means a fraction, the numerator of which is the sum of the Present Value of accrued benefits and the account balances (as required by Code section 416) of all Key Employees with respect to such Qualified Plans as of the Determination Date (including any part of any accrued benefit or account balance distributed during the five-year period ending on the Determination Date), and the denominator of which is the sum of the Present Value of the accrued benefits and the account balances (including any part of any accrued benefit or account balance distributed in the five-year period ending on the Determination Date) of all Employees with respect to such Qualified Plans as of the Determination Date. For purposes of determining if the Plan is a Top-Heavy Plan for any Plan Year beginning after December 31, 2001, "one-year period" will be substituted for "five-year period" in the preceding sentence, except with respect to distributions made for a reason other than severance from employment, death or disability. The preceding provisions will also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Code section 416(g)(2)(A)(i). The value of account balances and the Present Value of accrued benefits will be determined as of the most recent Top-Heavy Valuation Date that falls within or ends with the 12-month period ending on the Determination Date, except as provided in Code section 416 for the first and second Plan Years of a Defined Benefit Plan. The account balances and accrued benefits of a participant who is not a Key Employee but who was a Key Employee in a prior year will be disregarded. The calculation of the Top-Heavy Ratio, and the extent to which distributions, rollovers, transfers and contributions unpaid as of the Determination Date are taken into account will be made in accordance with Code section 416. Employee contributions described in Code section 219(e)(2) will not be taken into account for purposes of computing the Top-Heavy Ratio.

When aggregating plans, the value of account balances and accrued benefits will be calculated with reference to the Determination Dates that fall within the same calendar year. The accrued benefit of any Employee other than a Key Employee will be determined under the method, if any, that uniformly applies for accrual purposes under all Qualified Plans maintained by all Controlled Group Members and included in a Required Aggregation Group or a Permissive Aggregation Group or, if there is no such method, as if the benefit accrued not more rapidly than the slowest accrual rate permitted under the fractional accrual rate of Code section 411(b)(1)(C). Notwithstanding the foregoing, the account balances and accrued benefits of any individual who has not performed services for a Controlled Group Member during the one-year period ending on the Determination Date will not be taken into account.

(w) **Top-Heavy Valuation Date** means the last day of each Plan Year.

### 13.3 Minimum Allocation.

(j) **Calculation of Minimum Allocation.** For any Plan Year in which the Plan is a Top-Heavy Plan, each Participant who is not a Key Employee will receive an allocation of Participating Employer contributions and forfeitures of not less than the lesser of 3% of his Includable Compensation for such Plan Year or the percentage of Includable Compensation that equals the largest percentage of Participating Employer contributions (including Deferral Contributions) and forfeitures allocated to a Key Employee. The Minimum Allocation is determined without regard to any Social Security contribution. Deferral Contributions made on behalf of Participants who are not Key Employees will not be treated as Participating Employer contributions for purposes of the Minimum Allocation. Matching Contributions will be treated as Participant Employer contributions for such Plan Year for purposes of the Minimum Allocation. The Minimum Allocation applies even though under other Plan provisions the Participant would not otherwise be entitled to receive an allocation, or would have received a lesser allocation for the Plan Year because (i) the non-Key Employee fails to make mandatory contributions to the Plan, (ii) the non-Key Employee's Includable Compensation is less than a stated amount, or (iii) the non-Key Employee fails to complete 1,000 Hours of Service in the Plan Year.

(k) **Limitation on Minimum Allocation.** No Minimum Allocation will be provided pursuant to Section 13.3(a) to a Participant who is not employed by a Controlled Group Member on the last day of the Plan Year.

(l) **Minimum Allocation When Participant is Covered by Another Qualified Plan.** If a Controlled Group Member maintains one or more other Defined Contribution Plans covering Employees who are Participants in this Plan, the Minimum Allocation will be provided under this Plan, unless such other Defined Contribution Plans make explicit reference to this Plan and provide that the Minimum Allocation will not be provided under this Plan, in which case the provisions of Section 13.3(a) will not apply to any Participant covered under such other Defined Contribution Plans. If a Controlled Group Member maintains one or more Defined Benefit Plans covering Employees who are Participants in this Plan, and such Defined Benefit Plans provide that Employees who are participants therein will accrue the minimum benefit applicable to top-heavy Defined Benefit Plans notwithstanding their participation in this Plan, then the provisions of Section 13.3(a) will not apply to any Participant covered under such Defined

Benefit Plans. If a Controlled Group Member maintains one or more Defined Benefit Plans covering Employees who are Participants in this Plan, and the provisions of the preceding sentence do not apply, then each Participant who is not a Key Employee and who is covered by such Defined Benefit Plans will receive a Minimum Allocation determined by applying the provisions of Section 13.3(a) with the substitution of “5%” in each place that “3%” occurs therein.

(m) **Nonforfeitable.** The Participant’s Minimum Allocation, to the extent required to be nonforfeitable under Code section 416(b) and the special vesting schedule provided in this Article, may not be forfeited under Code section 411(a)(3)(B) (relating to suspension of benefits on reemployment) or 411(a)(3)(D) (relating to withdrawal of mandatory contributions).

**13.4 Minimum Vesting.**

(e) **Required Vesting.** For any Plan Year in which this Plan is a Top-Heavy Plan, the minimum vesting schedule set forth in Section 13.4(b) will automatically apply to the Plan to the extent it provides a higher vested percentage than the regular vesting schedule set forth in Article 6. The minimum vesting schedule applies to all Account balances including amounts attributable to Plan Years before the effective date of Code section 416 and amounts attributable to Plan Years before the Plan became a Top-Heavy Plan. Further, no reduction in vested Account balances may occur in the event the Plan’s status as a Top-Heavy Plan changes for any Plan Year, and any change in the effective vesting schedule from the schedule set forth in Section 13.4(b) to the regular schedule set forth in Article 6 will be treated as an amendment subject to Section 15.1(a)(iii). However, this Section 13.4(a) does not apply to the Account balances of any Employee who does not have an Hour of Service after the Plan has initially become a Top-Heavy Plan, and such Employee’s Account balances will be determined without regard to this Section.

(f) **Minimum Vesting Schedule.**

<u>Years of Service</u>	<u>Percentage Vested and Nonforfeitable</u>
Less than 2	0
2 or more	100

## ARTICLE 14

### PARTICIPATION BY CONTROLLED GROUP MEMBERS

14.1 **Approval by the Company.** Any Controlled Group Member whose participation in the Plan is approved by the Company will become a Participating Employer. By participating in the Plan, the Participating Employer will be subject to all of the provisions of the Plan, the Trust Agreement and any related Plan documents.

14.2 **Effect of Participation by Controlled Group Member.** A Controlled Group Member that participates in the Plan pursuant will be deemed to be a Participating Employer for all purposes of the Plan, unless otherwise specified by the Company. In addition, the Company may provide, in its discretion, that the Employees of the Controlled Group Member will receive credit for their employment with the Controlled Group Member prior to the date it became a Controlled Group Member for purposes of determining either or both the eligibility of such Employees to participate in the Plan and the vested and nonforfeitable interest of such Employees in their Account balances provided that such credit will be applied in a uniform and nondiscriminatory manner with respect to all such Employees.



## ARTICLE 15

### AMENDMENT OF THE PLAN

#### 15.1 Right to Amend the Plan.

(n) **In General.** The Company reserves to the Compensation Committee of the Board of Directors the right to amend the Plan at any time and from time to time to the extent it may deem advisable or appropriate, provided that (i) no amendment will increase the duties or liabilities of the Trustee without its written consent; (ii) no amendment will cause a reversion of Plan assets to the Participating Employers not otherwise permitted under the Plan; (iii) no amendment will have the effect of reducing the percentage of the vested and nonforfeitable interest of any Participant in his Account nor will the vesting provisions of the Plan be amended unless each Participant with at least three Years of Service (including Years of Service disregarded pursuant to the reemployment provisions (if any) of Article 6) is permitted to elect to continue to have the prior vesting provisions apply to him, within 60 days after the latest of the date on which the amendment is adopted, the date on which the amendment is effective, or the date on which the Participant is issued written notice of the amendment; and (iv) no amendment will be effective to the extent that it has the effect of decreasing a Participant's Account balance or eliminating an optional form of distribution as it applies to an existing Account balance.

(o) **Authority of the Board.** The Company also reserves to the Board of Directors the right to amend the Plan at any time and from time to time to the extent it may deem advisable or appropriate, subject to the limitations on amendments set forth in Section 15.1(a).

(p) **Authority of the Committee.** The Company also reserves to the Committee the right to amend the Plan to adopt (i) those amendments to the Plan as the Committee deems necessary, appropriate or desirable in order to comply with applicable law, including without limitation such amendments as are necessary for the Plan to continue to qualify as a tax-exempt plan and trust or to comply with ERISA, and (ii) those amendments to the Plan as the Committee deems necessary, appropriate or desirable with respect to the operation and administration of the Plan that are within the scope of the Committee's administrative responsibility and authority under the Plan.

15.2 **Amendment Procedure.** Any amendment to the Plan will be made only pursuant to action of the Board, the Compensation Committee of the Board or the Committee. A certified copy of any resolutions adopting a Plan amendment and a copy of the executed amendment will be delivered to the Trustee, the Company and, with respect to an amendment adopted by the Board or the Compensation Committee of the Board, to the Committee. Upon such action by the Board, the Compensation Committee of the Board or the Committee, the Plan will be deemed amended as of the date specified as the effective date by such action or in the instrument of amendment. The effective date of any amendment may be before, on or after the date of such action, except as otherwise set forth in Section 15.1.

15.3 **Effect on Participating Employers.** Unless an amendment expressly provides otherwise, all Participating Employers will be bound by any amendment to the Plan.

## ARTICLE 16

### TERMINATION, PARTIAL TERMINATION AND COMPLETE DISCONTINUANCE OF CONTRIBUTIONS

16.1 **Continuance of Plan.** The Participating Employers expect to continue the Plan indefinitely, but they do not assume an individual or collective contractual obligation to do so, and the right is reserved to the Company, by action of the Board, to terminate the Plan or to completely discontinue contributions thereto at any time. In addition, subject to remaining provisions of this Article, any Participating Employer at any time may discontinue its participation in the Plan with respect to its Employees.

16.2 **Complete Vesting.** If the Plan is terminated, or if there is a complete discontinuance of contributions to the Plan by the Participating Employers, the amounts allocated or to be allocated to the Accounts of all affected Participants will become 100% vested and nonforfeitable without regard to their Years of Service. For purposes of this Section 16.2, a Participant who has terminated employment and is not again an Employee at the time the Plan is terminated or there is a complete discontinuance of Participating Employer contributions will not be an affected Participant entitled to full vesting if the Participant had no vested interest in his Account balance attributable to Participating Employer contributions at his termination of employment. In the event of a partial termination of the Plan, the amounts allocable to the Accounts of those Participants who cease to participate on account of the facts and circumstances which result in the partial termination will become 100% vested and nonforfeitable without regard to their Years of Service.

16.3 **Disposition of the Trust Fund.** If the Plan is terminated, or if there is a complete discontinuance of contributions to the Plan, the Committee will instruct the Trustee either (i) to continue to administer the Plan and pay benefits in accordance with the Plan until the Trust Fund has been depleted, or (ii) to distribute the assets remaining in the Trust Fund, unless distribution is prohibited by Section 12.2. If the Trust Fund is to be distributed, the Committee will make, after deducting estimated expenses for termination of the Trust Fund and distribution of its assets, the allocations required under the Plan as though the date of completion of the Trust Fund termination were a Valuation Date. The Trustee will distribute to each Participant the amount credited to his Account as of the date of completion of the Trust Fund termination.

16.4 **Withdrawal by a Participating Employer.** A Participating Employer may withdraw from participation in the Plan or completely discontinue contributions to the Plan only with the approval of the Board. If any Participating Employer withdraws from the Plan or completely discontinues contributions to the Plan, a copy of the resolutions of the board of directors of the Participating Employer adopting such action, certified by the secretary of such board of directors and reflecting approval by the Board, will be delivered to the Committee as soon as it is administratively feasible to do so, and the Committee will communicate such action to the Trustee and to the Employees of the Participating Employer.

## ARTICLE 17

### MISCELLANEOUS

#### 17.1 Reversion Prohibited.

(c) **General Rule.** Except as otherwise provided in this Section 17.1, it will be impossible for any part of the Trust Fund either (i) to be used for or diverted to purposes other than those which are for the exclusive benefit of Participants and their Beneficiaries (except for the payment of taxes and administrative expenses), or (ii) to revert to a Controlled Group Member.

(d) **Failure to Qualify.** In the event the Commissioner of Internal Revenue determines that the Plan is not initially qualified under the Code, contributions made by the Participating Employers may be returned to the Participating Employers within one year after the date of such determination, provided the Company has applied for a determination letter as to the qualified status of the Plan by the time prescribed for filing the Company's federal income tax return for the Company's taxable year in which the Plan is adopted or such later date as the Secretary of the Treasury may prescribe.

(e) **Disallowed Contributions.** Each contribution of the Participating Employers under the Plan is expressly conditioned upon the deductibility of the contribution under Code section 404. If all or part of a Participating Employer's contribution is disallowed as a deduction under Code section 404, such disallowed amount (excluding any Trust Fund earnings but reduced by any Trust Fund losses attributable thereto) may be returned by the Trustee to the Participating Employer with respect to which the deduction was disallowed (upon the direction of the Committee) within one year after the disallowance.

(f) **Mistaken Contributions.** If a contribution is made by a Participating Employer by reason of a mistake of fact, then so much of the contribution as was made as a result of the mistake (excluding any Trust Fund earnings but reduced by any Trust Fund losses attributable thereto) may be returned by the Trustee to the Participating Employer (upon direction of the Committee) within one year after the mistaken contribution was made.

#### 17.2 Bonding, Insurance and Indemnity.

(a) **Bonding.** To the extent required under ERISA, the Participating Employers will obtain, pay for and keep current a bond or bonds with respect to each Committee member and each Employee who receives, handles, disburses, or otherwise exercises custody or control of, any of the assets of the Plan.

(b) **Insurance.** The Participating Employers, in their discretion, may obtain, pay for and keep current a policy or policies of insurance, insuring the Committee members, the members of the board of directors of each Participating Employer and other Employees to whom any fiduciary responsibility with respect to the administration of the Plan has been delegated against any and all costs, expenses and liabilities (including attorneys' fees) incurred by such

persons as a result of any act, or omission to act, in connection with the performance of their duties, responsibilities and obligations under the Plan and any applicable law.

(c) **Indemnity.** If the Participating Employers do not obtain, pay for and keep current the type of insurance policy or policies referred to in Section 17.2(b), or if such insurance is provided but any of the parties referred to in Section 17.2(b) incur any costs or expenses which are not covered under such policies, then the Participating Employers will indemnify and hold harmless, to the extent permitted by law, such parties against any and all costs, expenses and liabilities (including attorneys' fees) incurred by such parties in performing their duties and responsibilities under this Plan, provided that such party or parties were acting in good faith within what was reasonably believed to have been the best interests of the Plan and its Participants.

**17.3 Merger, Consolidation or Transfer of Assets.** There will be no merger or consolidation of all or any part of the Plan with, or transfer of the assets or liabilities of all or any part of the Plan to, any other Qualified Plan unless each Participant who remains a Participant hereunder and each Participant who becomes a participant in the other Qualified Plan would receive a benefit immediately after the merger, consolidation or transfer (determined as if the other Qualified Plan and the Plan were then terminated) which is equal to or greater than the benefit they would have been entitled to receive under the Plan immediately before the merger, consolidation or transfer if the Plan had then terminated.

**17.4 Spendthrift Clause.** The rights of any Participant or Beneficiary to and in any benefits under the Plan will not be subject to assignment or alienation, and no Participant or Beneficiary will have the power to assign, transfer or dispose of such rights, nor will any such rights to benefits be subject to attachment, execution, garnishment, sequestration, the laws of bankruptcy or any other legal or equitable process. This Section 17.4 will not apply to a "qualified domestic relations order." A "qualified domestic relations order" means a judgment, decree or order made pursuant to a state domestic relations law which satisfies the requirements of Code section 414(p). Payment to an Alternate Payee will be made in an immediate lump sum payment, if the order so provides.

**17.5 Rights of Participants.** Participation in the Plan will not give any Participant the right to be retained in the employ of a Controlled Group Member or any right or interest in the Plan or the Trust Fund except as expressly provided herein.

**17.6 Electronic Media.** Notwithstanding any provision of the Plan to the contrary, including any provision which requires the use of a written instrument, to the extent permitted by applicable law, the Committee may establish procedures for the use of electronic media in communications and transactions between the Plan or the Committee and Participants and Beneficiaries. Electronic media may include, but are not limited to, electronic mail, the Internet, intranet systems and automated telephonic response systems.

**17.7 Gender, Tense and Headings.** Whenever any words are used herein in the masculine gender, they will be construed as though they were also used in the feminine gender in all cases where they would so apply. Whenever any words used herein are in the singular form, they will be construed as though they were also used in the plural form in all cases where they

would so apply. Headings of Articles, Sections and subsections as used herein are inserted solely for convenience and reference and constitute no part of the Plan.

**17.8 Governing Law. The Plan will be construed and governed in all respects in accordance with applicable federal law and, to the extent not preempted by such federal law, in accordance with the laws of the State of Texas, including without limitation, the Texas statute of limitations, but without giving effect to the principles of conflicts of laws of such State.**

Executed at Dallas, Texas, this 5th day of March, 2015.

A. H. BELO CORPORATION

By: /s/ Daniel J. Blizzard

Daniel J. Blizzard  
Senior Vice President and Secretary

**APPENDIX A**  
**PARTICIPATING EMPLOYERS**  
**AS OF JANUARY 1, 2015**

A. H. Belo Corporation  
A. H. Belo Management Services, Inc.  
Al Dia, Inc.  
The Dallas Morning News, Inc.  
Denton Publishing Company  
Distribion, Inc.  
Vertical Nerve, Inc.  
CDFX, LLC

## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

In thousands	Years Ended December 31,				
	2014	2013	2012	2011	2010
<b>Earnings (loss) before tax:</b>					
Earnings (loss) before tax	\$ 91,985	\$ 3,376	\$ 6,900	\$ (3,233)	\$ (138,382)
Add: Total fixed charges	575	915	1,257	1,665	1,999
Adjusted Earnings	<u>\$ 92,560</u>	<u>\$ 4,291</u>	<u>\$ 8,157</u>	<u>\$ (1,568)</u>	<u>\$ (136,383)</u>
<b>Fixed Charges:</b>					
Interest	\$ —	\$ 311	\$ 629	\$ 668	\$ 808
Portion of rental expense representative of the interest factor <sup>(1)</sup>	575	604	628	997	1,191
Total Fixed Charges	<u>\$ 575</u>	<u>\$ 915</u>	<u>\$ 1,257</u>	<u>\$ 1,665</u>	<u>\$ 1,999</u>
<b>Ratio of Earnings to Fixed Charges<sup>(2)</sup></b>	161.0	4.7	6.5	— <sup>(3)</sup>	— <sup>(4)</sup>

(1) For purposes of calculating fixed charges, an interest factor of one-third was applied to total rental expense.

(2) Adjusted earnings for the years ended December 31, 2011 and 2010, were not sufficient to provide for fixed charges.

(3) For purposes of calculating the ratio of earnings to fixed charges, adjusted earnings includes a charge of \$1,988 related to the withdrawal from a defined benefit plan of the former parent company. Adjusted earnings are not sufficient to provide for fixed charges.

(4) For purposes of calculating the ratio of earnings to fixed charges, adjusted earnings include a non-cash charge for asset impairments of \$3,404 and \$132,346 related to the withdrawal from a defined benefit plan of the former parent company. Adjusted earnings are not sufficient to provide for fixed charges.



## LIST OF SUBSIDIARIES

Subsidiary	State or Jurisdiction of Incorporation	Trade Name
A. H. Belo Corporation II	Delaware	
A. H. Belo Management Services, Inc.	Delaware	
AHC Proven Performance Media, LLC	Delaware	
Auto Z, LLC	Delaware	
Belo Lead Management LLC*	Delaware	
Belo Live Video Solutions LLC*	Delaware	
Belo Search Solutions LLC*	Delaware	
NewsRight, LLC*	Delaware	
True North Real Estate LLC	Delaware	
Wanderful Media LLC*	Delaware	
AHC California Dispositions, Inc. (formerly Press-Enterprise Company)	Delaware	
AHC California Properties, LLC	Delaware	
AHC Dallas Properties, LLC	Delaware	
Belo Enterprises, Inc.	Delaware	
Belo Havana Bureau, Inc.	Delaware	
Belo Interactive, Inc.	Delaware	
Belo Investments II, Inc.	Delaware	
Belo Company (The)	Delaware	
Belo Technology Assets, Inc.	Delaware	
Colony Cable Networks, Inc.	Rhode Island	
Colony/PCS, Inc.	Rhode Island	
Dallas Morning News, Inc. (The)	Delaware	
Al Dia, Inc.	Delaware	
Belo Mexico, Inc.	Delaware	
Belocorp de Mexico, S. de R.L. de C.V.	Mexico	
Belo Mexico, LLC	Delaware	
DFW Printing Company, Inc.	Delaware	
TDMN New Products, Inc.	Delaware	Quick (Texas)
Denton Publishing Company	Texas	
DMI Acquisition Sub, Inc.	Delaware	
DMN Crowdsourcing LLC	Delaware	
Untapped Festivals, LLC*	Delaware	
Fountain Street Corporation	Rhode Island	
News-Texan, Inc.	Texas	
PJ Health Programming, Inc.	Rhode Island	
PJ Programming, Inc.	Rhode Island	
Providence Journal Company (The)	Delaware	
Providence Holdings, Inc.	Delaware	
Providence Journal Satellite Services, Inc.	Rhode Island	
Washington Street Garage Corporation	Rhode Island	
Your Speakeasy LLC*	Texas	

\* Non-wholly owned

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors  
A. H. Belo Corporation:

We consent to the incorporation by reference in the registration statements (Nos. 333-148811 and 333-180482) on Form S-8 of A. H. Belo Corporation of our report dated March 6, 2015, with respect to the consolidated balance sheets of A. H. Belo Corporation as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014, and the effectiveness of internal control over financial reporting as of December 31, 2014, which report appears in the December 31, 2014 annual report on Form 10-K of A. H. Belo Corporation.

/s/ KPMG LLP  
Dallas, Texas  
March 5, 2015

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-148811 and 333-180482) of A. H. Belo Corporation of our report dated March 5, 2015, relating to the consolidated financial statements of Wonderful Media LLC for the year ended December 31, 2014, appearing in this Annual Report on Form 10-K of A. H. Belo Corporation for the year ended December 31, 2014.

/s/ Moss Adams LLP  
San Francisco, California  
March 5, 2015

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-148811 and 333-180482) of A. H. Belo Corporation of our report dated February 21, 2014, relating to the financial statements of Classified Ventures, LLC, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
Chicago, Illinois  
March 5, 2015

## SECTION 302 CERTIFICATION

I, James M. Moroney III, Chairman of the Board, President and Chief Executive Officer of A. H. Belo Corporation, certify that:

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

By: /s/ James M. Moroney III

James M. Moroney III

Chairman of the Board, President and Chief Executive Officer

Date: March 5, 2015

## SECTION 302 CERTIFICATION

I, Michael N. Lavey, Vice President/Controller of A. H. Belo Corporation, certify that:

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

By: /s/ Michael N. Lavey  
Michael N. Lavey  
Vice President/Controller  
(Principal Financial Officer)

Date: March 5, 2015



# Classified Ventures, LLC

Consolidated Financial Statements

For the Period Ended October 1, 2014 and Twelve Months Ended December 31, 2013 and 2012

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**October 1, 2014 and December 31, 2013 and 2012**

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## **Independent Auditor's Report**

To the Board of Directors and Members of  
Classified Ventures, LLC

We have audited the accompanying consolidated financial statements of Classified Ventures, LLC and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations, of changes in members' equity and of cash flows for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Classified Ventures, LLC and its subsidiaries at December 31, 2013, and the results of their operations and their cash flows for the years ended December 31, 2013 and 2012 in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 9 to the financial statements, the Company has entered into significant transactions with Investor Affiliates of Classified Ventures, LLC, all related parties.

***Other Matter***

The accompanying consolidated balance sheet of Classified Ventures LLC as of October 1, 2014, and the related consolidated statements of operations, cash flows and changes in members' equity for the period then ended are presented for purposes of complying with Rule 3-09 of SEC Regulation S-X; however, Rule 3-09 does not require the financial statements as of and for the period ended October 1, 2014 to be audited and they are, therefore, not covered by this report.

*PricewaterhouseCoopers LLP*

Chicago, IL  
February 21, 2014

**Classified Ventures, LLC**  
**Consolidated Balance Sheets**  
**As of October 1, 2014 and December 31, 2013**

(In thousands of dollars)	2014*	2013
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 43,767	\$ 39,405
Marketable securities held in trust	748	1,638
Accounts receivable, net of allowance for doubtful accounts of \$1,584 and \$1,398, respectively	56,634	56,237
Affiliate Investor accounts receivable	11,459	9,420
Prepaid expenses & other current assets	40,083	8,841
Assets held for sale	—	16,930
Total current assets	152,691	132,471
Property and equipment, net of accumulated depreciation	17,399	20,341
Marketable securities held in trust, less current portion	6,508	8,507
Goodwill	12,428	12,428
Investment	7,002	5,002
Definite lived intangible assets	237	278
Total assets	\$ 196,265	\$ 179,027
<b>Liabilities and Members' Equity</b>		
Current liabilities		
Accounts payable	\$ 4,716	\$ 5,805
Accrued compensation and related costs	11,622	16,285
Accrued expenses & other current liabilities	43,219	27,761
Deferred revenue	708	901
Current portion deferred incentive plans	17,804	1,638
Liabilities held for sale	—	2,986
Total current liabilities	78,069	55,376
Deferred incentive plans, less current portion	32,614	13,945
Deferred rent	2,499	3,680
Total liabilities	113,182	73,001
<b>Commitments and contingencies (Note 15)</b>		
Members' equity	83,083	106,026
Total liabilities and members' equity	\$ 196,265	\$ 179,027

\* Not covered by report included herein

The accompanying notes are an integral part of these consolidated financial statements.

**Classified Ventures, LLC**  
**Consolidated Statements of Operations**  
**Period Ended October 1, 2014 and Twelve Months Ended December 31, 2013 and 2012**

(In thousands of dollars)	2014*	2013	2012
<b>Operating revenue</b>			
Net revenue	\$ 280,283	\$ 335,119	\$ 284,952
Net revenue Affiliate Investor	69,732	83,085	71,653
Total net operating revenue	<u>350,015</u>	<u>418,204</u>	<u>356,605</u>
<b>Operating expenses</b>			
Product support, technology and operations	86,374	106,550	89,838
Marketing and sales	155,945	186,274	161,682
General and administrative	68,299	40,265	32,743
Affiliate revenue share	13,104	17,774	16,259
Professional fees related to sale	19,942		
Total operating expenses	<u>343,664</u>	<u>350,863</u>	<u>300,522</u>
Operating income	6,351	67,341	56,083
<b>Other income</b>			
Interest income	14	—	—
Gain on investments	12	1,901	908
Income from continuing operations	<u>6,377</u>	<u>69,242</u>	<u>56,991</u>
<b>Discontinued operations</b>			
Discontinued operations - Apartments	569,001	32,945	31,840
Discontinued operations - HomeGain	—	2,503	(749)
Income from discontinued operations	<u>569,001</u>	<u>35,448</u>	<u>31,091</u>
Net income	<u>\$ 575,378</u>	<u>\$ 104,690</u>	<u>\$ 88,082</u>

\* Not covered by report included herein

The accompanying notes are an integral part of these consolidated financial statements.

**Classified Ventures, LLC**  
**Consolidated Statements of Cash Flows**  
**Period Ended October 1, 2014 and Twelve Months Ended December 31, 2013 and 2012**

(In thousands of dollars)	2014*	2013	2012
<b>Cash flows from operating activities</b>			
Net income	\$ 575,378	\$ 104,690	\$ 88,082
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	7,398	9,260	9,300
Deferred compensation	38,165	8,136	3,031
Loss (gain) on disposition of property and equipment	(24)	375	15
Loss (gain) on trading securities related to deferred compensation	(5)	(1,912)	(908)
Gain on sale of HomeGain	—	(3,461)	—
Gain on sale of Apartments	(563,388)	—	—
Provision for accounts receivable	1,976	2,377	2,453
Investments	—	(183)	—
Change in operating assets and liabilities			
Accounts receivable	(4,358)	(6,823)	(15,824)
Prepaid expenses and other current assets	(1,947)	(2,372)	(1,439)
Accounts payable	(697)	(1,498)	(363)
Accrued expenses and other current liabilities	13,645	9,423	(2,601)
Deferred revenue	(1,138)	49	(871)
Deferred rent	(1,181)	(260)	(889)
Purchase of trading securities related to deferred compensation plan	(436)	(58)	(2,363)
Net cash provided by operating activities	63,388	117,743	77,623
<b>Cash flows from investing activities</b>			
Change in restricted cash	—	—	45,253
Proceeds from the sale of property and equipment	45	21	42
Purchase of investment	(2,000)	—	(5,002)
Purchase of property and equipment	(6,625)	(10,678)	(10,486)
Fees associated with sale of HomeGain	—	(329)	—
Proceeds from sale of HomeGain	—	3,589	—
Fees associated with sale of Apartments	(7,093)	—	—
Proceeds from sale of Apartments	554,968	—	—
Net cash provided / (used) in investing activities	539,295	(7,397)	29,807
<b>Cash flows from financing activities</b>			
Dividend paid to investors	(598,321)	(90,000)	(119,253)
Net cash used in financing activities	(598,321)	(90,000)	(119,253)
Net decrease in cash	4,362	20,346	(11,823)
<b>Cash and cash equivalents</b>			
Beginning of years	39,405	19,059	30,882
End of years	\$ 43,767	\$ 39,405	\$ 19,059
<b>Supplemental disclosure of noncash investing and financing activities</b>			
Purchases of property, plant and equipment in accrued liabilities and accounts payables at the end of the reporting period	\$ 125	\$ 2,422	\$ 1,635

\* Not covered by report included herein

The accompanying notes are an integral part of these consolidated financial statements.

**Classified Ventures, LLC**  
**Consolidated Statements of Changes in Members' Equity**  
**Period Ended October 1, 2014 and Twelve Months Ended December 31, 2013 and 2012**

	Members' Equity										
	Common Units				Treasury Units				Additional Paid-In Capital	Accumulated Deficit	Total
	Class A		Class B		Class A		Class B				
	Units	Amount	Units	Amount	Units	Amount	Units	Amount			
<b>Balance at December 31, 2011</b>	184,873	\$ 1,848	1,579	\$ 16	(5,710)	\$ —	(1,579)	\$ (2,416)	\$ 305,960	\$ (228,154)	\$ 77,254
Net income										88,082	88,082
Dividends paid to investors									(74,000)		(74,000)
<b>Balance at December 31, 2012</b>	184,873	\$ 1,848	1,579	\$ 16	(5,710)	\$ —	(1,579)	\$ (2,416)	\$ 231,960	\$ (140,072)	\$ 91,336
Net income										104,690	104,690
Dividends paid to investors									(90,000)		(90,000)
<b>Balance at December 31, 2013</b>	184,873	\$ 1,848	1,579	\$ 16	(5,710)	\$ —	(1,579)	\$ (2,416)	\$ 141,960	\$ (35,382)	\$ 106,026
Net income*										575,378	575,378
Dividends paid to investors*									(44,753)	(553,568)	(598,321)
<b>Balance at October 1, 2014*</b>	184,873	\$ 1,848	1,579	\$ 16	(5,710)	\$ —	(1,579)	\$ (2,416)	\$ 97,207	\$ (13,572)	\$ 83,083

\* Not covered by report included herein

The accompanying notes are an integral part of these consolidated financial statements.

## **Classified Ventures, LLC**

### **Notes to Consolidated Financial Statements**

**October 1, 2014 and December 31, 2013 and 2012 (Amounts as of and for the period ended October 1, 2014 are not covered by the report included herein)**

#### **1. Summary of Significant Accounting Policies**

##### **Basis of Presentation**

Classified Ventures, LLC (the “Company”) is a strategic joint venture among five large media partners whose objectives are to collectively capitalize on revenue growth in the online classified categories of automotive, rentals and real estate. The strategic partners are Gannett Co., Inc., The McClatchy Company, Tribune Company, The Washington Post Company and A.H. Belo Corporation (the “Investors”). As of and for the period ended October 1, 2014, the Company does not meet the significant subsidiary test for purposes of S-X 3-09 and as a result, the financial statements for that period is not covered by the audit report included herein.

The Company provides online services in classified advertising marketplaces that build upon the local capabilities and expertise of its affiliated network of approximately 105 newspapers and television stations (the “Affiliates”). Investor Affiliates are Affiliates that are owned by our Investors and Non-Investor Affiliates are Affiliates that are not owned by our Investors. In the automotive category, the Company has the nationally branded website, cars.com™, ([www.cars.com](http://www.cars.com)). In the rentals category, the Company has the nationally branded website, apartments.com™, ([www.apartments.com](http://www.apartments.com)). In the real estate category, the Company had the nationally branded website, HomeGain.com™, ([www.homegain.com](http://www.homegain.com)).

On February 4, 2013, the net assets of HomeGain, Inc., a wholly owned subsidiary of Classified Ventures, LLC, were sold to a third party for a purchase price of \$4.0 million. This consisted of a \$3.6 million immediate cash payment and a \$0.4 million note payable to be paid by the buyer in 2014. As a result of the sale, the Company’s consolidated financial results contain one month of HomeGain, Inc. in 2013 and a full year of results in 2012. These financial results are included in the financial statements as discontinued operations (see Note 8). In November 2013, the HomeGain, Inc. legal entity was dissolved.

On April 1, 2014, the net assets of Apartments.com, a division of Classified Ventures, LLC, were sold to a third party for \$585.0 million. This consisted of a \$555.7 million cash payment at closing and a \$29.3 million escrow to be paid by the buyer in March 2015. The sale included an agreement for the Company to provide shared services to Apartments.com until March 2015 which may be cancelled by the buyer at any point with appropriate thirty-day notice. As a result of the sale, the Company’s consolidated financial results contain three months of Apartments.com results in 2014 and twelve months of results in 2013 and 2012. These financial results are included in the financial statements as discontinued operations (see Note 8).

In August 2014, Gannett Co., Inc. signed an agreement to acquire full ownership of the Company from the other investors. On October 1, 2014, Gannett Co., Inc. completed the acquisition of the remaining 73% interest in Classified Ventures, LLC for \$1.8 billion and subsequently renamed the Company to Cars.com, LLC. The Company’s consolidated financial results include nine months of results in 2014 and twelve months of results in 2013 and 2012. The 2014 results include an \$18.8 million in investment banker fees and \$1.1 million in attorney fees related to the sale.

##### **Revenue Recognition**

The primary source of revenue for the Company is the sale of online subscription advertising products for the automotive, rentals and real estate industry segments. Online advertising sales to Affiliates,



## **Classified Ventures, LLC**

### **Notes to Consolidated Financial Statements**

**October 1, 2014 and December 31, 2013 and 2012 (Amounts as of and for the period ended October 1, 2014 are not covered by the report included herein)**

auto dealers, property managers, real estate agents, brokers and private parties are recognized as the service is delivered. Revenue is recorded net of credits.

The Company also sells banner and sponsorship advertising on its websites, pursuant to fixed fee or transaction based contracts. The customers are billed for impressions delivered or click-throughs on their advertisements. An impression is the display of an advertisement to an end-user on the website and is a measure of volume. A click-through occurs when an end-user clicks on an impression. Revenue is recognized evenly over the contract term for fixed fee contracts where a minimum number of impressions or click-throughs is not guaranteed. Revenue is recognized as the service is delivered for transaction based contracts. If the impressions or click-throughs delivered are less than the amount billed, the difference is recorded as deferred revenue and recognized as earned.

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances have been eliminated.

#### **Cash and Cash Equivalents**

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of deposits in money market funds.

#### **Marketable Securities Held in Trust**

The Company's marketable securities held in trust relate to the deferred compensation plan (see Note 13) and are classified as trading securities, with unrealized gains and losses included in the Company's consolidated statements of operations. The marketable securities held in trust were \$7.3 million, \$10.1 million, and \$11.1 million as of October 1, 2014 and December 31, 2013 and 2012, respectively.

#### **Property and Equipment**

Property and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful lives as follows:

Computer software and hardware	3-5 years
Furniture and fixtures	7 years
Leasehold improvements	shorter of lease term or estimated useful life

Normal repairs and maintenance are expensed as incurred. The costs and related accumulated depreciation of assets sold or disposed of are removed from the balance sheet and any resulting gain or loss is included in the consolidated statement of operations.

#### **Equity Investments**

Investments in 20% to 50% owned companies, in which the Company has the ability to exercise significant influence over operating and financial policies of the invested company, but does not control the entity, are accounted for using the equity method. Non-marketable equity investments are recorded using the cost method or the equity method of accounting, depending on the facts and circumstances of each investment. Non-marketable investments in preferred shares that do not meet criteria of in-substance common stock are accounted for at cost. The Company's non-marketable equity investments are classified within other long-term assets on the consolidated balance sheets.

## **Classified Ventures, LLC**

### **Notes to Consolidated Financial Statements**

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Under current accounting guidance, the Company is exempt from estimating the annual fair value of the cost method investment if no impairment indicators are present because it meets all the following criteria: is a non-public entity, has total assets less than \$100 million as of the financial reporting date and has no instrument that, in whole or in part, is accounted for as a derivative instrument. The Company assesses annually if there are any identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment which may indicate impairment. See Note 7 for additional investment information.

#### **Goodwill**

Goodwill represents the excess of the total purchase price of acquisitions over the fair value of the acquired assets. Goodwill is not amortized, but is subject to an impairment review annually and whenever indicators of impairment exist. Starting in 2012, the option was available to the Company to use the qualitative assessment of impairment. The Company chose to test for goodwill impairment, at the reporting unit level, using the two-step process. The first step involves a comparison of the estimated fair value of each reporting unit with its carrying value. Fair value is estimated using discounted cash flows of the reporting unit based on planned growth rates, and estimates of discount rates and residual values. If the carrying value exceeds the fair value, the second step of the process is necessary. The second step measures the difference between the carrying value and implied fair value of goodwill. If the carrying value exceeds fair value, goodwill is considered impaired and is reduced to fair value. The Company has goodwill as a result of its past acquisitions. See Note 5 for additional goodwill disclosures.

#### **Valuation of Long-Lived Assets**

The Company evaluates the carrying value of long-lived assets to be held or used whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the projected undiscounted cash flows are less than the carrying value. No impairment losses were incurred in the first nine months of 2014, and in the twelve months of 2013 and 2012.

#### **Website and Product Development Costs**

Website product development costs are capitalized based upon the nature of the costs incurred and the stage of the website's development.

For software developed or obtained for internal use, the Company capitalizes costs based upon the nature of the costs incurred and the stage of software development. There were no internal-use software costs capitalized for the nine months ended October 1, 2014 and the twelve months ended December 31, 2013.

#### **Advertising Expenses**

The Company expenses all advertising costs as incurred. Total advertising expense was \$70.0 million, \$87.6 million, and \$76.6 million for the nine months ended October 1, 2014 and the twelve months ended December 31, 2013 and 2012, respectively.

#### **Income Taxes**

As a limited liability company, the Company is generally not subject to income taxes. Accordingly, no income taxes have been recognized by the Company.

## Classified Ventures, LLC

### Notes to Consolidated Financial Statements

October 1, 2014 and December 31, 2013 and 2012 (Amounts as of and for the period ended October 1, 2014 are not covered by the report included herein)

#### Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used for, but are not limited to, the accounting for: allowance for uncollectible accounts receivable, useful lives of definite-lived assets, accrued expenses, valuation of goodwill, commitments and contingencies, among others.

#### Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of accounts receivable. To date, accounts receivable have primarily been derived from advertising fees billed to Affiliates, auto dealers, property managers, private parties, banner and sponsorship advertising clients and automobile manufacturers located in the United States. At October 1, 2014 and December 31, 2013, net accounts receivable from total Affiliates was \$11.4 million and \$11.3 million, respectively, which represented 17% and 17%, respectively, of the net accounts receivable. At October 1, 2014 and December 31, 2013, net accounts receivable from Investor Affiliates was \$11.5 million and \$9.4 million, respectively, which represents 17% and 14%, respectively of the net accounts receivable. At October 1, 2014 and December 31, 2013, net accounts receivable from Non-Investor Affiliates was less than \$0.1 million and \$1.9 million, respectively, which represents less than 1% and 3%, respectively, of the net accounts receivable.

No Affiliate individually had accounts receivable greater than 10% of the consolidated total. The Company requires no collateral to support accounts receivable and maintains reserves for potential credit losses. Historically, such losses have been within management's expectations. The Company maintains reserves based upon the expected collectability of accounts receivable and establishes specific reserves when appropriate. The Company also has potential credit risk concentration in the auto manufacturing and newspaper publishing sectors. Of the gross accounts receivable balance of \$69.7 million and \$67.1 million as of October 1, 2014 and December 31, 2013, respectively, the auto manufacturing and newspaper publishing sectors represent 31% and 34% and 16% and 17%, respectively as of October 1, 2014, and December 31, 2013. No individual customer had a significant revenue concentration.

Changes in the allowance for doubtful accounts for nine months ended October 1, 2014 and twelve months ended December 31, 2013 and 2012 are as follows:

	2014	2013	2012
Balance at January 1	\$ 1,398	\$ 1,375	\$ 1,432
Charges to expenses	1,793	1,793	1,758
Write-offs, net of recoveries	(1,607)	(1,770)	(1,815)
Balance at Period End	<u>\$ 1,584</u>	<u>\$ 1,398</u>	<u>\$ 1,375</u>

#### Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities. Due to the short-term nature of these items, the carrying values are deemed to approximate fair value.

## **Classified Ventures, LLC**

### **Notes to Consolidated Financial Statements**

**October 1, 2014 and December 31, 2013 and 2012 (Amounts as of and for the period ended October 1, 2014 are not covered by the report included herein)**

#### **2. Recently Issued Pronouncements**

In December 2013, the FASB issued Accounting Standards Update No. 2013-12, Definition of a Public Business Entity. This ASU defines public business entity. The definition of a public business entity will be used in considering the scope of new financial guidance and will identify whether the guidance does or does not apply to public business entities. The term public business entity will be used in Accounting Standards Updates issued in 2014. As of October 1, 2014 this guidance did not impact the Company's consolidated financial statements.

In April 2014, the FASB issued Accounting Standards Update No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. In April 2014, the FASB issued Accounting Standards Update No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The ASU requires expanded disclosures for discontinued operations. The amendments also change the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have a major effect on an entity's operations and financial results. This update will be effective for the Company for annual periods beginning after December 15, 2014. The updated guidance is not expected to have a material impact on the Company's financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. The core principle of the new standard update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The unit of account for revenue recognition under the new standard is a performance obligation to be accounted for separately if it is distinct. This update will be effective for the Company for annual periods beginning after December 15, 2016. The updated guidance is not expected to have a material impact on the Company's financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The update provides enhanced guidance on management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This update will be effective for the Company for annual periods ending after December 15, 2016. The updated guidance is not expected to have an impact on the Company's financial statements.

In November 2014, the FASB issued Accounting Standards Update No. 2014-17, Business Combinations (Topic 805): Pushdown Accounting. The amendments provide an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The update is effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. The Company has elected not to apply pushdown accounting on the most recent change-in-control event related to the acquisition of the Company by Gannett Co., Inc.

#### **3. Operating Leases**

The company is obligated as lessee under certain non-cancelable operating leases for office space, and is also obligated to pay insurance, maintenance and other executory costs associated with the leases. Rental expense during the nine months ended October 1, 2014 and the twelve months ended December 31, 2013 and 2012 was approximately \$5.3 million, \$6.8 million, \$6.1 million, respectively.

## Classified Ventures, LLC

### Notes to Consolidated Financial Statements

October 1, 2014 and December 31, 2013 and 2012 (Amounts as of and for the period ended October 1, 2014 are not covered by the report included herein)

Future minimum operating lease payments at October 1, 2014 are as follows:

	2014 remainder \$	1,591
	2015	6,721
	2016	6,500
	2017	5,609
2018		625
2019 and thereafter		374
Total	<u>\$</u>	<u>18,819</u>

#### 4. Property and Equipment

Property and equipment at October 1, 2014 and December 31, 2013 consisted of the following:

	2013	2013
Computer software and hardware	\$ 47,893	\$ 44,192
Furniture and equipment	5,654	4,938
Leasehold improvements	7,291	7,276
	<u>60,838</u>	<u>56,406</u>
Less: Accumulated depreciation	(43,439)	(36,065)
Total	<u>\$ 17,399</u>	<u>\$ 20,341</u>

Depreciation expense was \$7.0 million, \$8.7 million, and \$8.3 million for the nine months ended October 1, 2014 and the twelve months ended December 31, 2013 and 2012, respectively.

#### 5. Goodwill

As of October 1, 2014, the Company had \$12.4 million of goodwill related to the Cars.com business.

Based on the October 2014 sale of the remaining 73% interest in the Company to Gannett Co., Inc. for \$1.8 billion management determined that the fair value of the Cars.com exceeded the carrying value significantly and accordingly, goodwill was not determined to be impaired.

## Classified Ventures, LLC

### Notes to Consolidated Financial Statements

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#### 6. Definite Lived Intangible Assets

The Company has definite lived intangible assets from recent acquisitions which will be fully amortized by the year 2020. The following table sets forth balance sheet information for intangible assets subject to amortization, excluding goodwill:

	Patent	Total
<b>At October 1, 2014</b>		
Gross intangible assets	\$ 510	\$ 510
Accumulated amortization	(273)	(273)
Intangible assets, net	<u>\$ 237</u>	<u>\$ 237</u>
	Patent	Total
<b>At December 31, 2013</b>		
Gross intangible assets	\$ 510	\$ 510
Accumulated amortization	(232)	(232)
Intangible assets, net	<u>\$ 278</u>	<u>\$ 278</u>

Amortization expense was less than \$0.1 million, \$0.1 million, and \$0.1 million for the nine months ended October 1, 2014 and the twelve months ended December 31, 2013 and 2012, respectively. Based upon the current amount of intangibles subject to amortization, the estimated amortization expense for each of the succeeding five years is as follows: 2014 remainder: \$0.01 million; 2015: \$0.05 million; 2016: \$0.05 million; 2017: \$0.05 million; 2018: \$0.03 million. The original useful lives range from 1- 10 years.

#### 7. Business Investments

In November 2012, the Company invested \$5.0 million for a 25% interest in RepairPal, Inc., an online marketplace offering consumers a price estimator for car repairs and an ability to research repair shop reviews, for preferred stock, initially convertible into an equal number of shares of common stock. Each share of preferred stock carries a number of votes equal to the number of shares of common stock, has substantive liquidation preference and is not actively traded.

In March 2014, the Company invested an additional \$2.0 million in RepairPal, Inc. increasing the total investment to \$7.0 million.

The Company accounts for its investment in RepairPal under the cost method. While the Company believes it has the ability to exercise significant influence, it has determined that its investment was not substantially similar to common stock on the acquisition date because it has a substantive liquidation preference over common stock. This factor precludes the Company from accounting for the investment under the equity method.

The aggregate carrying amount of the investments at October 1, 2014, and December 31, 2013 was \$7.0 million and \$5.0 million, respectively. The Company did not estimate the fair value of the investments because it did not identify any events or circumstances that may have had a significant adverse effect on the investments' values.

## Classified Ventures, LLC

### Notes to Consolidated Financial Statements

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#### 8. Discontinued Operations

On February 4, 2013, the net assets of HomeGain, Inc. were sold to a third party for \$4.0 million. This consisted of a \$3.6 million immediate cash payment and a \$0.4 million note paid by the buyer in 2014. As a result of the sale, the Company consolidated financial results contain one month of HomeGain, Inc.'s results in 2013 and twelve months results in 2012. In November 2013, the HomeGain, Inc. legal entity was dissolved.

Results of the HomeGain discontinued operations at October 1, 2014 and December 31, 2013 and 2012 are summarized as follows (in thousands):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total net operating revenue	\$ —	\$ 748	\$ 8,312
Total operating expenses	—	1,706	9,061
Gain on sale of HomeGain	—	3,461	—
Income (loss) from discontinued operations	<u>\$ —</u>	<u>\$ 2,503</u>	<u>\$ (749)</u>

There were no assets and liabilities of HomeGain held for sale at October 1, 2014 and December 31, 2013.

In April 2014, the net assets of Apartments.com, a wholly owned subsidiary of Classified Ventures, LLC, were sold to a third party for a purchase price of \$585.0 million. This consisted of a \$555.7 million immediate payment and a \$29.3 escrow to be paid by the buyer in March 2015. Subsequent to the sale, the Company has no significant involvement in the Apartments.com business other than a limited shared service agreement for the remainder of 2014. Under this agreement, the Company will provide legal, facilities, technology, office space and accounting to the buyer. As a result of the sale, the financial results for Apartments.com are included in discontinued operations.

Results of the Apartments discontinued operations at October 1, 2014 and December 31, 2013 and 2012 are summarized as follows (in thousands):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net revenue	\$ 20,835	\$ 78,542	\$ 68,671
Net revenue Affiliate Investor	1,571	7,325	7,961
Total operating expenses	16,792	52,922	44,792
Gain on sale of Apartments.com	563,388	—	—
Income from discontinued operations	<u>\$ 569,001</u>	<u>\$ 32,945</u>	<u>\$ 31,840</u>

Assets and liabilities of Apartments held for sale at October 1, 2014 and December 31, 2013 are summarized as follows (in thousands):

## Classified Ventures, LLC

### Notes to Consolidated Financial Statements

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	2014	2013
Current assets	\$ —	\$ 12,045
Net property and equipment	—	1,262
Other assets	—	183
Goodwill	—	3,440
Other intangibles	—	—
Assets held for sale	<u>\$ —</u>	<u>\$ 16,930</u>
Current liabilities	—	2,986
Liabilities held for sale	<u>\$ —</u>	<u>\$ 2,986</u>

#### 9. Related Party Transactions

Net sales to Investor Affiliates totaled \$69.7 million, \$83.1 million, and \$71.7 million for the nine months ended October 1, 2014 and the twelve months ended December 31, 2013 and 2012, respectively. Revenue share to the Affiliates totaled \$13.1 million, \$17.8 million, and \$16.3 million for the nine months ended October 1, 2014 and the twelve months ended December 31, 2013 and 2012, respectively. Net accounts receivable from Investor Affiliates totaled \$11.5 million and \$9.4 million as of October 1, 2014 and December 31, 2013, respectively.

Pursuant to Affiliate Agreements between the Company and each of its Affiliates, Affiliates are assigned a sales territory to sell the Company's products on a wholesale/retail basis. The Affiliate Agreements specify print and online promotion obligations of the Affiliate, bar the Affiliates from engaging in specified activities and identify performance obligations of the Company and the Affiliate. Each Investor owned Affiliate Agreement contains language requiring the Company to treat all similarly situated Investor Affiliates equally.

The Company also has a shared service agreement with HomeFinder.com as a result of the spin-off that occurred in March 2009. Under the agreement, the Company provides legal, facilities, technology, office space, accounting, and human resource services to HomeFinder.com at cost without any markup on the services. Total shared service revenue recognized for nine months ended October 1, 2014 and twelve months ended December 31, 2013 and 2012 was \$1.2 million, \$1.7 million, and \$2.1 million, respectively, to offset the \$1.1 million, \$1.7 million, and \$2.1 million of incurred expenses during the respective periods. HomeFinder.com shared services revenue is included within the net revenue line item on the income statement.

#### 10. Fair Value Measurements

The Company accounts for certain items using the fair market value method of accounting which establishes a fair value hierarchy for those items measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The fair value hierarchy consists of the following three levels:

- Level 1- Quoted prices in active markets that the Company has the ability to access for identical assets or liabilities;



## Classified Ventures, LLC

### Notes to Consolidated Financial Statements

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- Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuations in which all significant inputs are observable in the market; and
- Level 3 - Valuations using significant inputs that are unobservable in the market and include the use of judgment by the Company's management about the assumptions market participants would use in pricing the asset or liability.

The Company's financial assets and liabilities that are carried at fair value on a recurring basis in the consolidated balance sheet include the Long Term Incentive Plan ("LTIP") assets and liabilities and marketable securities.

The following table presents the LTIP investments carried at fair value as of October 1, 2014, by category on the consolidated balance sheet in accordance with the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 6,280	\$ —	\$ —	\$ 6,280
Fixed income fund	—	907	—	907
	<u>\$ 6,280</u>	<u>\$ 907</u>	<u>\$ —</u>	<u>\$ 7,187</u>

The following table presents the LTIP investments carried at fair value as of December 31, 2013, by category on the consolidated balance sheet in accordance with the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 8,541	\$ —	\$ —	\$ 8,541
Fixed income fund	—	1,325	—	1,325
	<u>\$ 8,541</u>	<u>\$ 1,325</u>	<u>\$ —</u>	<u>\$ 9,866</u>

The following is a description of the Company's valuation methodologies for assets and liabilities measured at fair value.

Fair value for mutual funds is measured using quoted market prices at the reporting date multiplied by the quantity held.

The Company has an investment in a commingled fund for which quoted market prices are not available. The value of the investment represents the net asset value as provided by the trustee. Management performs its own pricing diligence by reviewing the net asset value and by obtaining audited financial statements from the trustee.

## **Classified Ventures, LLC**

### **Notes to Consolidated Financial Statements**

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#### **11. Retirement Plan**

The Company has a 401(k) Retirement Savings Plan, which is qualified under Section 401(k) of the Internal Revenue Code and for which all full-time Company employees are eligible. Participants are eligible on the first day of the quarter following the date of hire after one month of service and are allowed to make tax-deferred contributions up to 100% of annual compensation, subject to limitations specified by the Internal Revenue Code.

The Company match is 100% of the employee's contribution up to 3% of the employee's salary, and thereafter 50% of the employee's contribution, until the employee's contributions reach 5% of the employee's salary. All employees are immediately fully vested. For the nine months ended October 1, 2014, and the twelve months ended December 31, 2013 and 2012, the Company expensed matching contributions in the amounts of \$2.7 million, \$3.0 million, and \$2.5 million, respectively.

#### **12. Class A Common Units and Members' Equity**

As of October 1, 2014 and December 31, 2013 and 2012, there were 184.9 million authorized, issued and outstanding Class A common units and 1.6 million authorized and issued Class B common units, none of which were outstanding. Class A common units have voting rights of one vote per unit.

In September 2014 and December 2013 and 2012, the Company declared a dividend of \$23.3 million, \$90 million and \$74 million, respectively. These dividends were treated as a return of capital to Investors given the overall accumulated deficit balance. There was a dividend paid in April 2014 from the sale of Apartments.com for \$575 million. This dividend was treated as a reduction in retained earnings to the extent these were available upon distribution and partially as a return on capital.

#### **13. Long-Term Incentive Plan**

In June 2001, the Company's LTIP was established. The Company, at its discretion, may designate up to 60 key employees to participate in the LTIP and may make annual contributions to the participants' account. The contributions are invested at the participant's direction among investment options including mutual funds and money market funds. In the nine months ended October 1, 2014 and the twelve months ended December 31, 2013 and 2012, the Company contributed \$0.6 million, \$0.5 million and \$2.4 million, respectively. The total amount contributed by the Company is marked to market quarterly and any unrealized gains (losses) are recognized through the income statement.

The amounts contributed to participants' accounts vest over a three-year period. One-third of the amount contributed in a plan year (and any increases or decreases in the account as a result of income, gains, losses or costs allocated to the account) vests and is payable on February 15th of each of the three succeeding plan years after the plan year in which the contribution was made. Once a portion of an award vests, it is either deferred for one year or paid to the participant. This initial deferral election is made by the participant prior to the plan year for which the award was issued. One year following the vesting date, that same portion of the deferred award is either deferred for five years or paid to the participant. This subsequent deferral election is made not later than December 31st of the plan year prior to the plan year for which the award was issued. If a participant is involuntarily terminated other than for cause as defined by the plan, the participant's account becomes 100% vested and distributed. If a participant resigns, the vested portion of the participant's account is distributed and the unvested portion is forfeited. The forfeited funds are retained within the Trust and used to offset future contributions. The amount of funds forfeited in the nine months ended October 1, 2014 and the twelve months ended December 31, 2013 and 2012 were \$0.1 million, \$0.1 million and \$0.5 million, respectively.

## **Classified Ventures, LLC**

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The Company applies accounting guidance for stock appreciation rights and other variable stock option or award plans for the cash awarded under this deferred compensation plan. Under this plan, deferred compensation expense was \$0.6 million, \$1.1 million and \$1.5 million for the nine months ended October 1, 2014 and the twelve months ended December 31, 2013 and 2012, respectively. The deferred compensation liability was \$6.9 million and \$9.7 million at October 1, 2014 and December 31, 2013, respectively.

#### **14. Share Appreciation Rights Plan**

Effective as of January 1, 2012, the Company established a Share Appreciation Rights (SAR) Plan. The Classified Ventures Share Appreciation Rights Plan is intended to motivate certain key employees of Classified Ventures, LLC to maximize their contributions to the long-term success of the Company and to encourage them to remain in the employ of the Company through awards of Share Appreciation Rights. The Compensation Committee of the Company, at its discretion, may designate key employees to participate in the plan. Eligible participants will receive a number of stock appreciation rights annually that entitle the employee to receive the appreciation in the fair market value of a share from the date of grant up to a specified date or dates plus an amount equal to the distributions per share. Benefits paid under this plan will be made in cash, not common stock, at the end of the three-year vesting period from the original grant date. Expenses related to the Share Appreciation Rights Plan have been recorded in accordance with the accounting standards for share based payments. Due to the cash settlement at the end of the performance period, the awards are classified as a liability and are remeasured each reporting period at fair value.

Effective as of January 1, 2012, the Company established a Share Appreciation Rights (SAR) Plan. The Classified Ventures Share Appreciation Rights Plan is intended to motivate certain key employees of Classified Ventures, LLC to maximize their contributions to the long-term success of the Company and to encourage them to remain in the employ of the Company through awards of Share Appreciation Rights. The Compensation Committee of the Company, at its discretion, may designate key employees to participate in the plan. Eligible participants will receive a number of stock appreciation rights annually that entitle the employee to receive the appreciation in the fair market value of a share from the date of grant up to a specified date or dates plus an amount equal to the distributions per share. Benefits paid under this plan will be made in cash, not common stock, at the end of the three-year vesting period from the original grant date. Expenses related to the Share Appreciation Rights Plan have been recorded in accordance with the accounting standards for share based payments. Due to the cash settlement at the end of the performance period, the awards are classified as a liability and are remeasured each reporting period at fair value.

Under the SARs Plan, deferred compensation is based upon award of share appreciation rights, the value of which is related to the appreciation in the value of the common units of the Company. Awards granted in a given year vest to the participant over a three-year period and are settled in cash at the end of the three-year performance period. In the years 2014, 2013 and 2012, the Company awarded 1.4 million, 2.6 million and 3.3 million of share appreciation rights, respectively, to participants employed by the Company with a base price of \$5.84, \$4.48 and \$4.19 per right, respectively. The 2014 price was determined by considering the price obtained for the sale of Apartments.com and the sale of the remaining interest of the Company. The 2013 and 2012 prices were determined by the Company including the use of a third party valuation analysis which based the Company value on the combination of income and market approaches. Upon the settlement of vested rights, the participant receives a lump sum cash payment in an amount equal to (i) the value

## Classified Ventures, LLC

### Notes to Consolidated Financial Statements

October 1, 2014 and December 31, 2013 and 2012 (Amounts as of and for the period ended October 1, 2014 are not covered by the report included herein)

of a common unit as of the date of settlement less (ii) the grant price value of a common unit on the grant date, plus dividend distributions per unit.

In April 2014, as a result of the Apartments.com sale, the vesting of the rights was accelerated per a board of directors' resolution and they became immediately exercisable. The SARs settlement was made in April 2014 to active Apartments.com participants.

In July 2014, the Company's board of directors passed a resolution that upon the sale of the Company, all unvested share appreciation rights would immediately vest on the date of sale. On October 1, 2014, as a result of the sale of the Company to Gannett, Co., Inc., the vesting of the non-vested rights was accelerated and became immediately exercisable. Future SARs settlements will be paid in January of the year following the initial three-year vesting period.

Appreciation rights outstanding and exercisable as of October 1, 2014 and changes during the year ended were as follows:

	<b>Rights / Units</b>	<b>Weighted Avg. Grant Price</b>	<b>Remaining Avg. contract Terms</b>	<b>Aggregate Intrinsic Value</b>
	(in thousands)	(per right)	(in years)	(in thousands)
Rights outstanding as of December 31, 2013	5,102	\$ 4.33		
Granted	1,388	5.84		
Exercised	(961)	—		
Forfeited or terminated	(7)	4.48		
Rights outstanding as of October 1, 2014	<u>5,522</u>	<u>\$ 4.71</u>	<u>0</u>	<u>43,795</u>
Rights exercisable as of October 1, 2014	<u>5,522</u>	<u>\$ 4.71</u>	<u>0</u>	<u>43,795</u>

Appreciation rights outstanding and exercisable as of December 31, 2013 and changes during the year ended were as follows:

	<b>Rights / Units</b>	<b>Weighted Avg. Grant Price</b>	<b>Remaining Avg. contract Terms</b>	<b>Aggregate Intrinsic Value</b>
	(in thousands)	(per right)	(in years)	(in thousands)
Rights outstanding as of December 31, 2012	2,910	\$ 4.19		
Granted	2,576	4.48		
Exercised	—	—		
Forfeited or terminated	(384)	4.32		
Rights outstanding as of December 31, 2013	<u>5,102</u>	<u>\$ 4.33</u>	<u>1.5</u>	<u>9,826</u>
Rights exercisable as of December 31, 2013	<u>2,649</u>	<u>\$ 4.28</u>	<u>1.5</u>	<u>5,338</u>

The Company measures the cost associated with awards issued under the SARs Plan using a graded vesting intrinsic value method, which includes a price increase in market value and a dividend

## Classified Ventures, LLC

### Notes to Consolidated Financial Statements

October 1, 2014 and December 31, 2013 and 2012 (Amounts as of and for the period ended October 1, 2014 are not covered by the report included herein)

component. Under this method, the cost of services related to the SARs Plan reflects changes in the Company common unit price and the relative vesting period of the rights.

In 2014, \$40.6 million of additional SARs expense, including a tax component, was recorded as a result of the acceleration of the vesting of stock appreciation rights due to the sale transactions. Total SARs expense was \$43.8 million, \$5.3 million and \$0.6 million for the nine months ended October 1, 2014, and the twelve months ended December 31, 2013 and 2012, respectively. No SARs Plan expense was capitalized as part of an asset. Deferred compensation liability related to the SARs Plan was \$44.4 million and \$5.9 million at October 1, 2014, and December 31, 2013, respectively.

The following table summarizes the aggregate intrinsic value, which includes a dividend component, related to vested rights as of October 1:

	2014			2013		
	Rights / Units	Increase in Intrinsic Value	Aggregate Intrinsic Value	Rights / Units	Increase in Intrinsic Value	Aggregate Intrinsic Value
	(in thousands)	(per right)	(in thousands)	(in thousands)	(per right)	(in thousands)
Exercised rights	961	3.94	3,787.00	—	—	—
Vested rights outstanding	5,522	\$ 7.93	\$ 43,795	2,649	\$ 2.01	\$ 5,338

Total unrecognized compensation cost related to nonvested rights, which includes a dividend component, is estimated to be zero and \$4.5 million at October 1, 2014 and December 31, 2013, respectively. All remaining costs were recognized in 2014. Future SARs cash settlements totaling \$44.4 million, including tax expense incurred by the Company, are as follows: 2015: \$19.0 million; 2016: \$16.3 million; 2017: \$9.1 million.

#### 15. Commitments and Contingencies

The Company engages a number of vendors for various goods and services. At the time of this report, the Company is currently in process of assessing possible additional licensing costs from a software vendor related to past periods. Management believes that additional costs are reasonably possible to be incurred based on the final outcome of the future audits and related negotiations with the software vendor.

#### 16. Subsequent Events

For purposes of the October 1, 2014, financial statements, the Company assessed events occurring subsequent to October 1, 2014 and through January 8, 2015, for potential recognition and disclosure in such consolidated financial statements.

For purposes of the 2013 and 2012 financial statements, the Company assessed subsequent events through February 21, 2014, for potential recognition and disclosure in such consolidated financial statements.

Report of Independent Auditors and  
Consolidated Financial Statements

**Wanderful Media LLC**

As of and for the year ended December 31, 2014

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Members  
Wanderful Media LLC

We have audited the accompanying consolidated financial statements of Wanderful Media LLC (the "Company"), which comprise the consolidated balance sheet as of December 31, 2014, and the related statements of operations, members' interests and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

/s/ Moss Adams LLP

San Francisco, California  
March 5, 2015



**CONSOLIDATED FINANCIAL STATEMENTS**

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**WANDERFUL MEDIA LLC**  
**CONSOLIDATED BALANCE SHEET**  
As of December 31, 2014

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**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	13,291,446
Accounts receivable		381,535
Other current assets		168,723
Total current assets		<u>13,841,704</u>
Deposits		44,933
Property and equipment		585,677
Other long-term assets		622,211
Total assets	\$	<u><u>15,094,525</u></u>

**LIABILITIES AND MEMBERS' INTERESTS**

**CURRENT LIABILITIES**

Accounts payable	\$	227,591
Accrued compensation		1,826,139
Accrued expenses		29,839
Deferred revenue		27,853
Long-term debt, current portion		22,665
Total current liabilities		<u>2,134,087</u>
Long-term debt, net of current portion		41,474
Deferred compensation, net of current portion		1,586,447
Total liabilities		<u>3,762,008</u>

**COMMITMENTS AND CONTINGENCIES (See Note 5)**

**MEMBERS' INTERESTS**

Members' contributions:		
Class A: 22,791.79 units issued and outstanding		36,002,302
Class B: 5,789.96 units issued and outstanding		14,474,899
Accumulated deficit		<u>(39,144,684)</u>
Total members' interests		<u>11,332,517</u>
Total liabilities and members' interests	\$	<u><u>15,094,525</u></u>

*See accompanying notes.*

**WANDERFUL MEDIA LLC**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**Year Ended December 31, 2014**

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**REVENUES**

Conversion fees	\$	2,744,267
Access fees		1,415,914
Other revenue		515,295
		<hr/>
Total revenues		4,675,476

**COST OF REVENUES**

Conversion fees		1,125,515
Other revenue		4,723
		<hr/>
Total cost of revenues		1,130,238

**GROSS PROFIT**

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3,545,238

**OPERATING EXPENSES**

Research and development		4,983,224
Sales and marketing		3,286,172
General and administrative		4,901,493
Asset impairment		169,469
		<hr/>
Total operating expenses		13,340,358

**OTHER INCOME (EXPENSE)**

Interest income		2,573
Interest expense		(5,218)
Other expense		(1,277)
		<hr/>
Total other income (expense)		(3,922)

**NET LOSS**

\$ (9,799,042)

*See accompanying notes*

*See accompanying notes.*

**WANDERFUL MEDIA LLC**  
**CONSOLIDATED STATEMENT OF MEMBERS' INTERESTS**  
**Year Ended December 31, 2014**

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	<b>Members' Contributions</b>				<b>Accumulated Deficit</b>	<b>Total Members' Interests</b>
	<b>Class A</b>		<b>Class B</b>			
	<b>Units</b>	<b>Amount</b>	<b>Units</b>	<b>Amount</b>		
<b>Balance, January 1, 2014</b>	12,197.73	\$ 30,494,320	2,202.27	\$ 5,505,682	\$ (29,345,642)	\$ 6,654,360
Members' contributions	14,181.75	14,477,199	—	—	—	14,477,199
Reclassification of interests	(3,587.69)	(8,969,217)	3,587.69	8,969,217	—	—
Net loss	—	—	—	—	(9,799,042)	(9,799,042)
<b>Balance, December 31, 2014</b>	<u>22,791.79</u>	<u>\$ 36,002,302</u>	<u>5,789.96</u>	<u>\$ 14,474,899</u>	<u>\$ (39,144,684)</u>	<u>\$ 11,332,517</u>

*See accompanying notes.*

**WANDERFUL MEDIA LLC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net loss	\$	(9,799,042)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization		224,333
Changes in allowance for doubtful accounts		51,944
Asset impairment		169,469
Changes in operating assets and liabilities:		
Accounts receivable		116,207
Prepaid expenses and other current assets		(7,227)
Deposits and other long-term assets		(606,149)
Accounts payable		39,691
Accrued liabilities		414,938
Deferred revenue		27,853
		(9,367,983)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash paid for asset acquisition		(169,469)
Acquisition of property and equipment		(18,757)
		(188,226)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on long-term debt		(22,025)
Members' contributions		14,477,199
		14,455,174

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

4,898,965

**CASH AND CASH EQUIVALENTS -- BEGINNING OF YEAR**

8,392,481

**CASH AND CASH EQUIVALENTS -- END OF YEAR**

\$ 13,291,446

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid for interest	\$	4,413
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*See accompanying notes*

*See accompanying notes.*

**WANDERFUL MEDIA LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1 – DESCRIPTION OF THE BUSINESS**

Wanderful Media LLC (the “Company”) is a Delaware limited liability corporation formed as a partnership. The Company was organized on October 24, 2011, in order to operate as a holding company for the investment in FindnSave Inc. (“FindnSave”). FindnSave, a California corporation organized on March 1, 2000, has offices in Chico and Los Gatos, California. FindnSave provides marketing management, print conversion, and hosting services for media and advertising companies on the internet. FindnSave also has an internet-based local discovery shopping experience for newspapers, retailers, and shoppers.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation** – The Company’s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of the Company and its wholly owned subsidiary: FindnSave Inc. All significant intercompany balances and transactions have been eliminated in consolidation.

**Use of estimates** – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Revenue recognition** – Revenue primarily consists of the following:

- Conversion fees – professional service fees for converting print-based newspaper and retail advertising into digital form for display in the internet or in a company intranet;
- Access fees – subscriptions-based fees for providing a web and mobile-based consumer shopping experience; and
- Other – click-through and other bounties that are ad hoc in nature.

The Company recognizes revenue when the four basic criteria of revenue recognition are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the fee is fixed or determinable and (4) collectibility is reasonably assured. Conversion fee revenue is recognized in the period the services are performed and delivered. Payments received for access fees in advance of services being rendered are deferred and recognized as revenue in the period the services are performed and delivered. Other revenues are recognized when earned.

**Cost of revenue** – The Company recognizes the costs of producing digital advertisement as cost of revenue. These include payroll, benefits, an allocation of related overhead expenses, and outsourced production costs. Costs associated with access fees and other revenues are insignificant.

**Advertising expense** – The Company expenses the costs of advertising as incurred. Advertising expenses for the year ended December 31, 2014, was \$1,897,560.

**Cash and cash equivalents** – The Company’s cash and cash equivalents are maintained in checking and money market accounts at several banks. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Company’s cash equivalents as of December 31, 2014, include \$64,068 held in money market accounts.

The carrying amount reported in the balance sheet for cash and cash equivalents approximates fair value due to the short term nature of the maturities. Balances maintained at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. It is customary for deposits with financial institutions to exceed federally insured limits.

**Fair values of financial instruments** – The Company follows the guidance of Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 is applicable whenever other standards require or permit assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. Accordingly, the carrying amounts of certain financial instruments of the Company, including cash, continue to be valued at fair value on a recurring basis.

**WANDERFUL MEDIA LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities.

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheet, as well as the general classification of such instruments pursuant to the valuation hierarchy.

*Cash and cash equivalents* – The Company’s cash and cash equivalents include \$64,068 comprised primarily of short-term highly liquid money market funds. These securities are classified as Level 1 of the valuation hierarchy, as they have quoted market prices available in an active market. The carrying amount approximates fair value.

*Long-term debt* – The fair values of the Company’s long-term debt is estimated based on the current fixed rate of debt which approximates the carrying amount.

Non-financial assets such as intangible assets, property and equipment are evaluated for impairment and adjusted to fair value using Level 3 inputs only when impairment is recognized. Fair values are considered Level 3 when management makes significant assumptions in developing a discounted cash flow model based upon a number of considerations including projections of revenues, earnings, and a discount rate. During the year ended December 31, 2014, the Company recognized \$169,469 of impairment expense relating to intangible assets purchased in an asset acquisition that were determined to have no future economic benefit. (See “Asset Acquisition” below)

**Accounts receivable** – Accounts receivable are reported at net-realizable value and represents amounts that are invoiced to customers with contractual obligations where a signed and executed contract exists.

In cases where the Company is aware of circumstances that may impair a specific customer’s ability to meet its financial obligations, the Company records a specific allowance against amounts due, and thereby reduces the net recognized receivable to the amount the Company reasonably believes will be collected. For the remaining customers, the Company recognizes allowances for doubtful accounts based on the length of time the aggregate receivables are outstanding, the current business environment, and historical experience. Amounts are charged to allowance for doubtful accounts as they are deemed uncollectible, based upon a periodic review.

The Company evaluated the collectibility of accounts receivable and has determined no allowance for doubtful accounts was necessary at December 31, 2014. During the year ended December 31, 2014, the Company wrote-off \$126,944 of accounts receivable against the allowance. Bad debt expense was \$51,944 for the year ended December 31, 2014.

**Concentration of credit risk and significant customers** – Financial instruments, which potentially subject the Company to concentrations of credit risk, principally consist of cash and cash equivalents and accounts receivable.

The Company maintains its cash and cash equivalents in bank accounts which may, at times, exceed federally-insured limits. As of December 31, 2014, the Company had \$12,772,237 of bank balances in excess of the federally-insured limits. The Company has not experienced any losses in such accounts.

Management believes that it is not exposed to any significant credit risk. The Company generally does not require collateral or other security in support of accounts receivable. The Company maintains reserves for estimated credit losses and such losses have historically been within management’s expectations and have not been significant.

**WANDERFUL MEDIA LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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For the year ended December 31, 2014, the Company had two customers who represented 37% of net sales. As of December 31, 2014, there were three customers who represented 48% of accounts receivable and three vendors who represented 47% of the accounts payable.

**Deposits** – The Company’s deposits of \$44,933 at December 31, 2014 related to operating leases for its office facilities and certain other services. Deposits relating to the Company’s operating leases are refundable at the expiration of the lease terms. Deposits relating to services are capitalized and amortized over the related term of service. Amounts amortized during the year ended December 31, 2014 were insignificant.

**Property and equipment** – Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is recorded over the estimated useful lives of the assets of three to ten years using the straight-line method. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the asset or improvement. Maintenance, repairs, and minor renewals are expensed as incurred. Expenditures that substantially increase an asset’s useful life are capitalized. When assets are sold or otherwise disposed of, any resulting gain or loss on such sale or disposal is included in the statements of operations.

**Software development costs** – The Company capitalizes certain development costs incurred in connection with its internal use software and subscription service, following the guidance set forth in ASC 350-40, *Computer Software Developed or Obtained for Internal Use*. ASC 350-40 requires companies to capitalize qualifying computer software costs, if direct and incremental, that are incurred during the application development stage. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Capitalized costs are recorded as noncurrent assets on the accompanying balance sheets. Costs related to preliminary project activities, post-implementation activities, and training is expensed as incurred. The Company amortizes the costs over the estimated useful life of three years following the release date.

The Company previously capitalized \$362,294 of software development costs prior to the year ended December 31, 2014. All amounts were fully amortized as of January 1, 2014.

Management evaluates the useful lives of capitalized software on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact its recoverability. There were no impairments to capitalized software during the year ended December 31, 2014.

**Asset acquisition** – In September 2014, the Company purchased certain assets of Real Valuable Corporation. The Company purchased software and code, certain client relationship and agreements, and certain accounts receivable. Total amounts paid were \$169,468. Subsequent to the purchase at December 31, 2014, the Company wrote off the purchased intangible assets as it was deemed to have no future economic benefit.

**Impairment of long-lived assets** – The Company periodically evaluates whether changes have occurred that would require revision of the remaining estimated useful life of the property, improvements, and other long-lived assets or render them not recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount.

**Income taxes** – Wanderful was formed as a partnership in relation to the provisions of the Internal Revenue Code; accordingly, income or loss will be reported by the members on their corporate income tax returns.

FindnSave’s income taxes are provided based on the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of certain assets and liabilities for financial and tax reporting. Deferred taxes represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled.



**WANDERFUL MEDIA LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Recent accounting pronouncements** – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a new standard on revenue recognition. The new standard contains principles that an entity will need to apply to determine the measurement of revenue and timing of when revenue is recognized. The underlying principle is to recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard has a five-step approach which includes identifying the contract or contracts, identifying the performance obligations, determining the transaction price, allocating the transaction price and recognizing revenue. The standard also significantly expands the quantitative and qualitative disclosure requirements for revenue, which are intended to help users of financial statements understand the nature, amount, timing and uncertainty of revenue and the related cash flows. The standard is effective for annual periods beginning after December 15, 2016, for a public business entity. The Company is currently evaluating this new standard and the impact it will have on its consolidated financial statements, information technology systems, process and internal controls.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU 2014-15 provides guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The Company is in the process of evaluating the provisions of ASU 2014-15.

**Subsequent events** – Subsequent events are events or transactions that occur after the consolidated balance sheet date but before consolidated financial statements are issued or are available to be issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before the consolidated financial statements are issued or are available to be issued.

The Company has evaluated subsequent events through March 5, 2015.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31, 2014:

Computers and software	\$	712,259
Office equipment		25,409
Leasehold improvements		608,586
Equipment		94,189
Internally developed software		362,294
		<hr/>
		1,802,737
Less: Accumulated depreciation and amortization		<hr/>
		(1,217,060)
	\$	<hr/> <hr/>
		585,677

Depreciation expense for the year ended December 31, 2014, was \$224,333.

**NOTE 4 – DEBT**

In August 2012, the Company obtained a loan from its landlord in order to complete leasehold improvements at its Chico office facilities. The Company's landlord agreed to advance funds for leasehold improvements in the amount of \$92,000 which is to be repaid on a monthly basis over a period of 48 months of \$2,203 inclusive of principal and interest. The stated interest rate is 7%.

**WANDERFUL MEDIA LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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As of December 31, 2014, total debt outstanding amounted to \$64,139. During the year ended December 31, 2014, the Company repaid \$21,137 in principal relating to this debt.

Future maturities of debt are as follows:

**Year Ending December 31,**

2015	\$	22,665
2016		24,304
2017		17,170
	\$	<u>64,139</u>

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

Leases

The Company leases office space under noncancelable operating leases with various expiration dates through 2017. The leases contain rent escalation clauses. Rent expense is recorded on a straight-line basis over the term of the leases. The difference between the base rent payment and the straight-line rent amount is recorded as a deferred rent liability. At December 31, 2014, the total deferred rent liability was \$5,251. Rent expense for the year ended December 31, 2014, was \$265,292.

Future minimum lease payments under noncancelable operating leases as of December 31, 2014, are as follows:

**Year Ending December 31,**

2015	\$	256,077
2016		262,977
2017		185,946
	\$	<u>705,000</u>

Litigation

The Company, from time to time, is involved in certain legal matters which arise in the normal course of operations. Management believes that the resolution of such matters will not have a material adverse effect on the financial position of the Company.

**NOTE 6 – RELATED PARTY TRANSACTIONS**

FindnSave provides services to the members of the Company. During the year ended December 31, 2014, revenue from these related parties amounted to \$3,603,625. Accounts receivable from related parties were \$211,015 as of December 31, 2014.

**NOTE 7 – MEMBERS' INTERESTS**

As of December 31, 2014, the Company has 22,791.79 Class A Units and 5,789.96 Class B Units issued and outstanding for contributions of \$36,002,302 and \$14,474,899, respectively.

During the year ended December 31, 2014, the Company issued 14,181.75 Class A Units in exchange for \$14,477,199. Additionally, due to the fact that certain Members' shareholdings had decreased, \$8,969,217, representing 3,587.69 Units was transferred from Class A Units to Class B Units.

The following are the rights and preferences of the Company's Class A and Class B Units:

- Optional additional cash contributions may be contributed on a pro rata basis in accordance with each Member's percentage interest at the time.
- No Member shall have the right to withdraw, or receive any return of all or any portion of such Member's Capital Contribution.
- A Member shall not transfer any Units except under a permitted transfer, as defined. Prior to any proposed transfer, other than a permitted transfer or in a qualifying transaction, as defined, other Class A Members shall have the first right of refusal to purchase the transfer Units in proportion to each Class A Member's ownership interest. Prior to any proposed transfer, other than a permitted transfer or in a qualifying transaction, as defined, other Class B Members shall have the first right of refusal to purchase the transfer Units in proportion to each Class B Member's ownership interest. Under certain situations, Members also have tag-along rights and drag along rights.
- At meetings of Members, the presence of Members holding at least a majority of the outstanding Units is required to constitute a quorum.
- Each Member shall be entitled to one vote for each Unit held. Fractional votes are permitted.
- The Board of Directors shall consist of nine Directors of which the Class A and Class B Members shall each have the right to designate one Director respectively. Such Members shall also have the sole right to remove such Directors, with or without cause. A majority of the Directors shall constitute a quorum. All Directors shall serve without compensation.
- If a Class A Member's Percentage interest decreases below 9.375%, then such Class A Member shall lose its right to designate a Director. Such Class A Member's Class A Units shall be converted into Class B Units and the Class A Member shall become a Class B Member. Following such a conversion, the Board of Directors shall be decreased accordingly.
  - The Board of Directors has general powers over management and control of the business and affairs of the Company. Supermajority vote of the Board of Directors is required for certain actions including any transaction that would result in a Change in Control of the Company, as defined, any redemption of Units by the Company, any Initial public offering or conversion, the dissolution of the Company, the creation of any Committee of the Board of Directors, and the admission of any new Class A Members.

#### **NOTE 8 – INCOME TAXES**

The tax effects of temporary differences and carryforwards that give rise to significant portions of the deferred tax assets mainly arising from net operating loss carryforwards and accrued expenses which are not yet deductible for tax purposes. Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by \$3,084,000 during the year ended December 31, 2014.

At December 31, 2014, the Company had Federal and California net operating loss carryforwards ("NOLs") of approximately \$20,000,000 and \$20,000,000, respectively. These NOLs are available to reduce future taxable income, if any. The Federal net operating loss will begin to expire in 2031 through 2034, and the California net operating loss will begin to expire in 2029 through 2034.

The Tax Reform Act of 1986 limits the use of net operating loss carryforwards in certain situations where changes occur in the stock ownership of a company. In the event the Company has had a change in ownership, utilization of the carryforwards could be limited.

**WANDERFUL MEDIA LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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The Company applies the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes*, for recognition, measurement and presentation and disclosure of uncertain tax benefits in financial statements. There are no material uncertain tax benefits as of December 31, 2014.

The Company currently has no federal or state tax examinations in progress nor has it had any federal or state tax examinations since its inception. As a result of the Company's net operating loss carryforwards, all of its tax years are subject to federal and state tax examination.

**NOTE 9 – EMPLOYEE BENEFIT PLANS**

The Company sponsors a 401(k) defined contribution plan (the "401k Plan") covering all employees who have reached the minimum age of 18 with no minimum years of service required for participation. Participants are permitted to contribute a portion of their salary through payroll deferral subject to the Internal Revenue Service annual contribution limits. The Company makes 401k matching contributions depending on the amount of the participants' salary deferrals of 100% up to a maximum of 4% of the employees' deferrals. For the year ended December 31, 2014, the Company made matching contributions of \$156,982.

The Company contributes to a long-term incentive plan (the "Incentive Plan") for eligible employees. The Company makes contributions to the Incentive Plan annually of which the amounts are at the discretion of the Board of Directors. Contributions are fully vested after four years. Since inception of the Incentive Plan, the Board of Directors has approved Company contributions aggregating \$3,562,227. Assets held relating to the Incentive Plan to be disbursed in future periods are included in Other Long Term Assets of \$622,211 as of December 31, 2014. Payments amounting to \$247,238 have been made to date. The Company expensed \$1,748,830 relating to the Incentive Plan during the year ended December 31, 2014. As of December 31, 2014, the Company accrued \$422,449 as part of Accrued Compensation and \$1,586,447 as Deferred Compensation, net of Current Portion. Company contributions that are expected to be paid in the future are: \$422,449, \$814,455, \$1,158,079 and \$1,130,006 during the years ending December 31, 2015, 2016, 2017, and 2018, respectively.

