A. H. Belo Corp
Form DEF 14A
April 23, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under § 240.14a-12

A. H. Belo Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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April 23, 2018

Dear Fellow Shareholder:

I invite you to attend our annual meeting of shareholders on June 6, 2018 in the auditorium of A. H. Belo Corporation s (the Company) corporate headquarters, located at 1954 Commerce Street, Dallas, Texas. We hope that you will be able to attend.

Materials being provided include the Notice of Annual Meeting setting forth the business expected to come before the meeting, the 2018 proxy statement and A. H. Belo s 2017 annual report. If you requested printed versions of the materials by mail, these materials also include a proxy/voting instruction card for the annual meeting. The proxy statement tells you more about the agenda and voting procedures for the meeting and provides information about A. H. Belo s directors, including those nominated for election at this year s meeting.

As permitted by the rules of the Securities and Exchange Commission, most of the Company s shareholders were mailed a Notice of Internet Availability of Proxy Materials with instructions for electronically accessing these proxy materials and for voting via the Internet. The Notice of Internet Availability of Proxy Materials also provides information on how you may obtain printed copies of our proxy materials free of charge. We believe that this approach allows us to provide our shareholders with the information they need to vote their shares while reducing delivery costs and conserving natural resources.

For those A. H. Belo shareholders with access to the Internet, we encourage you to vote your shares online. Detailed instructions on how to vote over the Internet or by telephone are set forth in the proxy materials and in the Notice of Internet Availability of Proxy Materials. We encourage you to elect to receive future annual reports, proxy statements and other materials over the Internet by following the instructions in the proxy statement. This electronic means of communication is quick and convenient and reduces the Company s printing and mailing costs.

Whether or not you attend the meeting, it is important that your shares be represented at the annual meeting. I encourage you to vote your shares as soon as possible either by returning your proxy/voting instruction card or by voting using the Internet or telephone voting procedures outlined in the proxy materials or in the Notice of Internet Availability of Proxy Materials.

I hope to see you on June 6.

Sincerely,

James M. Moroney III

Chairman of the Board

President and Chief Executive Officer

P. O. Box 224866 Dallas, Texas 75222-4866 Tel. 214.977.8222 Fax 214.977.8285

www.ahbelo.com Deliveries: 1954 Commerce Street Dallas, Texas 75201

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P. O. Box 224866

Dallas, Texas 75222-4866

www.ahbelo.com

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 6, 2018

To A. H. Belo Shareholders:

Please join us for the 2018 annual meeting of shareholders of A. H. Belo Corporation. The meeting will be held in the auditorium of our corporate headquarters at 1954 Commerce Street, Dallas, Texas 75201, on Wednesday, June 6, 2018, at 10:00 a.m., Dallas, Texas time.

At the meeting, holders of A. H. Belo Series A common stock and A. H. Belo Series B common stock will act on the following matters:

1. Election of the two directors named in the proxy statement;

2. Ratification of the appointment of Grant Thornton LLP as the Company s independent registered public accounting firm;

3. Adoption of an Agreement and Plan of Merger and approval of reincorporation in Texas; and

4. Any other matters that may properly come before the meeting.

All record holders of shares of A. H. Belo Series A common stock and A. H. Belo Series B common stock at the close of business on April 9, 2018 are entitled to vote at the meeting or at any postponement or adjournment of the meeting.

As permitted by the rules of the Securities and Exchange Commission (the SEC), we are furnishing our proxy materials to shareholders via the Internet. Shareholders will receive a Notice of Internet Availability of Proxy Materials with instructions for accessing the proxy materials, including our proxy statement and annual report, and for voting via the Internet. The electronic delivery of our proxy materials will expedite receipt of the materials by our shareholders, reduce any environmental impact and lessen our printing and mailing costs.

The Notice of Internet Availability of Proxy Materials identifies the date, time and location of the annual meeting; the matters to be acted upon at the meeting and the Board of Directors recommendation with regard to each matter; a website where shareholders can access the proxy materials and vote their shares; and a toll-free telephone number, an email address and a website where shareholders can request a paper or email copy of the proxy materials, including our proxy statement, annual report to shareholders and form of proxy/voting instruction card, free of charge.

By Order of the Board of Directors

CHRISTINE E. LARKIN

Secretary

April 23, 2018

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P. O. Box 224866

Dallas, Texas 75222-4866

www.ahbelo.com

PROXY STATEMENT

For the Annual Meeting of Shareholders

To Be Held On June 6, 2018

This proxy statement contains information related to the annual meeting of shareholders of A. H. Belo Corporation (A. H. Belo, the Company, we, our or us) to be held on Wednesday, June 6, 2018, beginning at 10:00 a.m., Dallas, Texas time, in the auditorium of our corporate headquarters at 1954 Commerce Street, Dallas, Texas 75201, and any postponement or adjournment of the meeting.

A Notice of Internet Availability of Proxy Materials (the Notice) is being mailed or otherwise sent to shareholders of A. H. Belo on or about April 23, 2018. Paper copies of this proxy statement and related proxy/voting instruction card will be distributed to shareholders beginning on or about April 23, 2018.

Important Notice Regarding the Availability of Proxy Materials for the 2018 Annual Meeting to be Held on June 6, 2018. A. H. Belo s 2018 proxy statement and 2017 annual report, which includes consolidated financial statements for the year ended December 31, 2017, are available at *www.proxyvote.com* by entering a control number found in your notification materials. These documents are also posted on our website at *www.ahbelo.com*.

ABOUT THE MEETING

What is the purpose of the annual meeting?

At the annual meeting, shareholders will act on matters outlined in the accompanying notice, including the election of directors, ratification of the appointment of Grant Thornton LLP as the Company s independent registered public accounting firm, adoption of an Agreement and Plan of Merger and approval of reincorporation in Texas, and any other matters properly brought before the meeting. Management will report on A. H. Belo s performance in 2017 and respond to questions and comments from shareholders.

Who can attend the annual meeting?

Shareholders and guests of A. H. Belo may attend the annual meeting.

Who may vote at the meeting?

Only shareholders who owned A. H. Belo shares of common stock at the close of business on April 9, 2018 (the record date), or their duly appointed proxies, are entitled to vote at the meeting, or at any postponement or adjournment of the meeting. Our common stock is divided into two series: Series A common stock and Series B common stock. Holders of either series of common stock as of the close of business on the record date will be entitled to vote at the meeting. At the close of business on the record date, a total of 19,266,884 shares of Series A common

stock and 2,469,635 shares of Series B common stock were outstanding and entitled to vote.

What are the voting rights of the holders of Series A common stock and Series B common stock?

Holders of A. H. Belo Series A and Series B common stock vote together as a single class on all matters to be acted upon at the annual meeting. Each outstanding share of Series A common stock will be entitled to one vote on each matter. Each outstanding share of Series B common stock will be entitled to 10 votes on each matter.

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Why did I receive a one-page Notice of Internet Availability of Proxy Materials instead of a full set of proxy materials?

Pursuant to rules adopted by the Securities and Exchange Commission (the SEC), the Company has elected to provide access to its proxy materials via the Internet and has sent the Notice to its shareholders. Shareholders can access the proxy materials on the website referred to in the Notice or request to receive free of charge a printed set of the proxy materials, including a proxy/voting instruction card. Instructions on how to access the proxy materials over the Internet or to request a printed copy are set forth in the Notice. If you hold A. H. Belo shares in your A. H. Belo Savings Plan account, the Notice also has instructions on how to provide your voting instructions via the Internet.

In addition, all shareholders may request to receive proxy materials electronically by email on an ongoing basis by following the instructions in the paragraph captioned How to Receive Future Proxy Statements and Annual Reports Online in the Annual Report and Additional Materials section of this proxy statement. The Company encourages shareholders to take advantage of the availability of the proxy materials on the Internet in order to help reduce printing and mailing costs and environmental impacts.

What constitutes a quorum to conduct business at the meeting?

In order to carry on the business of the meeting, we must have a quorum present in person or by proxy. A majority of the voting power of the outstanding shares of common stock eligible to vote and at least one-third of the outstanding shares entitled to vote must be present at the meeting, in person or by proxy, in order to constitute a quorum.

Abstentions and broker non-votes are counted as present at the meeting for purposes of determining whether we have a quorum. A broker non-vote occurs when a broker or other nominee returns a proxy but does not vote on a particular proposal because the broker or nominee does not have authority to vote on that particular item and has not received voting instructions from the beneficial owner.

How do I cast my vote?

You may receive more than one Notice or proxy/voting instruction card depending on how you hold your shares. It is important that you follow the instructions on each card or Notice and vote the shares represented by each card or Notice separately.

Shareholders of record. If you hold shares directly and are listed as a shareholder on A. H. Belo s stock records, you may vote in person if you attend the meeting or you may vote by proxy, which gives the proxy holder the right to vote your shares on your behalf. You may vote by proxy online via the Internet, by telephone, or, if you request copies of the proxy materials, by completing and returning your proxy card in the envelope provided. Shares represented by proxy cards that are properly completed and submitted will be voted in accordance with the shareholder s instructions.

Shares held in broker or other nominee name (street name). If you hold shares in street name, you have the right to instruct your broker or other nominee on how to vote those shares on your behalf and you will receive a Notice or, if you request, a copy of the proxy materials, including a voting instruction form, from them. Alternatively, you may vote these shares in person at the meeting, by following the instructions below under *How do I vote in person.*

Shares held in your A. H. Belo Savings Plan account. These shares may be voted only by the plan trustee, but you may instruct the plan trustee on how to vote them. Information on how to provide voting instructions to the plan trustee via the Internet is set out in the Notice. The Notice also includes information on how to obtain paper copies of the proxy materials, including a voting instruction card, if you so desire. For more information, please refer to the question and answer *How do I vote my shares held in the A. H. Belo Savings Plan* below.

If you want to vote using the Internet or telephone, please follow the instructions on each proxy/voting instruction card or in the Notice, and have the proxy/voting instruction card or the Notice available when you call in or access the voting site. In order to be included in the final tabulation of proxies, completed proxy/voting instruction cards must be received, and votes cast using the Internet or telephone must be cast, by the date and time noted on the card or in the Notice.

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How do I vote in person?

For shares held of record in your name, you may vote in person by completing a ballot at the annual meeting. If you plan to vote in person but hold shares through a broker or other nominee, you must provide a legal proxy from the broker or nominee evidencing your authority to vote shares the broker held for your account at the close of business on April 9, 2018. You must contact your brokerage firm directly in advance of the annual meeting to obtain a legal proxy. Blank ballots will be available at the registration table at the meeting. Completed ballots may be deposited at the registration table and a call for completed ballots will be made during the course of the meeting prior to the close of the polls. Voting instructions with respect to shares held in the A. H. Belo Savings Plan must be submitted by 11:59 p.m. Eastern Time on June 4, 2018, and may not be provided at the meeting.

Can I change my vote or revoke my proxy prior to the final voting?

Yes. For shares held of record in your name, you may revoke your proxy (including an Internet or telephone vote) by:

filing a written notice of revocation with the Secretary of A. H. Belo at any time prior to the annual meeting; or

delivering a duly executed written proxy bearing a later date by the voting deadline set forth on the proxy card; or

submitting a new proxy by Internet or telephone by the voting deadline set forth on the proxy card; or

voting by ballot at the meeting. Attendance at the meeting does not by itself revoke a previously granted proxy.

If your shares are held through a broker or nominee, contact that broker or nominee if you wish to change your voting instructions.

For information on how to revoke or modify previously given voting instructions with respect to shares held through the Savings Plan, please see *How do I vote my shares held in the A. H. Belo Savings Plan* below.

How do I vote my shares held in the A. H. Belo Savings Plan?

Fidelity Management Trust Company is the plan trustee for the A. H. Belo Savings Plan. The A. H. Belo Savings Plan is referred to herein as the Savings Plan. Only the plan trustee can vote the shares held by the Savings Plan. If you participate in the Savings Plan and had full shares of A. H. Belo common stock credited to your account as of the record date, you received a Notice in lieu of a paper copy of our proxy materials. The Notice includes instructions on how to access the proxy materials over the Internet and how to request a printed set of the proxy materials, including a voting instruction card, if you desire to do so. The Notice also has information on how to provide your voting instructions to the plan trustee via the Internet or telephone. You will not be able to vote these shares in person at the annual meeting.

Because of the time required to tabulate voting instructions from participants in the Savings Plan before the annual meeting, the plan trustee must receive your voting instructions by June 4, 2018. If you sign, date and return a paper voting instruction card but do not check any boxes on the card, the plan trustee will vote your shares FOR the nominees standing for election as directors named in this proxy statement, FOR ratification of the appointment of Grant Thornton LLP as the Company s independent registered public accounting firm, and FOR adoption of an Agreement and Plan of Merger and approval of reincorporation in Texas. In addition, at its discretion, the plan trustee will be authorized to vote on any other matter that may properly come before the meeting or any adjournment or postponement of the meeting. If the plan trustee does not receive instructions from you (by Internet, telephone or voting instruction card) by June 4, 2018, the plan trustee will vote your shares in the same proportion as the shares in the Savings Plan for which voting instructions have been received from other plan participants. You may revoke or modify previously given voting instructions by June 4, 2018, by submitting a new voting instruction by Internet or telephone, filing with the plan trustee either a written notice of revocation or submitting a properly completed and signed voting instruction card by that date.

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What happens if I do not give specific voting instructions?

If you indicate when voting on the Internet or by telephone that you wish to vote as recommended by the Board or you sign and return a proxy card or voting instruction card without giving specific voting instructions, then the proxy holders or the plan trustee, as appropriate, will vote your shares in the manner recommended by the Board on all matters presented in this proxy statement as follows: FOR the nominees standing for election as directors named in this proxy statement, FOR ratification of the appointment of Grant Thornton LLP as the Company s independent registered public accounting firm, and FOR adoption of an Agreement and Plan of Merger and approval of reincorporation in Texas. In addition, the proxy holders or the plan trustee, as appropriate, may vote in their discretion on any other matter that may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

If you hold your shares through a broker, and you do not provide *any* voting instructions on the Internet or by telephone and do not return a voting instruction form, your broker may vote your shares at its discretion only on certain routine matters. If the organization that holds your shares does not receive any voting instructions from you, the organization that holds your shares will inform the inspector of election that it does not have the authority to vote your shares with respect to non-routine matters. This is generally referred to as a broker non-vote.

Which proposals are considered routine or non-routine ?

The Company believes that the election of directors (Proposal One) and adoption of an Agreement and Plan of Merger and approval of reincorporation in Texas (Proposal Three) are not routine matters and a broker or other nominee will not be permitted to vote any uninstructed shares on Proposal One or Proposal Three. The Company believes that Proposal Two, the ratification of the appointment of Grant Thornton LLP as the Company s independent registered public accounting firm, is a routine matter on which brokers will be permitted to vote uninstructed shares. With respect to all other matters, however, your broker may not vote your shares for you without instructions and the aggregate number of unvoted shares is reported as the broker non-vote.

How are broker non-votes and abstentions treated?

For Proposal One (election of directors), abstentions and broker non-votes have no effect. For matters requiring majority or two-thirds approval, abstentions and broker non-votes have the effect of negative votes, meaning that abstentions and broker non-votes will be counted in the denominator, but not the numerator, in determining whether a matter has received sufficient votes to be approved.

What vote does the Board recommend?

The Board recommends a vote:

FOR all director nominees named in this proxy statement,

FOR ratification of the appointment of Grant Thornton LLP as the Company s independent registered public accounting firm, and

FOR adoption of an Agreement and Plan of Merger and approval of reincorporation in Texas

With respect to any other matter that properly comes before the meeting, the proxy holders will vote in their own discretion.

What number of votes is required to approve each proposal?

Election of directors (Proposal One) The affirmative vote of a plurality of the voting power represented at the annual meeting and entitled to vote is required for the election of directors. This means that the nominees receiving the highest number of votes cast for the number of positions to be filled are elected. You do not have the right to cumulate votes in the election of directors. In other words, you cannot multiply the number of shares you own by the number of directorships being voted on and then cast the total for only one candidate or among several candidates as you see fit. Votes that are instructed to be withheld with respect to the election of one or more directors will not be voted for the director or directors indicated, although they will be counted for purposes of determining whether a quorum is present. Shares held in broker or street name cannot be voted on this proposal without your instruction.

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Additionally, if an incumbent director does not receive the affirmative vote of at least a majority of the votes cast with respect to that director s election at the annual meeting (which for this purpose includes votes cast for the director s election and votes to withhold authority with respect to the director s election), then that director is required to promptly tender his or her resignation, and the Board will act on such resignation as provided in the Company s Corporate Governance Guidelines, the applicable portion of which is attached to this proxy statement as Appendix A.

Ratification of appointment of independent registered public accounting firm (Proposal Two) The affirmative vote of a majority of the voting power represented at the annual meeting and entitled to vote is required to ratify the appointment of Grant Thornton LLP as the independent registered public accounting firm for the Company for 2018. With respect to shares held in broker or street name, your broker has discretion to vote any uninstructed shares on this matter.

Adoption of an Agreement and Plan of Merger and approval of reincorporation in Texas (Proposal Three) The affirmative vote of two-thirds of the voting power of the Company s outstanding shares entitled to vote is required for adoption of an Agreement and Plan of Merger and approval of reincorporation in Texas. Shares held in broker or street name cannot be voted on this proposal without your instruction.

Other matters Unless otherwise required by law or the Company s Certificate of Incorporation, the affirmative vote of a majority of the voting power represented at the annual meeting and entitled to vote is required for other matters that properly may come before the meeting.

Where can I find the voting results of the annual meeting?

The preliminary voting results will be announced at the annual meeting. The final voting results will be tallied by the inspector of election and published in a Current Report on Form 8-K, which the Company is required to file with the SEC within four business days following the annual meeting.

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PROXY SOLICITATION

Your proxy is being solicited on behalf of A. H. Belo s Board of Directors. In addition to use of the mail, the solicitation may also be made by use of facsimile, the Internet or other electronic means, or by telephone or personal contact by directors, officers, employees and agents of A. H. Belo. A. H. Belo pays the costs of this proxy solicitation.

We have hired Morrow Sodali LLC, 470 West Ave, Stamford, CT 06902, to assist in soliciting proxies from beneficial owners of shares held in the names of brokers and other nominees, and have agreed to pay Morrow Sodali a fee of $5,000 plus its related costs and expenses. We also supply brokers, nominees and other custodians with proxy forms, proxy statements and annual reports for the purpose of sending proxy materials to beneficial owners. We reimburse brokers, nominees and other custodians for their reasonable expenses.

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A. H. BELO CORPORATION STOCK OWNERSHIP

The following tables set forth information about the beneficial ownership of A. H. Belo common stock by our current directors, nominees for election as director, the executive officers named in the Summary Compensation Table (the named executive officers or NEOs), all current directors, director nominees and executive officers as a group, and by each person known to A. H. Belo to own more than 5% of the outstanding shares of A. H. Belo Series A or Series B common stock. At the close of business on April 9, 2018, there were 19,266,884 Series A shares, 2,469,635 Series B shares and 21,736,519 combined Series A and Series B shares issued and outstanding.

Under SEC rules, the beneficial ownership of a person or group includes not only shares held directly or indirectly by the person or group but also shares the person or group has the right to acquire within 60 days of the record date pursuant to exercisable options and convertible securities. The information below, including the percentage calculations, is based on beneficial ownership rather than direct ownership of issued and outstanding shares, except as described in footnote (1) to the table below.

Unless otherwise indicated, each person listed below has sole voting power and sole dispositive power with respect to the shares of common stock indicated in the table as beneficially owned by such person. Series A common stock has one vote per share and Series B common stock has 10 votes per share. Consequently, the voting power of Series B holders is greater than the number of shares beneficially owned. For example, the shares of A. H. Belo common stock beneficially owned by all current directors, director nominees and executive officers as a group, representing 13.3% of the total outstanding shares of Series A and Series B common stock, have combined voting power of 50.8%.

A. H. Belo Corporation Stock Ownership of Directors and Executive Officers

Shares of Common Stock Beneficially Owned And Percentage of Outstanding Shares as of April 9, 2018 (1)(2)(3)								
	Series A		Series B		Combined Series A and Series B		Combined Series A and Series B	
Name	Number	Percent	Number	Percent	Number	Percent	Votes	Percent
James M. (Jim) Moroney III* +(4)	427,059	2.2%	579,519	23.5%	1,006,578	4.6%	6,222,249	14.2%
Katy Murray+	12,478	**	0	**	12,478	**	12,478	**
Christine E. Larkin+	8,383	**	0	**	8,383	**	8,383	**
Grant S. Moise+	13,735	**	0	**	13,735	**	13,735	**
Timothy M. Storer+	48,000	**	0	**	48,000	**	48,000	**
John A. Beckert*	26,915	**	0	**	26,915	**	26,915	**
Louis E. Caldera*	30,361	**	0	**	30,361	**	30,361	**
Robert W. Decherd*	0	**	1,582,431	64.1%	1,582,431	7.3%	15,824,310	36.0%
Ronald D. McCray*	30,136	**	0	**	30,136	**	30,136	**
Tyree B. (Ty) Miller*(4)	45,457	**	0	**	45,457	**	45,457	**
John P. Puerner*	48,637	**	0	**	48,637	**	48,637	**
Nicole G. Small*	26,915	**	0	**	26,915	**	26,915	**
All directors, director nominees and executive officers as a group (15 persons)	725,477	3.8%	2,161,950	87.5%	2,887,427	13.3%	22,344,977	50.8%

* Director
¨ Nominee

+ Named Executive Officer
** Less than one percent

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(1) Series B shares are convertible at any time on a share-for-share basis into Series A shares but not vice versa. For purposes of determining the number of Series A shares beneficially owned by the persons listed, the person may be deemed to be the beneficial owner of the Series A shares into which the Series B shares owned are convertible. The numbers listed in the Series A column, however, do not reflect the Series A shares that may be deemed to be beneficially owned by the person listed because of this convertibility feature. If the Series A shares total included shares into which Series B shares held are convertible, the persons listed would be deemed to be the beneficial owners of the following percentages of the Series A shares: Mr. Moroney, 5.1% and Mr. Decherd, 7.6%; and all current directors, director nominees and executive officers as a group, 13.5%. These percentages are calculated by taking the person s number of combined Series A and Series B shares as reflected in the table above and dividing that number by the sum of (a) the Series A shares issued and outstanding, plus (b) the total of Series B shares owned by the person as reflected in the table above, plus (c) the person s exercisable Series A stock options plus shares issuable upon the vesting and payment of restricted stock unit (RSU) awards listed in footnote (2) to the table. None of our named executive officers or directors held any options exercisable on April 9, 2018 or within 60 days thereafter.

The family relationships among the directors and named executive officers are as follows: Robert Decherd and Jim Moroney are second cousins.

The following shares are included in the individual s holdings because the individual has either sole or shared voting or dispositive power with respect to such shares.

Jim Moroney 954 Series A shares held by Moroney Family Belo, LLC, a limited liability company of which Mr. Moroney is the manager; 5,960 Series A shares held by a family charitable foundation for which Mr. Moroney serves as trustee; and 503,374 Series B shares held by Moroney Preservation Limited, a family limited partnership, for which Mr. Moroney serves as manager. He disclaims beneficial ownership of these shares except to the extent of his pecuniary interest. Mr. Moroney shares voting and dispositive power with respect to 96 Series B shares owned by him and his wife.

Robert Decherd 300,291 Series B shares held by The Decherd Foundation for which Mr. Decherd serves as chairman and director; and 4,631 Series B shares owned by him and his wife as to which he shares voting and dispositive power.

(2) The number of shares shown in the table above includes (a) shares held in the A. H. Belo Savings Plan at April 9, 2018 and (b) shares that could be received upon the vesting and payment of RSU awards through June 8, 2018, as reflected in the following table.

Name	Shares Held in A. H. Belo Savings Plan		Net Shares Issuable Upon Vesting & Payment of RSU Awards	
	Series A	Series B	Series A	Series B
James M. Moroney III	981			
Katy Murray				
Christine E. Larkin				
Grant S. Moise				
Timothy M. Storer				
John A. Beckert			5,689	
Louis E. Caldera			5,689	
Robert W. Decherd				
Ronald D. McCray			5,689	
Tyree (Ty) B. Miller			5,689	
John P. Puerner			5,689	
Nicole G. Small			5,689	
All directors, director nominees and executive officers as a group (15 persons)	981		34,134	

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(3) Pursuant to SEC rules, the percentages above are calculated by taking the number of shares indicated as beneficially owned by the listed person or group and dividing that number by the sum of (a) the number of issued and outstanding shares in each series or the combined series, as applicable, plus (b) the number of shares of each series or the combined series, as applicable, that the person or group may purchase through the exercise of stock options or may receive upon the vesting and payment of RSU awards as indicated in footnote (2) to the table.

(4) Ty Miller has all of his Series A shares held in a margin account. Jim Moroney has 60,000 of his Series B shares subject to a pledge.

A. H. Belo Corporation Stock Ownership of Other Principal Shareholders (greater than 5%)

	Shares of Common Stock Beneficially Owned as of December 31, 2017 And Percentage of Outstanding Shares as of April 9, 2018							
	Series A		Series B		Combined Series A and Series B		Combined Series A and Series B	
Name and Address	Number	Percent	Number	Percent	Number	Percent	Votes	Percent
Dealey D. Herndon(1) 2905 San Gabriel Street, Suite 206 Austin, TX 78705	43,419	**	215,900	8.7%	259,319	1.2%	2,202,419	5.0%
Wells Fargo & Company; Wells Fargo Funds Management, LLC; and Wells Capital Management Inc.(2) 420 Montgomery Street San Francisco, CA 94104	2,206,022	11.5%		**	2,206,022	10.2%	2,206,022	5.0%
Dimensional Fund Advisors LP(3) Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	1,556,555	8.1%		**	1,556,555	7.2%	1,556,555	3.5%
North Star Investment Management Corporation (4) 20 N. Wacker Drive, Suite 1416, Chicago, IL 60606	1,271,962	6.6%		**	1,271,962	5.9%	1,271,962	2.9%
Punch & Associates Investment Management, Inc.(5) 7701 France Ave. So., Suite 300 Edina, MN 55435	1,114,620	5.8%		**	1,114,620	5.1%	1,114,620	2.5%
Luther King Capital Management Corporation(6) 2905 San Gabriel Street, Suite 206, Austin, TX 78705	997,445	5.2%		**	997,445	4.6%	997,445	2.3%

** Less than one percent

(1) Dealey Herndon is a former director of the Company, the sister of Robert Decherd and the second cousin of Jim Moroney. The ownership information reflected above for Ms. Herndon is based upon information (a) with respect to Series A shares, from the Company s records maintained prior to Ms. Herndon s retirement from the Board of Directors of the Company on May 14, 2015, and (b) with respect to Series B shares, the most recently filed Schedule 13D/A (Amendment No. 2) filed on behalf of Ms. Herndon on June 24, 2016 reporting 200,000 Series B shares, and 18,357 Series B shares issuable pursuant to stock options, of which 1,323 options expired unexercised on May 9, 2016 and an additional 1,134 unexercised options expired on May 8, 2017. In addition, Series A shares include 3,100 shares that were received upon payment of vested RSUs on May 11, 2017.

(2) Based upon information contained in Amendment No. 13 to its report on Schedule 13G for the year ended December 31, 2017, as filed with the SEC on January 29, 2018. Wells Fargo & Company shares voting power with respect to 611,023 of these shares and shares dispositive power with respect to 2,181,674 of these shares, and has sole voting and dispositive power with respect to 6,528 of these shares. Wells Capital

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Management Incorporated does not have sole voting or dispositive power with respect to any of these shares. Wells Capital Management Incorporated shares voting power with respect to 1,941,129 of these shares and shares dispositive power with respect to 2,166,004 of these shares. Wells Fargo Funds Management, LLC does not have sole voting or dispositive power with respect to any of these shares. Wells Fargo Funds Management, LLC shares voting power with respect to 1,357,068 of these shares and shares dispositive power with respect to 1,358,392 of these shares. The Amendment No. 13 to Schedule 13G filed by Wells Fargo & Company, was filed on its own behalf and on behalf of the following subsidiaries: Wells Fargo Clearing Services, LLC, Wells Capital Management Incorporated, Wells Fargo Funds Management, LLC, Wells Fargo Bank, National Association and Analytic Investors, LLC. Aggregate beneficial ownership reported by Wells Fargo & Company is on a consolidated basis and includes any beneficial ownership separately reported by a subsidiary.

(3) Based upon information contained in Amendment No. 6 to its report on Schedule 13G for the year ended December 31, 2017, as filed with the SEC on February 9, 2018, Dimensional Fund Advisors LP has sole voting power with respect to 1,491,474 of these shares and has sole dispositive power with respect to all of these shares. Dimensional Fund Advisors LP is an investment adviser to four investment companies and serves as investment manager or sub-adviser to certain other commingled funds, group trusts and separate accounts (such as investment companies, trusts and accounts, collectively referred to as the Funds). In its role as investment advisor, sub-adviser and/or manager, Dimensional Fund Advisors, LP or its subsidiaries may possess voting and/or investment power over the securities of A. H. Belo that are owned by the Funds, and may be deemed to beneficially own the shares held by the Funds.

(4) Based upon information contained in its report on Schedule 13G for the year ended December 31, 2017, as filed with the SEC on January 8, 2018, North Star Investment Management Corporation has sole voting and dispositive power with respect to 1,128,644 of these shares and has shared dispositive power with respect to 143,318 of these shares.

(5) Based upon information contained in its report on Schedule 13G for the year ended December 31, 2017, as filed with the SEC on February 14, 2018, Punch & Associates Investment Management, Inc. has sole voting and dispositive power with respect to all of these shares.

(6) Based upon information contained in its report on its Schedule 13D as of March 31, 2017, as filed with the SEC on April 6, 2017, (i) LKCM Private Discipline Master Fund, SPC (PDP) holds 934,777 of these shares directly, and has sole voting and dispositive power with respect to these shares, (ii) LKCM Micro-Cap Partnership, L.P. (Micro) holds 44,666 of these shares directly, and has sole voting and dispositive power with respect to these shares, and (iii) LKCM Core Discipline, L.P. (Core) holds 14,402 of these shares directly, and has sole voting and dispositive power with respect to these shares. Luther King Capital Management Corporation (LKCM) is the Investment Manager for PDP, Micro, and Core, and J. Luther King, Jr. is the controlling shareholder of LKCM. As such, LKCM and J. Luther King, Jr. may be deemed to beneficially own the shares held by PDP, Micro and Core. Further, the sole holder of management shares of PDP is LKCM Private Discipline Management, L.P. (PDP GP), of which LKCM Alternative Management, LLC (PDP Management) is the general partner. Additionally, the general partner of Core is LKCM Core Discipline Management, L.P. (Core GP), of which PDP Management is the general partner. J. Luther King, Jr. and J. Bryan King are controlling members of PDP Management. As such, J. Bryan King, as well as J. Luther King, Jr., as previously stated, may be deemed to beneficially own the shares held by PDP and Core.

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Equity Compensation Plan Information

The following table provides information regarding Series A and Series B common stock authorized for issuance under A. H. Belo s equity compensation plans as of December 31, 2017. The amounts set out in the table do not include any adjustment for risk of forfeiture:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1) Series A	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1) Series B	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(2) Series A	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(2) Series B	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))(3) Series A or Series B
Equity Compensation Plans Approved by Shareholders(4)(5)	308,927	100,344		$ 6.464	12,666,726
Equity Compensation Plans Not Approved by Shareholders					
Total	308,927	100,344		$ 6.464	12,666,726

(1) Shares of Series A common stock are potentially issuable under outstanding RSU grants and shares of Series B common stock are reserved for issuance under outstanding option grants.

(2) RSUs are valued as of the date of vesting and have no exercise price. Consequently, they are not included in the calculation of weighted average exercise price.

(3) A. H. Belo s equity compensation plans allow the Compensation Committee to designate at the time of grant that awards will be settled in either Series A or Series B common stock.

(4) All of A. H. Belo s equity compensation plans under which Series A or Series B common stock is authorized for issuance were approved by its shareholders.

(5) At December 31, 2017, 4,666,726 shares remained available under the 2008 Incentive Compensation Plan. The 2008 Incentive Plan expired on February 8, 2018 and no further equity grants will be made under the 2008 Incentive Compensation Plan after that date. At December 31, 2017, 8,000,000 shares remain available under the 2017 Incentive Compensation Plan.

Section 16(a) Beneficial Ownership Reporting Compliance

Federal securities laws require that A. H. Belo s executive officers and directors, and persons who own more than ten percent of a registered class of A. H. Belo common stock, file reports with the SEC within specified time periods disclosing their beneficial ownership of A. H. Belo common stock and any subsequent changes in beneficial ownership of A. H. Belo common stock. These reporting persons are also required to furnish us with copies of these reports. Based on information provided to us by these reporting persons or otherwise, we believe that all filings required to be made by the reporting persons during 2017 were timely filed.

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PROPOSAL ONE: ELECTION OF DIRECTORS

A. H. Belo s bylaws provide that the Board of Directors comprises five to ten directors, divided into three classes, approximately equal in number, with staggered terms of three years so that the term of one class expires at each annual meeting. The bylaws further provide that a director will retire on the date of the annual meeting of shareholders next following his or her 70th birthday.

Selection, Qualifications and Experience of Directors

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for identifying director candidates and making recommendations to the Board. The Board is ultimately responsible for nominating candidates for election to the Board. The Nominating and Corporate Governance Committee employs a variety of methods for identifying and evaluating director nominees. Candidates may come to the Committee s attention through current Board members, shareholders or other persons. In evaluating director candidates, the Committee considers a variety of criteria, including an individual s character and integrity; business, professional and personal background; skills; current employment; community service; and ability to commit sufficient time and attention to activities of the Board. The Nominating and Corporate Governance Committee also may take into account any specific financial, technical or other expertise, and the extent to which such expertise would complement the Board s existing mix of skills and qualifications. The Committee considers these criteria in the context of the perceived needs of the Board as a whole. For more information regarding the Nominating and Corporate Governance Committee and the nominee selection and evaluation process, please see Corporate Governance Committees of the Board Nominating and Corporate Governance Committee.

Based on a review of the background and experiences of the directors, we believe that each of our directors, including those proposed for election to the Board at the 2018 annual meeting, possesses the professional and personal qualifications necessary for service on the A. H. Belo Board of Directors. In the individual biographies below, we have highlighted particularly noteworthy attributes of each Board member that led to the Board s conclusion that the person should serve as an A. H. Belo director in light of the Company s business and structure. In addition, we note that, based on their length of service to the Company, several of our directors have significant exposure to both our business and the communities in which we operate.

Nominees for A. H. Belo Directors

The following candidates are nominated by the Board and each is an incumbent director: James M. Moroney III and Ronald D. McCray are standing for election as a Class I director, and each will be eligible to serve a three-year term until the 2021 annual meeting. The independence of each director is addressed under Corporate Governance Director Independence.

Each independent director serves on each of the three standing committees of the Board (Audit, Compensation and Nominating and Corporate Governance). Mr. Moroney and Mr. Decherd do not serve on any standing committee of the Board.

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Class I Directors (Terms expire at A. H. Belo s 2018 annual meeting)

James M. Moroney III Director since September 2013
Age 61

Jim Moroney has served as chairman, president and chief executive officer of A. H. Belo Corporation from September 2013 until his retirement effective May 17, 2018, when he will assume the position of Publisher Emeritus of *The Dallas Morning News* through August 1, 2018. He has also served as Chief Executive Officer of *The Dallas Morning News* from June 2001 until his retirement effective May 17, 2018. Jim served as Publisher of the Dallas Morning News from June 2001 until March 2018. From November 2007 to September 2013, Jim served as executive vice president of A. H. Belo. Previously, Jim held several executive positions with Belo Corp., including president of Belo Interactive, Inc. from its formation in May 1999 until June 2001, executive vice president of Belo Corp. from July 1998 through December 1999, with responsibilities for Finance, Treasury and Investor Relations, and president/Television Group from January 1997 through June 1998, with responsibility for the operations of all of Belo Corp. s television stations. Jim served on the board of Belo Corp. from February 2008 through December 2013. He currently serves on the boards of the Associated Press, the International News Media Association, the Advisory Board of the College of Communication at The University of Texas, The Dallas Foundation, the Bishop s Finance Council of the Catholic Diocese of Dallas and the State Fair of Texas. Jim has also served as an unpaid member of the Board of Andrew Harper, LLC, a luxury travel company, since January 2015.

Jim s extensive knowledge and experience in the media industry, finance, technology and his broad leadership and business experience gained through his service as a member of private and non-profit boards all serve to strengthen the Board s collective qualifications, skills and experience.

Ronald D. McCray Director since September 2010
Age 60

Ron McCray is a private investor and corporate director. He served as chairman of the board of Career Education Corp., a for-profit education services company, from July 2015 to October 2015 and served as its interim president and chief executive officer from February 2015 to April 2015. Ron served as vice president and chief administrative officer of Nike, Inc. from August 2007 until May 2009. He served as senior vice president law and government affairs of Kimberly-Clark Corporation from August 2003 until August 2007 and as its chief compliance officer from November 2004 until August 2007. Ron joined Kimberly-Clark in 1987 and held other senior positions prior to 2003 and also served as a member of the management executive committee. Before joining Kimberly-Clark, Ron was an attorney at the law firms of Weil, Gotshal & Manges in New York and Jones Day in Dallas. He is a limited partner of Boston Championship Basketball, LLC; an advisor to RLJ Equity Partners; and a former director of Career Education Corp., Knight-Ridder, Inc., Kimberly-Clark de Mexico, S.A. de C.V. and EveryWare Global, Inc. Additionally, Ron is a member of the governing boards of Cornell University and Harvard Law School, is a member of the boards of Jazz at Lincoln Center and Jazz Artists of Charleston, and was nominated by President Obama and confirmed by the Senate to be a member of the Federal Retirement Thrift Investment Board.

Ron has significant experience and knowledge in the leadership of large organizations, accounting, finance, corporate governance, risk management, operations and marketing, as well as public company board experience. These skills, together with his legal training and experience, serve to strengthen the Board s collective qualifications, skills and experience.

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Vote Required for Approval

The affirmative vote of a plurality of the voting power represented at the annual meeting and entitled to vote is required for the election of directors. This means that the nominees receiving the highest number of votes cast for the number of positions to be filled are elected. For additional information, please see *What number of votes is required to approve each proposal?*

Recommendation of the Board of Directors

The Board of Directors recommends a vote FOR Proposal One, for the election of each of the director nominees named in this proxy statement.

Directors Continuing in Office

Information regarding our directors continuing in office is provided below.

Class II Directors (Terms expire at A. H. Belo s 2019 annual meeting)

Louis E. Caldera Director since March 2011
Age 60 Compensation Committee Chairman

Louis Caldera is a Professor of Leadership in the College of Professional Studies at George Washington University since July 2016 where he teaches courses on public policy. He also serves as a senior fellow at the Cisneros Hispanic Leadership Institute since July 2016. Louis is also a private investor and consultant. Louis previously served on the board of directors and the audit, compensation, compliance and nominating and governance committees of Career Education Corp. from March 2013 until October 2015. He served as vice president of Programs of the Jack Kent Cooke Foundation from July 2010 until March 2012. Louis was a senior fellow at the Center for American Progress from June 2009 to June 2010, and served as Director of the White House Military Office in the Obama Administration from January 2009 to May 2009. Louis served as a tenured member of the University of New Mexico Law School faculty from August 2003 to December 2010 and was president of the University of New Mexico from August 2003 to February 2006. Previously, Louis was vice chancellor for university advancement at The California State University and Secretary of the Army in the Clinton Administration.

Louis is a former director of A. H. Belo Corporation (December 2007 to January 2009), Belo Corp. (July 2001 to February 2008), IndyMac Bancorp, Inc. (May 2002 to August 2008), and Southwest Airlines Co. (March 2003 to January 2009).

Louis has significant experience and knowledge in the leadership of large organizations, accounting and finance, as well as governmental policy and public company board experience (including audit committee chairmanship experience). These skills, together with his legal training and experience, serve to strengthen the Board s collective qualifications, skills and experience.

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John P. Puerner Director since May 2008
Age 66

John Puerner is a private investor whose professional career was spent primarily with Tribune Company. He served as publisher, president and chief executive officer of the *Los Angeles Times* from April 2000 to May 2005, when he retired from Tribune. Before that, John was publisher, president and chief executive officer of the *Orlando Sentinel* and vice president and director of marketing and development for the *Chicago Tribune*. He held a number of corporate staff positions in finance and strategic planning starting in 1979 when he joined Tribune.

John s extensive experience in journalism and specifically, the newspaper industry, combined with his business leadership roles while at Tribune Company, and his finance background (including a Master of Business Administration, and roles in financial planning and analysis) all add to the Board s collective qualifications, skills and experience.

Nicole G. Small Director since September 2011
Age 44

Nicole Small has served as president of the Lyda Hill Foundation, which funds conservation, medical and nature research, and chief executive officer of LH Holdings, Inc., a private investment firm, since January 2014. Nicole served previously as chief executive officer of the Perot Museum of Nature and Science from April 2002 through December 2013. She also served as a member of the Museum s expansion team from 2001 until April 2002. From 2000 to 2001, Nicole was a strategy and financial consultant and served as Entrepreneur in Residence of Idealab!, a business incubator based in Pasadena, California. From 1998 to 2000, she was co-founder and director of business development and strategy of Webwisher.com, an online gift registry that was subsequently acquired by WeddingChannel.com. She serves on the board of the Hockaday School of Dallas and is active in various other business and community organizations.

Nicole possesses extensive community, business development and entrepreneurial experience. This experience, together with her knowledge and background in management, finance and marketing (including a master s degree in management), serve to strengthen the Board s collective qualifications, skills and experience.

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Class III Directors (Terms expire at A. H. Belo s 2020 annual meeting)

John A. Beckert — Director since September 2011
Age 64 — Audit Committee Chairman

John Beckert has been an Operating Partner for Highlander Partners, L.P., a private equity firm, since March 2012. He served as a Special Advisor to Highlander Partners from October 2010 to March 2012. John served ClubCorp, Inc., a golf course and resort management company, as chief executive officer from June 2004 through December 2006 and chief operating officer from August 2002 through June 2004. He became chairman of the board and a director of ClubCorp Holdings, Inc. in August 2013 prior to the company s initial public offering and served in this role until the sale of ClubCorp, Inc. in September 2017. John served as chairman of the board of The Composites Group, a company that develops and manufactures thermoset plastic compounds and custom molded components, from December 2010 to November 2014. He was a member of the board of directors of Meisel, a digital graphic arts provider, until December 2012. From May 2000 until July 2002, John was a partner in Seneca Advisors L.L.P., a Dallas-based consulting and private investment firm, and from 1985 to April 2000, he served as chief operating officer of Dallas-based Bristol Hotels & Resorts, then the largest independent hotel operating company in North America.

As a result of these experiences and others, John possesses extensive business and leadership experience in large organizations, and knowledge and background in accounting, finance and tax. As a result of such experiences, together with his private equity experience, the Board s collective qualifications, skills and experience are strengthened.

Robert W. Decherd — Director since October 2007
Age 66

Robert Decherd will become chairman, president and chief executive officer effective May 17, 2018. Robert served as chairman, president and chief executive officer of A. H. Belo Corporation from December 2007 through September 2013, and served as vice chairman of the Board of Directors from September 2013 through December 2016. Robert served as non-executive chairman of Belo Corp. from February 2008 through December 2013 and he held several executive positions during his 35-year career with Belo Corp., including chairman and chief executive officer from January 1987 through January 2008. Robert has been a member of the board of directors of Kimberly-Clark Corporation since 1996, served as that company s Lead Director from 2004 to 2008, chairman of its audit committee from 2002 to 2004, and a member of its audit committee since 2008. Robert is presently chairman of Parks for Downtown Dallas, a 501(c)(3) private operating foundation that promotes the establishment of center-city parks. He has served on the Advisory Council for Harvard University s Center for Ethics and the Board of Visitors of the Columbia University Graduate School of Journalism.

As a result of these and other professional experiences, Robert possesses extensive knowledge and experience in the media industry, as well as with related regulatory agencies and industry organizations. Robert also has significant public company board experience (including lead director and audit committee chairmanship experience), all of which serve to strengthen the Board s collective qualifications, skills and experience.

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Tyree B. (Ty) Miller
Age 64

Director since May 2009
Nominating and Corporate Governance Committee Chairman

Lead Director

Ty Miller is a co-founder and principal of Expedition Capital Advisors, LLC, a Dallas-based real estate investment advisor and management fund, since April 2016. Prior to that, Ty was president of A.G. Hill Partners, LLC, a Dallas-based investment firm, from May 2009 to April 2016. Ty served as a director and a member of the audit and nominating and corporate governance committees of SWS Group, Inc. from November 2011 to December 2014 and served as its chairman of the special committee from February 2014 to December 2014. SWS Group, Inc. merged with and into Hilltop Holdings Inc. in January 2015, at which time all of Ty s positions with SWS Group ceased. Ty was a partner and director of COMM Ventures from November 2007 to September 2013. From October 2005 until February 2008, Ty was a venture partner with Austin Ventures, a private equity firm. He served as president and chief executive officer of Bank One Global Treasury Services, a unit of Banc One Corporation, from 2000 until the business merged with JPMorgan Chase in July 2004. During his 28-year career with Bank One, Ty held several executive positions, including chairman and chief executive officer of Bank One, Texas NA from 1998 to 2000. Ty served as a director and chairman of Paymetric, Inc. from September 2004 to February 2009 and as a director of Corillian Corp. from April 2005 to May 2007 and VISA USA from 2001 through 2003. He was on the executive committee of the Clearing House for Payments Company, New York, from 2001-2004.

Ty possesses extensive experience in financial services, private equity and money management. That experience, combined with his business leadership roles, accounting and finance background (including a Master of Business Administration), and public and private company board experience (including audit committee and compensation committee experience) combine to strengthen the Board s collective qualifications, skills and experience.

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PROPOSAL TWO: RATIFICATION OF THE APPOINTMENT OF

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

As part of our cost control measures, the Audit Committee determined to solicit and consider competitive proposals for audit services from independent public accounting firms. This proposal process resulted in the Audit Committee s appointment of Grant Thornton LLP to serve as our independent auditor to perform the audit of our financial statements for the fiscal year ending December 31, 2018. As a matter of good corporate governance, we have determined to submit the appointment of Grant Thornton for ratification by our shareholders.

KPMG LLP served as our independent public accounting firm from March 2009 to March 2018. The Audit Committee dismissed KPMG on March 16, 2018. The audit reports of KPMG on the Company s consolidated financial statements as of and for the years ended December 31, 2017 and 2016, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. The audit reports of KPMG on the effectiveness of internal control over financial reporting as of December 31, 2017 and 2016, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles, except that KPMG s report as of December 31, 2017, indicates that the Company did not maintain effective internal control over financial reporting as of December 31, 2017.

During the years ended December 31, 2017 and 2016, and the subsequent interim period through March 16, 2018, there were no (1) disagreements (as defined in Item 304(a)(1)(iv) of Regulation S-K and related instructions) with KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of KPMG, would have caused KPMG to make reference to the subject matter of the disagreement in their reports, or (2) reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K), except that KPMG advised the Company of certain material weaknesses in the Company s internal controls over financial reporting, disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2017.

The Audit Committee discussed the material weaknesses with KPMG. The Company has authorized KPMG to respond fully to inquiries of Grant Thornton concerning the material weaknesses. There are no limitations placed on KPMG or Grant Thornton concerning the inquiry or any matter related to the Company s financial reporting.

The Company provided KPMG and Grant Thornton with a copy of the disclosures required by Item 304(a) of Regulation S-K prior to the time this proxy statement was filed with the SEC. In the event that KPMG or Grant Thornton believed the disclosures were incorrect or incomplete, each was permitted to express its views in a brief statement to be included in this proxy statement. Neither submitted such a statement.

Representatives of KPMG and Grant Thornton will be present at the annual meeting. They will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions presented at the annual meeting.

In March 2018, the Audit Committee approved the appointment of Grant Thornton as our independent public accountant for the fiscal year ended December 31, 2018. During the years ended December 31, 2017 and 2016, and the subsequent interim period through March 16, 2018, neither the Company nor anyone on its behalf has consulted Grant Thornton with respect to either (1) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company s consolidated financial statements or the effectiveness of internal control over financial reporting, where either a written report or oral advice was provided to the Company that Grant Thornton concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing or financial reporting issue; or (2) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a reportable event as described in Item 304(a)(1)(v) of Regulation S-K.

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The table below sets forth the KPMG fees related to the audits of our financial statements for the fiscal years ended December 31, 2017 and December 31, 2016 and the reviews of our financial statements for the quarterly periods within those fiscal years, and all other fees KPMG has billed us for services rendered during the fiscal years ended December 31, 2017 and December 31, 2016:

	2017	2016
Audit Fees(1)	$ 1,000,000	$ 806,430
Audit-Related Fees	$	$
Tax Fees	$	$
All Other Fees	$	$

(1) Consists of the audit of the annual consolidated financial statements, reviews of the quarterly consolidated financial statements, procedures to attest to the Company s compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and assistance with SEC filings.

The Audit Committee has adopted a policy and related procedures that set forth the manner in which the Audit Committee will review and approve all services to be provided by Grant Thornton before the firm is retained to provide such services. The policy requires Audit Committee pre-approval of the terms and fees of the annual audit services engagement, as well as any changes in terms and fees resulting from changes in audit scope or other items. The Audit Committee also pre-approves, on an annual basis, other audit services and audit-related and tax services set forth in the policy, subject to estimated fee levels pre-approved annually by the Committee. Any other services to be provided by the independent auditors must be separately pre-approved by the Audit Committee. In addition, if the fees for any pre-approved services are expected to exceed by 5% or more the estimated fee levels previously approved by the Audit Committee, the services must be separately pre-approved by the Committee. As a general guideline, annual fees paid to the independent auditors for services other than audit, audit-related and tax services should not exceed one-half the dollar amount of fees to be paid for these three categories of services collectively. The Audit Committee has delegated to the Committee chairman and other Committee members the authority to pre-approve services up to certain limits. Services pre-approved pursuant to delegated authority must be reported to the full Committee at its next scheduled meeting. The Company s Chief Financial Officer reports periodically to the Audit Committee on the status of pre-approved services, including projected fees. All of the services and fees reflected in the above table were approved by the Audit Committee in accordance with our pre-approval policy.

Vote Required for Approval

The affirmative vote of a majority of the voting power represented at the annual meeting and entitled to vote on this proposal is required for approval.

Recommendation of the Board of Directors

The Board of Directors recommends a vote FOR Proposal Two, for the ratification of the appointment of Grant Thornton LLP as A. H. Belo s independent registered public accounting firm.

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PROPOSAL THREE: ADOPTION OF AN AGREEMENT AND PLAN OF MERGER AND APPROVAL OF REINCORPORATION IN TEXAS

Our Board of Directors has unanimously approved and recommends that the shareholders adopt the Agreement and Plan of Merger attached hereto as Exhibit I (the Plan of Merger) and thereby approve the reincorporation of the Company from the State of Delaware to the State of Texas (the Reincorporation). The Reincorporation will be effected pursuant to the Plan of Merger. The Plan of Merger provides for the merger of the Company into A. H. Belo Texas, Inc. (A. H. Belo Texas), a wholly owned subsidiary of the Company incorporated under the laws of the State of Texas. A. H. Belo Texas currently has no operations, assets or liabilities. The Board believes that this Reincorporation will result in the advantages described below.

The Reincorporation will not result in any material change in our business, assets or financial position or the location of our corporate headquarters or primary publishing operations. The persons who will serve as the directors and officers of A. H. Belo Texas will be the same persons serving in such capacities with the Company immediately before the merger. Upon the effective time of the merger (Effective Time):

The legal existence of the Company as a separate Delaware corporation will cease;

A. H. Belo Texas, as the surviving corporation, will succeed to the assets and assume the liabilities of the Company;

Each outstanding share of our Series A common stock will automatically be converted into one share of Series A common stock, par value $0.01 per share, of A. H. Belo Texas (A. H. Belo Texas Series A common stock);

Each outstanding share of our Series B common stock will automatically be converted into one share of Series B common stock, par value $0.01 per share, of A. H. Belo Texas (A. H. Belo Texas Series B common stock);

Each outstanding share of our Series A common stock and Series B common stock held in the treasury of the Company will automatically be converted into one share of A. H. Belo Texas Series A common stock or A. H. Belo Texas Series B common stock, as applicable;

Each share of A. H. Belo Texas outstanding immediately prior to the merger will be cancelled and retired and will cease to exist;

All of the Company s employee benefit and incentive plans and arrangements will be assumed by A. H. Belo Texas upon the same terms and subject to the same conditions set forth in such plans and arrangements as before the Reincorporation;

Each outstanding option to purchase our Series A common stock or Series B common stock will automatically be converted into an option to purchase an identical number of shares of A. H. Belo Texas Series A common stock or A. H. Belo Texas Series B common stock, as applicable, at the same option price per share and upon the same terms and subject to the same conditions set forth in the applicable plan and related award agreement;

A. H. Belo Texas Series A common stock or A. H. Belo Texas Series B common stock, as applicable, will become issuable upon the vesting of restricted shares and awards of restricted stock units upon the same terms and subject to the same conditions set forth in the applicable plan and related award agreement; and

A. H. Belo Texas name will be changed to A. H. Belo Corporation.

The terms of the Reincorporation are described in more detail in the Plan of Merger and all descriptions of the Reincorporation are qualified by and subject to the more complete information therein.

After the Effective Time, certificates representing shares of our Series A common stock or Series B common stock will be deemed to represent an equal number of shares of A. H. Belo Texas Series A common stock or A. H. Belo Texas Series B common stock, as applicable, into which those shares are converted. The Reincorporation will not affect the validity of the currently outstanding stock certificates. Consequently, it will not be necessary for shareholders of the Company to exchange their existing stock certificates for stock certificates of A. H. Belo Texas.

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The Reincorporation will become effective upon filing certificates of merger in Delaware and Texas, which filings are expected to be made as soon as practicable after shareholder adoption of the Plan of Merger. Pursuant to the terms of the Plan of Merger, the merger may be abandoned by the Board or the A. H. Belo Texas board of directors, any time before the Effective Time (whether before or after shareholder approval). In addition, the Company and A. H. Belo Texas may amend the Plan of Merger at any time before the Effective Time (whether before or after shareholder approval), provided that after shareholder approval, no amendment may be made that by law requires further shareholder approval without obtaining such further approval.

After the Effective Time, the Certificate of Formation of A. H. Belo Texas, the form of which is attached hereto as Exhibit II, and the Bylaws of A. H. Belo Texas, the form of which is attached hereto as Exhibit III, will govern the surviving corporation. All descriptions of the Certificate of Formation and Bylaws are qualified by and subject to the more complete information set forth in those documents.

In the event shareholders adopt the Plan of Merger, neither the Certificate of Formation of A. H. Belo Texas nor the Bylaws of A. H. Belo Texas will provide for a classified board of directors. If the shareholders do not adopt the Plan of Merger, then the classification of directors of the Company will continue as provided in the Company s Bylaws. See *Classified Board of Directors* below.

Certain changes in the rights of the shareholders of the Company will result under Texas law and the new Certificate of Formation and Bylaws of A. H. Belo Texas. See *Comparison of Shareholder Rights Before and After the Reincorporation* below.

Reasons for the Reincorporation

The Reincorporation will allow the Company to better align its legal domicile with its corporate headquarters and primary publishing operations. Following the Reincorporation, the Company will benefit from having its operational center, legal domicile and corporate office in Dallas, Texas, the situs of its *Dallas Morning News* publishing operations. Because the Company s corporate headquarters and its principal operations, management and employees are located in Dallas, Texas, the Company s status as a Delaware corporation physically located in Texas requires the Company to comply with reporting and tax obligations in both Delaware and Texas. For the most recent franchise tax period, the Company paid $180,000 in franchise taxes to the State of Delaware. The Delaware legislature recently amended the Delaware Code in 2017 to increase maximum annual Delaware franchise taxes from $180,000 to $200,000, which increase will be applicable to the Company when it files its Delaware franchise tax return for 2017. The Company is obligated to pay the same amount of Texas franchise tax regardless of where it is incorporated, and the Company s Texas franchise tax obligations will not change as a result of the Reincorporation. In addition, the Company incurs annual Delaware service-related fees for statutory service of process and other representation and for legal fees to Delaware counsel, as well as fees related to Delaware tax filing preparation, which will no longer be required after the Reincorporation. The Company already maintains statutory representation for service of process and other matters in the State of Texas. Accordingly, the Company estimates that the Reincorporation will result in a net cash savings by the Company of at least approximately $210,000 annually.

The Company does not conduct any operations in the State of Delaware and does not anticipate doing so in the future other than advertising or marketing sales, through its subsidiaries, to customers with locations in Delaware, which at present do not account for an appreciable portion of the Company s overall sales.

The Company is a very different company than it was when it was spun-off from Belo Corp. in 2008. Prior to the spin-off transaction, Belo Corp. was a national news and media corporation with television and cable news stations and newspapers nationwide. With media industry headwinds, Belo Corp. decided to separate its newspaper operations from its broadcast operations, and spun-off the Company as a stand-alone newspaper company with three major metropolitan newspapers and niche news products in the markets they served. At the time of the spin-off, the Company s three major newspaper assets included *The Dallas Morning News* in Dallas, Texas, the *Press-Enterprise* in Riverside, California, and *The Providence Journal* in Providence, Rhode Island. The Company also held an interest in Classified Ventures through its subsidiary, Belo Enterprises. Classified Ventures owned cars.com, which operated in fifty states.

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In addition to *The Dallas Morning News,* the Company s Dallas-area assets included *The Denton-Record Chronicle* serving Denton and north Texas markets*, al* Dia serving the Hispanic and Spanish speaking population of the Dallas market area*, briefing, Quick,* and *FD! The Dallas Morning News* discontinued its *Quick* product, which was a free weekly print product, in 2011. It discontinued its *FD!* product, which was a monthly magazine focused on the Dallas area s luxury market, in 2016. The Company recently sold its interest in *The Denton Record Chronicle*.

The Company s subsidiary, The Press-Enterprise Company, sold substantially all of the assets of the *Press-Enterprise* newspaper operations in 2013*,* along with all of the Company s real property assets in the State of California in 2014, and ceased doing business in California at that time. In 2014, The Providence Journal Company, the Company s subsidiary, sold substantially all of the assets of *The Providence Journal* newspaper operations, and the Company sold its remaining Rhode Island real property assets in 2015. The Providence Journal Company ceased all business operations in the State of Rhode Island at that time. In 2014, the Company also sold its interest in Classified Ventures.

As a result of the foregoing, in 2018, the Company s business is no longer national in scope and the Company finds itself essentially back to its Texas roots where it started as a newspaper company in 1842. It is the oldest continuous publishing institution in the State of Texas serving Texas communities. The Company does not conduct any material operations in any state in the United States other than Texas, other than sales to customers located in those other states. Thus, the Company does not believe it receives any material financial benefit as a result of being incorporated in Delaware. The Company also considered its relatively small capitalization and its desire to cut unnecessary costs. If the proposed Reincorporation is implemented, A. H. Belo Texas would benefit from a recurring reduction in franchise taxes compared to the Company because A. H. Belo Texas would no longer have a franchise tax obligation in Delaware.

Furthermore, incorporation in Delaware subjects the Company to the jurisdiction and venue of federal and state courts in Delaware in possible litigation, even though it has no management, employees, or operations there. Delaware courts typically require the retention of Delaware counsel in proceedings there in addition to the Company s Texas counsel. The Company believes the risk of this potential expense and other hurdles of litigation conducted far from its Dallas office is unwarranted.

The Company believes that the Texas legislature has demonstrated a willingness to maintain modern and effective corporation laws to meet changing business needs. While some regard Delaware corporate law as the most extensive and well-defined body of corporate law in the United States, the Company does not believe there is significant risk to the Company or its shareholders if the Company is governed under Texas corporate law rather than Delaware corporate law. While there are some advantages under Delaware corporate law to being a Delaware corporation, there are also advantages under Texas corporate law to being a Texas corporation. The Company believes that, on balance, the impact on the Company of implementing the Reincorporation proposal from a corporate law perspective will be neutral to the Company and its shareholders.

Comparison of Shareholder Rights Before and After the Reincorporation

Because of differences between the Texas Business Organizations Code (TBOC) and the General Corporation Law of the State of Delaware (the DGCL), as well as certain differences between the Company s and A. H. Belo Texas s charter and bylaw documents before and after the Reincorporation, the Reincorporation will effect some changes in the rights of the Company s shareholders. Summarized below are the most significant differences between the rights of the shareholders of the Company and the rights of shareholders of A. H. Belo Texas before and after the Reincorporation as a result of the differences between each of the TBOC and the DGCL, the Certificate of Formation (the Texas Charter) and the Bylaws (the Texas Bylaws) of A. H. Belo Texas and the Certificate of Incorporation (the Delaware Charter) and the Bylaws (the Delaware Bylaws) of the Company. The summary below is not intended to be relied upon as an exhaustive list of all the differences or a complete description of the differences, and is qualified in its entirety by reference to the TBOC, the Texas Charter, the Texas Bylaws, the DGCL, the Delaware Charter and the Delaware Bylaws.

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(For consistency of reference, even though the DGCL, the Delaware Charter and the Delaware Bylaws use the term stockholder to refer to a holder of shares of stock of the Company, this discussion generally uses the term shareholder, which is used in the TBOC, the Texas Charter and the Texas Bylaws.)

Business Combinations

Delaware

The DGCL prohibits certain transactions between a Delaware corporation and an interested stockholder (referred to as an interested shareholder in the discussion below). An interested shareholder is broadly defined as a person (including the affiliates and associates of such person) that is directly or indirectly a beneficial owner of 15% or more of the outstanding voting stock (or, if different, 15% or more of the voting power) of a Delaware corporation. This provision prohibits certain business combinations between an interested shareholder and a company for a period of three years after the date the interested shareholder acquired its stock unless certain exemptions apply. Prohibited business combinations include (i) mergers or consolidations, (ii) sales or other dispositions of assets having an aggregate fair market value of 10% or more of either the consolidated assets of a company or the market value of the outstanding stock of a company, and (iii) certain transactions that would result in the issuance or transfer of stock of a company, increase the interested shareholder s proportionate share of ownership in a company or grant the interested shareholder disproportionate financial benefits.

Exemptions apply if: (i) the business combination is approved by a majority of the board of directors and the affirmative vote of two-thirds of the votes entitled to be cast by disinterested shareholders at an annual or special meeting, (ii) the business combination or the transaction in which the shareholder became an interested shareholder is approved by that company s board of directors prior to the date the interested shareholder becomes an interested shareholder, (iii) a majority of the shareholders approve an amendment to the charter or bylaws that elects that the company not be covered by the DGCL business combination provisions (such amendment to take effect 12 months thereafter and not to have retroactive effect), or (iv) the interested shareholder acquires at least 85% of the voting stock of that company in the transaction in which it became an interested shareholder.

Texas

The TBOC prohibits certain transactions between a Texas corporation and an affiliated shareholder, which is broadly defined as a person that is directly or indirectly a beneficial owner of 20% or more of the outstanding voting shares of a Texas corporation or that owned such shares within the prior three years. This provision, which also applies to affiliates and associates of the affiliated shareholder, prohibits certain business combinations with affiliated shareholders for a period of three years following the shareholder s acquisition of 20% or more of the corporation s voting shares unless certain exemptions apply. Prohibited business combinations include (i) mergers, share exchanges and conversions of a company or a majority-owned subsidiary, (ii) sales or other dispositions of assets by a company or a majority-owned or controlled subsidiary having an aggregate market value of 10% or more of (a) the aggregate market value of the consolidated assets of a company, (b) the aggregate market value of the outstanding stock of a company or (c) the earning power or net income of a company on a consolidated basis, (iii) certain transactions that would result in the issuance or transfer of shares of a company to an affiliated shareholder, increase the affiliated shareholder s proportionate share of ownership in a company or grant the affiliated shareholder disproportionate financial benefits, and (iv) liquidation proposals under an agreement or understanding with, or proposed by, an affiliated shareholder.

Exemptions apply if (i) the transaction is approved by a majority of the board of directors and the affirmative vote by holders of two-thirds of the unaffiliated shares at a meeting held no earlier than six months after the affiliated shareholder acquires ownership of 20% or more of the voting shares, (ii) the board of directors approves the transaction or the purchase of shares by the affiliated shareholder before the affiliated shareholder acquires beneficial ownership of 20% or more of the voting shares, or (iii) two-thirds of the unaffiliated shareholders approve an amendment to the charter or bylaws that elects that the corporation not be covered by the TBOC business combination provisions (such amendment to take effect 18 months thereafter and not to have retroactive effect).

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Charter Provisions

The Delaware Charter includes additional restrictions on business combinations that in many ways are more stringent than either of the statutory business combination provisions in the DGCL or TBOC. The Texas Charter includes an almost identical provision. In both cases, these charter provisions must be satisfied, in addition to compliance with the statutory provisions of the state, for a business combination with an interested shareholder or an affiliated shareholder to be permitted.

The Delaware Charter prohibits certain transactions between the Company and an interested stockholder (referred to as an interested shareholder in the discussion below), which is broadly defined as a person (including certain affiliates and transferees of such person) that is directly or indirectly a beneficial owner of 10% or more of the outstanding voting power of the Company. This provision prohibits certain business combinations between an interested shareholder and the Company indefinitely, unless certain exemptions apply. Prohibited business combinations include (i) mergers or combinations, (ii) sales or other dispositions of assets of the Company or any subsidiary having an aggregate fair market value of $25 million or more, (iii) issuances or transfers of securities of the Company or a subsidiary to the interested shareholder for consideration having a fair market value of $25 million or more, (iv) reclassifications, recapitalizations, mergers or consolidations of the Company into any subsidiary, or any other transactions that, in each case, have the effect of increasing the interested shareholder s proportionate share of ownership of any class of equity or convertible securities of the Company, and (v) plans or proposals for liquidation by or on behalf of the interested shareholder.

Exemptions include (i) approval of the business combination by at least 80% of the voting power of all the then outstanding shares of stock voting together, each share having the number of votes granted by the charter, as well as any class vote required by law or the charter, (ii) approval of the transaction by a majority of the continuing directors (directors who are not affiliated with the interested shareholder and who were directors prior to the time the interested shareholder became such, and successors of continuing directors who are not affiliated with the interested shareholder and are recommended by a majority of the continuing directors), and (iii) compliance with certain fair price and fair terms requirements.

The fair price and terms exemption generally requires that (i) the consideration to be received by shareholders be cash or the same form of consideration used by the interested shareholder in acquiring shares during the prior two years, (ii) the value of the consideration to be received by shareholders in the business combination be equal to or greater than the highest of several fair price tests, (iii) unless approved by a majority of the continuing directors, there has been no failure to pay preferred stock dividends and no reduction in the annual dividend rate on common stock, and (iv) the interested shareholder has not received the benefit (except proportionately as a shareholder) of any loans, guarantees, pledges, or other financial assistance or tax advantages.

Under this provision, a fair price is generally the highest of (i) the highest price paid by the interested shareholder for shares of common stock during the preceding two years or in the transaction in which the interested shareholder became such, plus the excess of interest thereon, compounded annually at the prime rate, over the amount of dividends paid thereon, (ii) the higher of the fair market value per share of the common stock on the date of public announcement of the business combination or the date the interested shareholder became such, (iii) the price in (ii) multiplied by the ratio of the highest price paid by the interested shareholder for shares during the two-year period preceding the announcement of the business combination to the fair market value of the stock on the first day in such two-year period on which the interested shareholder acquired stock, and (iv) an amount per share equal to the earnings per share of Company common stock for the four full consecutive fiscal quarters preceding the consummation of the business combination multiplied by the then reported price/earnings multiple (if any) of the interested shareholder.

The business combination provision in the Texas Charter will be substantially identical to the present Delaware Charter provision except that (i) it will specify, for the avoidance of doubt, that the directors of A. H. Belo Texas immediately prior to the effectiveness of the Reincorporation who are not then affiliated with a person who is then an affiliated shareholder of A. H. Belo Texas or the Company will be deemed to be continuing directors with respect to such affiliated shareholder, and (ii) certain minor revisions will be made to conform to Texas law requirements and certain immaterial corrections or clarifications will be made.

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Effect and Comparison

The board believes that there will be no material change in the combined protective effect of the statutory and charter business combination provisions as a result of the Reincorporation in Texas. The board also believes that the presence of the ownership by Robert Decherd, Jim Moroney and certain other descendants of George B. Dealey, a longtime publisher of *The Dallas Morning News*, including Dealey Herndon, and the voting power of such shares, as discussed below, together with the business combination provisions of either charter and either statute will offer protection to shareholders from transactions that may be unfair or disadvantageous to shareholders. Such transactions may include market accumulations or tender offers followed by second-step mergers to eliminate minority shareholders effected by an interested shareholder without prior negotiation with the board and at a potentially lower price or on less advantageous terms than the original purchases by the interested shareholder. The board further believes that the statutory and charter business combination provisions will encourage a potential acquirer to bring any proposal to the board for its consideration, and that it is more likely that a transaction fair to the shareholders can be achieved through that method.

If their holdings are considered together, Messrs. Decherd and Moroney presently own or may be deemed to beneficially own a majority of the voting power of the Company, and that is expected to continue to be the case at A. H. Belo Texas immediately following the Reincorporation. Irrespective of the business combination provisions of the Delaware and Texas statutes and charter provisions, their ownership and/or deemed beneficial ownership of a majority of the voting power of the Company and A. H. Belo Texas would tend to discourage hostile offers and takeover proposals for the Company or A. H. Belo Texas as a whole.

In addition to the existing ownership and/or deemed beneficial ownership of Mr. Decherd and Mr. Moroney, the application of either statute and either charter provision could make more difficult or discourage a potential acquirer from seeking to engage in a business combination with the Company or A. H. Belo Texas, irrespective of whether such action might be perceived by certain shareholders to be beneficial to either company or its shareholders, and could adversely affect the ability of shareholders to benefit from certain transactions that are opposed by the board or by the majority shareholders, even if the price offered in those transactions represents a premium over the then-current market price of the Company s or A. H. Belo Texas s stock.

Because of the present ownership and/or deemed beneficial ownership of majority voting power by Mr. Decherd and Mr. Moroney and the almost identical nature of the two business combination charter provisions, which are more restrictive than the statutory provisions, there will be no practical difference in the effect on potential acquisitions of the Company or A. H. Belo Texas as a result of the Reincorporation.

Robert Decherd and Jim Moroney are interested shareholders under the Delaware statute. However, the restrictions on business combinations under the Delaware statute do not currently apply to them because their acquisitions of shares of the Company were approved by the directors of the Company prior to their acquisition of shares of the Company. Robert Decherd and Jim Moroney will not be affiliated shareholders under the Texas statute because they do not own sufficient voting shares. In addition, the restrictions on business combinations under the Texas statute will not apply to them because their acquisitions of shares of A. H. Belo Texas will be approved by the directors of A. H. Belo Texas prior to their acquisition of such shares. Thus, approval or non-approval of the Reincorporation will not have any effect on the applicability of the restrictions on business combinations under Delaware or Texas law to transactions between the Company and Mr. Decherd or Mr. Moroney.

Under the Delaware Charter Robert Decherd and Jim Moroney are currently considered interested shareholders, and any business combination with either of them would be impermissible absent an exemption from those charter provisions, as discussed above. Likewise, Mr. Decherd and Mr. Moroney will be considered interested shareholders under the analogous provisions of the Texas Charter. Thus, the status of Mr. Decherd and Mr. Moroney as interested shareholders under the Company s charter will be unchanged as a result of the Reincorporation.

The board also believes that, if the Reincorporation is approved, the charter provisions of A. H. Belo Texas, coupled with the requirements of Texas law generally, will continue to be adequate to protect the interests of the other shareholders in connection with any possible transactions with Mr. Decherd or Mr. Moroney, including business combinations. To effect a business combination transaction with Mr. Decherd or Mr. Moroney, a

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majority of the continuing directors, who are not affiliated with either of them, in the exercise of their fiduciary duties, or the holders of at least 80% of the voting power of the outstanding stock entitled to vote, must approve the transaction or the business combination must meet the fair price and terms standards summarized above regardless of whether the Reincorporation is approved. As a result of the Reincorporation, the charter of A. H. Belo Texas will specify the persons initially constituting continuing directors in reference to Mr. Decherd and Mr. Moroney following the Merger.

Other Mergers, Consolidations, Conversions, Share Exchanges and Sales, Leases, Exchanges or Other Dispositions

Delaware

Under the DGCL, except as provided in the business combination provision described above and except for certain mergers with subsidiaries, a Delaware corporation may merge or consolidate with another entity, or sell, lease or exchange all or substantially all of its property and assets, when and as authorized by a majority of the outstanding stock of the corporation entitled to vote thereon, unless the certificate of incorporation provides for a higher percentage. A parent corporation may merge with a 90% or more-owned subsidiary, and no vote of the shareholders of the parent corporation is generally required if the parent corporation is the survivor in the merger. A corporation may convert into another form of entity such as a limited liability company, if unanimously approved by the shareholders (both voting and nonvoting). The DGCL does not statutorily provide for exchanges of ownership interests or mergers with more than one surviving corporation, which are permitted under the TBOC.

The Delaware Charter provides a higher voting standard than required under the DGCL for approval of a merger, sale of all or substantially all assets or a dissolution and requires approval of the holders of at least two-thirds of the voting power of the outstanding shares of the Company then entitled to vote for approval of such a transaction.

Texas

Under the TBOC, except for transactions subject to the business combination provisions of the TBOC and other than certain mergers with subsidiaries, generally a merger, including a merger with more than one surviving corporation, an exchange of ownership interests with another entity, a conversion into another form of entity or a sale, lease, exchange or other disposition of all, or substantially all, of the property and assets of a Texas corporation, if not made in the usual and regular course of its business, requires the approval of the holders of at least two-thirds of all the outstanding shares of the corporation entitled to vote thereon, and the approval of the holders of two-thirds of the outstanding shares of each class or series of shares entitled to vote as a class or series thereon. A parent corporation may merge with a 90% or more-owned subsidiary, and no vote of the shareholders of the parent corporation is generally required if the parent corporation is the survivor in the merger. A conversion may not convert a share of a corporation into an interest in another entity that does not provide limited liability to its interest owners without the shareholder s consent. Under the TBOC, the transfer of substantially all of a corporation s assets in such a manner that the corporation continues to engage, directly or indirectly, in one or more businesses after the sale, or applies a portion of the proceeds of sale to the conduct of such business or businesses, is not a sale of all or substantially all of the assets of such corporation.

The Texas Charter requires the approval of such transactions by the holders of shares that possess at least two-thirds of the voting power of all the outstanding voting shares of the corporation entitled to vote thereon. The result in Texas is generally consistent with the combined effect in Delaware of the DGCL and the Delaware Charter, except that conversions on a less than a unanimous vote, exchanges of ownership interests and mergers with more than one surviving corporation are permitted under the TBOC and the Texas Charter.

Appraisal Rights

Delaware

Shareholders of a Delaware corporation have appraisal rights in consolidations and mergers, but they do not have appraisal rights in sales of all or substantially all of the assets of the corporation.

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Notwithstanding the foregoing, under the DGCL, shareholders have no appraisal rights in the event of a merger or consolidation of the corporation if, at the record date for the meeting held to approve such transaction, the stock of the Delaware corporation is listed on a national securities exchange or such stock is held of record by more than 2,000 shareholders.

Further, no appraisal rights are available for any shares of stock of the corporation surviving a merger if:

(1) the agreement of merger does not amend the certificate of incorporation of the surviving corporation;

(2) each share of stock of the surviving corporation outstanding immediately prior to the effective date of the merger is to be an identical outstanding or treasury share of the surviving corporation after the effective date of the merger; and

(3) either no shares of common stock, or securities convertible into common stock, of the surviving corporation are issued in the merger; or the increase in the outstanding shares as a result of the merger does not exceed twenty percent (20%) of the shares of common stock of the surviving corporation outstanding immediately prior to the merger.

Even if appraisal rights would not otherwise be available under Delaware law in the cases described above, shareholders would still have appraisal rights if they are required by the terms of the agreement of merger or consolidation to accept for their stock anything other than:

(1) shares of stock (or depository receipts in respect thereof):

(A) of the surviving or resulting corporation; or

(B) of any other corporation, which shares (or depository receipts) at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 shareholders;

(2) cash in lieu of fractional shares; or

(3) a combination of such shares and such cash.

Shareholders of a Delaware parent corporation have no appraisal rights in a merger between that parent corporation and a subsidiary corporation wholly owned by the parent corporation; but, if the parent corporation does not own all of the subsidiary s stock, the other shareholders of the subsidiary would have appraisal rights.

Under the DGCL, a corporation may provide in its certificate of incorporation that appraisal rights will also be available as a result of an amendment to its certificate of incorporation, any merger or consolidation involving such corporation, or the sale of all or substantially all of the assets of the corporation.

The Delaware Charter has no provision with respect to appraisal rights.

Texas

Except for the limited classes of mergers for which no shareholder approval is required under the TBOC, shareholders of Texas corporations with voting rights on the transaction have appraisal rights in the event of a merger, exchange of ownership interests, conversion, or sale of all, or substantially all, of the assets of the corporation. Notwithstanding the foregoing, a shareholder of a Texas corporation has no appraisal rights with respect to a plan of merger or conversion in which there is a single surviving or new domestic or foreign corporation, or with respect to any plan of exchange, if:

(1) the shares held by the shareholder are part of a class or series of shares that are, on the record date set for purposes of determining which owners are entitled to vote on the plan of merger, conversion, or exchange, as appropriate:

(A) listed on a national securities exchange; or

(B) held of record by at least 2,000 owners;

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(2) the shareholder is not required by the terms of the plan of merger, conversion, or exchange to accept for the shareholder s shares any consideration that is different from the consideration to be provided to any other holder of shares of the same class or series, other than cash instead of fractional shares; and

(3) the shareholder is not required by the terms of the plan of merger, conversion, or exchange to accept for its shares any consideration other than:

(A) shares of a corporation that, immediately after the effective date of the merger, conversion, or exchange will be part of a class or series of shares, that are:

(i) listed on a national securities exchange or authorized for listing on the exchange on official notice of issuance; or

(ii) held of record by at least 2,000 owners;

(B) cash in lieu of fractional shares; or

(C) any combination of the shares and cash above.

The Texas Charter contains no provision with respect to appraisal rights.

Charter Amendments

Delaware

The DGCL provides that amendments to the certificate of incorporation must be declared advisable by resolution of the board of directors, and then approved by the holders of a majority of the corporation s outstanding stock entitled to vote thereon, unless the certificate of incorporation provides for a greater vote.

Under the Delaware Charter, amendments to Article Twelve of the Delaware Charter (regarding Business Combinations) require approval of the holders of at least 80% of the voting power of the outstanding shares of the Company then entitled to vote thereon, voting as a single class. Under the Delaware Charter, amendments to Article Nine (regarding authority of the board to amend the Bylaws) and Article Eleven (regarding two-thirds voting standard for certain extraordinary transactions) require approval of the holders of at least two-thirds of the voting power of the outstanding shares of the Company then entitled to vote thereon, voting as a single class. All other amendments to the Delaware Charter would require approval of the holders of at least a majority of the voting power of the Company s outstanding stock entitled to vote thereon.

Texas

Under the TBOC, an amendment to the certificate of formation, requires the approval of the holders of at least two-thirds of the outstanding shares of the corporation entitled to vote thereon, and the approval of the holders of two-thirds of the outstanding shares of each class or series of shares entitled to vote as a class or series thereon, unless a different amount, not less than a majority, is specified in the certificate of formation.

Under the Texas Charter, amendments to Article Nine (regarding authority of the board to amend the Bylaws), Article Ten (regarding certain extraordinary transactions) and Article Eleven (regarding Business Combinations) require the same approvals as under the provisions of the Delaware Charter. The Texas Charter provides that other amendments to the Texas Charter require approval of the holders of a majority of the voting power of A. H. Belo Texas, which is the same vote required under the DGCL and Delaware Charter for such amendments.

Bylaw Amendments

Delaware

Under the DGCL, the right to amend, repeal or adopt the bylaws is vested in the shareholders of the corporation entitled to vote and, if the corporation s certificate of incorporation so provides, the corporation s board of directors.

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The Delaware Charter and Delaware Bylaws provide that the Delaware Bylaws may be amended, repealed, altered or adopted by the shareholders by the affirmative vote of the holders of at least two-thirds of the voting power of the outstanding shares of the Company then entitled to vote on such matter, voting as a single class, or by the board of directors.

Texas

Under the TBOC, the board of directors may amend, repeal or adopt a corporation s bylaws unless the certificate of formation or the TBOC wholly or partly reserves this power exclusively to the shareholders, or the shareholders in amending, repealing or adopting a particular bylaw expressly provide that the board of directors may not amend, repeal or readopt that bylaw.

The Texas Charter and the Texas Bylaws provisions concerned with amending or adopting the Bylaws are substantially the same as the Delaware provisions.

Shareholder Consent to Action Without a Meeting

Delaware

Under the DGCL, unless otherwise provided in the certificate of incorporation, any action that can be taken at a meeting can be taken without a meeting, without prior notice and without a vote, if written consent (or consents), setting forth the action to be taken, is (or are) signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were presented and voted.

The Delaware Charter provides that no action may be taken by shareholders through written consent.

Texas

Under the TBOC, any action that may be taken at a meeting of the shareholders may be taken without a meeting if written consent thereto is signed by all the holders of shares entitled to vote on that action. The certificate of formation of a Texas corporation may provide that action by written consent in lieu of a meeting may be taken by the holders of that number of votes which, under the corporation s certificate of formation, would be required to take the action which is the subject of the consent at a meeting at which each of the shares entitled to vote thereon were present and voted.

The Texas Charter provides that no action may be taken by shareholders through written consent, unless the consent is unanimous.

Right to Call Meetings; Shareholder Proposals and Director Nominations

Delaware

The DGCL provides that special meetings of the shareholders may be called by the board of directors or such other persons as are authorized in the certificate of incorporation or bylaws.

The Delaware Bylaws provide that special meetings may be called only by the Chief Executive Officer, by a majority of the total number of directors on the board of directors if there were no vacancies, or by the request of holders of record of not less than one-fifth of the voting power of all shares entitled to vote at the meeting (a Special Meeting Request). If the Special Meeting Request is in proper form, the Secretary will call a special meeting of shareholders within 120 days of the request. To be in proper form, a Special Meeting Request must meet the criteria set forth in the Bylaws, including the furnishing of written information similar to that required for shareholder proposals as summarized below, and an agreement to provide notice of dispositions of shares prior to the record date of the meeting (which could result in a cancellation of the special meeting if the one-fifth requirement is no longer met).

The Delaware Bylaws also include provisions as to the requirements for shareholder proposals at annual meetings and director nominations. The Chief Executive Officer, the board or directors and any shareholder who is entitled to vote at the meeting and is a shareholder of record both at the time of a proposal or nomination and at

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the time of the meeting, may bring a matter before the meeting or submit a director nomination if such shareholder complies with the notice procedures set forth in the Bylaws. These generally include: timely delivery of the proposal or nomination and furnishing of written information about the proposal or nominee (including a nominee questionnaire); identification of the shareholder or nominee and the shareholder s or nominee s holdings or short positions in the corporation s securities and in derivatives and other securities related to the corporation; disclosure of any arrangements that involve voting or indicate a direct or indirect financial or other interest in the matter to be voted on, the corporation or its competitors; disclosure of relationships between the shareholder and such nominee; disclosure of any litigation involving such shareholder or nominee relating to the corporation and recent transactions with the corporation or its competitors; disclosure of discussions of matters proposed to be brought before the meeting with other shareholders; a statement as to whether the shareholder intends to engage in a solicitation with respect to matters proposed to be brought before the meeting and whether the shareholder intends to deliver a proxy statement or form of proxy to shareholders; and furnishing of any other information required to be disclosed in a proxy statement relating to such proposal or nomination and certain other specified information.

Texas

Under the TBOC, holders of not less than 10% of all of the shares entitled to vote at the proposed meeting have the right to call a special shareholders meeting, unless the certificate of formation provides for a number of shares greater than 10%, but in no event may the certificate of formation provide for a number of shares greater than 50%. The president, board of directors, or any other person authorized to call special meetings by the certificate of formation or bylaws of the corporation may also call special shareholders meetings.

The Texas Charter provides that special shareholder meetings may be called by the holders of not less than 50% of all of the shares entitled to vote at the proposed meeting or by the other persons or holders authorized to call special shareholder meetings by the Texas Bylaws. The Texas Bylaws authorize the Chief Executive Officer, the board of directors or the holders of record of not less than one-fifth of the voting power of all shares entitled to vote at the meeting to call a special shareholder meeting. The Texas Bylaws are substantially similar to the Delaware Bylaws with respect to the calling of special meetings, shareholder proposals and director nominations.

Voting by Proxy

Delaware

Under the DGCL, a shareholder may authorize another person or persons to act for such shareholder by proxy, and a proxy is valid for three years from its date unless the proxy provides for a longer period.

The Delaware Bylaws are consistent with the DGCL.

Texas

Under the TBOC, a shareholder may authorize another person or persons to act for such shareholder by proxy. Under the TBOC, a proxy is only valid for eleven months from its date of execution unless otherwise provided in the proxy.

The Texas Bylaws are consistent with the TBOC.

Quorum and Voting at Shareholders Meetings

Delaware

Under the DGCL, the certificate of incorporation or the bylaws may specify the number of shares that must be present or represented at a shareholder meeting for a quorum to be present, but it may not be less than one-third of the voting power of the shares entitled to be voted at the meeting. Absent such specification, shares representing a majority of the voting power of the outstanding shares entitled to vote, present in person or represented by proxy, constitute a quorum. Unless a different vote is specified by the DGCL or a corporation s certificate of incorporation or bylaws and except for the election of directors, the affirmative vote of the holders of a majority of the voting power of the shares present or represented at the meeting and entitled to vote on the subject matter is the act of the shareholders.

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The Delaware Charter includes no quorum requirements. The Delaware Bylaws provide that a majority of the voting power of all shares entitled to vote that are present or represented at the meeting is a quorum, but in no event shall a quorum consist of the holders of less than one-third (1/3) of the shares entitled to vote and thus represented at such meeting. The DGCL and the Delaware Charter provide for specified votes for certain actions as described elsewhere in this summary. Otherwise, as to matters other than the election of directors, the Delaware Bylaws provide that the act of the shareholders meeting is the vote of a majority of the voting power of the shares entitled to vote on the matter and present or represented at the meeting if a quorum is present.

Texas

The TBOC provides that the holders of a majority of the shares entitled to vote or the votes thereof, present or represented at the meeting, constitutes a quorum, unless another quorum is specified in the certificate of formation. The TBOC provides that, unless another permitted vote is specified in the certificate of formation or bylaws, the act of a shareholders meeting is the affirmative vote of a majority of the shares entitled to vote and which were voted for, voted against or expressly abstained from voting on, the matter at a meeting at which a quorum was present.

In order to preserve the same quorum requirement as under the Delaware Bylaws, the Texas Charter provides that a majority of the voting power of all shares entitled to vote that are present or represented at the meeting is a quorum, but in no event shall a quorum consist of the holders of less than one-third (1/3) of the shares entitled to vote and represented at such meeting. The Texas Bylaws are consistent. Pursuant to authority granted by the TBOC, the Texas Bylaws provide that, other than with respect to the election of directors, the act of a shareholders meeting is the vote of a majority of the voting power of shares entitled to vote on the matter and present or represented at the meeting if a quorum is present, unless the vote of a greater number is required by law or the Texas Charter.

Classified Board of Directors

Under the DGCL, the certificate of incorporation, an initial bylaw or a bylaw adopted by a vote of the shareholders may divide the directors into one, two or three classes to be elected for staggered terms of office.

The Delaware Bylaws provide for the directors to be divided into three classes, each consisting of approximately one-third of the whole number of directors. Directors are elected for three-year terms, with the term of office of one of the classes expiring each year.

The TBOC also allows the certificate of formation or bylaws to provide for classes of directors elected for staggered terms of office in a manner similar to the DGCL.

Neither the Texas Charter nor the Texas Bylaws provide for a classified board of directors. If the Plan of Merger is adopted by our shareholders, then the directors named in the Texas Charter (who will consist of the directors of the Company elected at the 2018 annual meeting and the continuing directors whose terms do not expire in 2018) will serve until the 2019 annual meeting and until their successors are elected and qualified. Beginning with the 2019 annual meeting, and continuing thereafter, all directors will be elected annually.

If the Plan of Merger is not adopted, then the classification of the directors of the Company will continue as described above.

Election of Directors

Delaware

The DGCL provides that the certificate of incorporation or bylaws may specify the votes necessary for the transaction of business at a meeting, but if no such specification is made, directors are elected by a plurality of the votes of shares present or represented at the meeting and entitled to vote on the election of directors.

The Delaware Bylaws provide that directors are elected by a plurality of the voting power of all the shares present or represented at the meeting and entitled to vote thereon.

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Texas

The TBOC provides that directors are elected by a plurality of the votes cast by shareholders entitled to vote in the election of directors present or represented at the meeting at which a quorum is present, unless the certificate of formation or bylaws provide for other specified votes, each of which must be by at least a majority.

The Texas Bylaws are consistent with the TBOC and are based on a plurality of the votes cast, and do not require a majority vote.

Removal of Directors

Delaware

Under the DGCL, the holders of a majority of the voting power of the shares then entitled to vote at an election of directors may remove a director with or without cause, except that if the board of directors of a Delaware corporation is classified (i.e., directors are elected for staggered terms), a director may only be removed for cause, unless the corporation s certificate of incorporation provides otherwise.

Because the board of directors of the Company is currently classified and the Series B Stock is entitled to ten votes per share, the Delaware Bylaws provide that removal may only be for cause and by a majority of the voting power of all the shares then entitled to be voted in the election of directors.

Texas

Under the TBOC, except as otherwise provided by the certificate of formation or bylaws of a corporation, the shareholders may remove a director, with or without cause, by a vote of the holders of a majority of the shares entitled to vote at an election of the directors. If the corporation s directors serve staggered terms, a director may not be removed except for cause unless the certificate of formation provides otherwise.

As discussed above, the Texas Bylaws do not provide for a classified board with staggered terms. The Texas Bylaws also provide that removal may only be for cause and by a majority of the voting power of all the shares then entitled to be voted in the election of directors.

Procedures for Filling Vacant Directorships

Delaware

Under the DGCL, unless the certificate of incorporation or bylaws provide otherwise, vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the shareholders as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

The Delaware Bylaws are consistent with the DGCL and, in addition, expressly restrict the shareholders from filling any such vacancy.

Texas

Under the TBOC, any vacancy occurring in the board of directors may be filled by the shareholders or by the affirmative vote of a majority of the remaining directors, even if such directors constitute less than a quorum. A directorship to be filled by an increase in the number of directors may be filled by the shareholders or by the board of directors for a term of office continuing only until the next election of one or more directors by the shareholders, provided that the board of directors may not fill more than two such directorships during the period between any two successive annual meetings of shareholders.

The Texas Bylaws are consistent with the TBOC and provide that the shareholders may also fill vacancies.

Number of Directors

Delaware

The DGCL provides that the number of directors will be fixed by, or in the manner provided in, the bylaws, unless the certificate of incorporation fixes the number of directors, in which case the number of directors may be changed only by amendment of the certificate of incorporation.

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The Delaware Charter provided for six initial members of the board of directors but provides that thereafter the number will be fixed from time to time by the Delaware Bylaws.

The Delaware Bylaws provide that the number of directors shall be not less than five nor more than 10 as determined from time to time in accordance with the Delaware Bylaws by resolution of the board of directors. The Company s board of directors currently has 8 members.

Texas

The TBOC provides that, after specifying the initial number of directors in the certificate of formation, the number of directors will be set by or in the manner provided in the certificate of formation or the bylaws.

The Texas Charter provides for 8 initial members of the board of directors but provides that thereafter the number will be fixed from time to time by or in the manner set forth in the Texas Bylaws.

The Texas Bylaws are substantially the same as the Delaware Bylaws and provide that the number of directors shall be not less than five nor more than 10 as determined from time to time in accordance with the Texas Bylaws by resolution of the board of directors. It is currently anticipated that, immediately following the Reincorporation, A. H. Belo Texas board of directors will have 8 members.

Inspection of Books and Records

Delaware

Under the DGCL, any shareholder has the right to inspect the corporation s books and records for any proper purpose upon written demand under oath stating the purpose of the inspection. If the corporation refuses to permit inspection or does not reply to the demand within five business days after the demand has been made, the shareholder may apply to the Court of Chancery for an order to compel such inspection.

The Delaware Charter and Delaware Bylaws have no provisions on this subject.

Texas

Under the TBOC, subject to the certificate of formation and bylaws of a corporation, a shareholder may, on written demand stating a proper purpose, examine the books and records of the corporation if such shareholder holds at least 5% of the outstanding shares of stock of the corporation or has been a holder of shares for at least six months prior to such demand. A court may also compel the examination for a proper purpose regardless of the ownership or holding period of the shareholder.

The Texas Charter and Texas Bylaws have no provisions on this subject.

Distributions and Dividends

Delaware

Under the DGCL, a corporation may, subject to any restrictions contained in its certificate of incorporation, pay dividends out of surplus and, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year, unless the capital of the corporation is less than the capital represented by issued and outstanding stock having preferences on asset distributions. In addition, the Delaware courts have indicated that a corporation must otherwise have funds legally available for the payment of a dividend and, following the payment of a dividend, must remain solvent.

In the case of share dividends, an amount equal to at least the aggregate par value of the shares must be transferred from surplus to capital.

The Delaware Charter provides that, subject to the provisions of law and the dividend preferences of any preferred shares then outstanding, the holders of common stock are entitled to receive dividends at such time and in such amounts as may be determined by the board of directors. The Series A Stock, the Series B Stock and any Series C Stock, if issued, are entitled to share pro rata in common dividends based on the number of shares. If dividends are paid in shares of common stock, they are payable only in the same series as the shares they are paid in reference to, unless no shares of that series are outstanding.

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Texas

Under the TBOC, a distribution is defined as a transfer of cash or other property (except a share dividend or rights to acquire shares), or an issuance of debt, by a corporation to its shareholders in the form of: (i) a dividend on any class or series of the corporation s outstanding shares; (ii) a purchase or redemption, directly or indirectly, of the corporation s shares; or (iii) a payment by the corporation in liquidation of all or a portion of its assets. The term distribution thus includes ordinary cash dividends. Unless the corporation is in receivership, the board of directors may authorize distributions unless (x) it violates the certificate of formation, (y) the corporation would be unable to pay its debts as they become due in the course of its business or affairs, or (z) the distribution exceeds the corporation s surplus (or net assets in the case of certain limited types of redemptions).

Under the TBOC, share dividends may be authorized by the board of directors, subject to any limitations in its certificate of formation; provided that an amount equal to the aggregate par value of the shares being distributed as a share dividend must be transferred from surplus to the corporation s stated capital, and shares of a class or series may be distributed only on that same class or series of shares unless otherwise allowed by the certificate of formation or approved by holders of a majority of the outstanding shares of the class or series in which the share dividend is to be paid.

The Texas Charter is substantially the same as the Delaware Charter in respect to the payment of ordinary dividends and share dividends and is consistent with the TBOC.

In Texas, however, dividends are not permitted out of net profits for the current and/or the preceding fiscal year, as would be the case in Delaware.

Stock Redemption and Repurchase

Delaware

Under the DGCL, a corporation may purchase or redeem shares of any class except when its capital is impaired or would be impaired by such purchase or redemption. A corporation may, however, purchase or redeem out of capital, shares that are entitled upon any distribution of its assets to a preference over another class or series of its stock, or, if no shares entitled to such a preference are outstanding, any of its own shares, if such shares are to be retired and the capital reduced as permitted by statute. In addition, the Delaware courts have indicated that a corporation must otherwise have funds legally available for a repurchase or redemption and, following such repurchase or redemption, must remain solvent.

Texas

As noted above, under the TBOC, the purchase or redemption by a corporation of its shares constitutes a distribution. Accordingly, the discussion above relating to distributions is applicable to stock redemptions and repurchases.

Indemnification of Directors and Officers; Advancement of Expenses; Insurance

Although organized differently, the DGCL and the TBOC have generally similar provisions and limitations regarding indemnification by a corporation of its officers, directors, employees and agents, but there are certain differences as discussed below.

Neither the Delaware Charter nor the Texas Charter include indemnification provisions. These are contained in the bylaws of both corporations. With respect to indemnification, advancement of expenses and insurance, the Texas Bylaws are substantially similar to the Delaware Bylaws but differ to the extent appropriate to conform to the TBOC.

Key differences between the DGCL and Delaware Bylaws and the TBOC and Texas Bylaws include:

1. *Standard of Conduct*. The required standard of conduct for indemnification under the TBOC and DGCL is similar. The Texas Bylaws expressly incorporate the required standard of conduct. While the Delaware Bylaws do not expressly set forth a standard of conduct, they do not permit indemnification that would be prohibited by law or be beyond the scope of the right to indemnification under the Delaware Bylaws. Thus, under the Delaware

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Bylaws, indemnification would not be permitted unless the standard of conduct set forth in the DGCL has been met. Under the Texas Bylaws, with respect to acts in an official capacity, the indemnified person must have reasonably believed that his or her conduct was in the corporation s best interests. With respect to acts not in an official capacity, the indemnified person must have reasonably believed that his or her conduct was not opposed to the corporation s best interests. With respect to any criminal action or proceeding, the indemnified person must have had no reasonable cause to believe the person s conduct was unlawful. Under the DGCL (and by reference to the DGCL, the Delaware Bylaws), in order to meet the applicable standard of conduct, a person must have acted in good faith and in a manner reasonably believed to be in or not opposed to the corporation s best interests and, with respect to any criminal action or proceeding, must have had no reasonable cause to believe the person s conduct was unlawful.

2. *Persons Making Determination*. Under the Texas Bylaws, the directors or committee members making the determination of whether the standard for indemnification has been met must be both disinterested and independent, and the determination (or designation of such committee) may be made by such directors even though less that a quorum. Under the Delaware Bylaws the determination of whether indemnification is appropriate (or designation of a committee to make the determination) is made by the board of directors by a majority vote of a quorum consisting of directors who are not be parties to the action, suit or proceeding with respect to which indemnification is sought. If the determination is made by a vote of the shareholders, under the Texas Bylaws shares held by directors who are not disinterested and independent are excluded. Under the Delaware Bylaws, shares held by directors who are not disinterested and independent are not expressly excluded if the determination is to be made by the shareholders.

3. *Success on the Merits*. Under the Texas Bylaws and the TBOC a person must be wholly successful on the merits in a proceeding to be entitled to indemnification as a matter of right. Under the Delaware Bylaws and DGCL, success on the merits would be determined with respect to each claim, issue or matter in the proceeding.

4. *Liability to Corporation*. Under the Texas Bylaws, if a person has been found liable to the corporation or is found to have received an improper personal benefit, indemnity is limited to reasonable expenses (which under the TBOC and Texas Bylaws include amounts paid in settlement), but no indemnification may be paid if the person has been found liable for willful or intentional misconduct in the performance of his or her duties to the corporation, a breach of the person s duty of loyalty to the corporation or an act or omission not committed in good faith that constitutes a breach of a duty owed to the corporation. Under the Delaware Bylaws, in actions by or in the right of the corporation indemnification is limited to reasonable expenses (including attorney s fees but excluding amounts paid in settlement), but no indemnification may be made as to any claim, issue or matter as to which the person has been found liable to the corporation unless a court orders indemnification as being fair and reasonable based on the circumstances of the case.

5. *Service with Other Enterprise or Employee Benefit Plan*. The TBOC and Texas Bylaws expressly state that when a director is acting in a manager