

Form 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended: **September 30, 2018**
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file no. **1-33741**



A. H. Belo Corporation

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation or organization)

38-3765318

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

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

(Address of principal executive offices, including zip code)

(214) 977-8222

(Registrant's telephone number, including area code)

Former name, former address and former fiscal year, if changed since last report.

None

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

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

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

Large accelerated filer: Accelerated filer: Non-accelerated filer: Smaller reporting company:

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

Class	Outstanding at October 26, 2018
Common Stock, \$.01 par value	21,642,727

Total Common Stock consists of 19,173,172 shares of Series A Common Stock and 2,469,555 shares of Series B Common Stock.

A. H. BELO CORPORATION

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PART I**Item 1. Financial Information****A. H. Belo Corporation and Subsidiaries
Consolidated Statements of Operations**

<i>In thousands, except share and per share amounts (unaudited)</i>	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Net Operating Revenue:				
Advertising and marketing services	\$ 25,260	\$ 34,875	\$ 77,398	\$ 106,101
Circulation	17,896	18,845	53,564	57,099
Printing, distribution and other	5,896	6,839	18,712	21,349
Total net operating revenue	49,052	60,559	149,674	184,549
Operating Costs and Expense:				
Employee compensation and benefits	21,174	24,642	67,375	79,088
Other production, distribution and operating costs	20,939	27,460	66,786	85,522
Newsprint, ink and other supplies	5,528	5,648	16,300	17,542
Depreciation	2,514	2,607	7,522	7,840
Amortization	199	200	599	599
Asset impairments	—	—	(22)	228
Total operating costs and expense	50,354	60,557	158,560	190,819
Operating income (loss)	(1,302)	2	(8,886)	(6,270)
Other income, net	862	2,588	2,641	3,876
Income (Loss) Before Income Taxes	(440)	2,590	(6,245)	(2,394)
Income tax provision (benefit)	596	10	(661)	261
Net Income (Loss)	\$ (1,036)	\$ 2,580	\$ (5,584)	\$ (2,655)
Per Share Basis				
Net income (loss)				
Basic and diluted	\$ (0.05)	\$ 0.12	\$ (0.26)	\$ (0.13)
Number of common shares used in the per share calculation:				
Basic	21,709,557	21,753,166	21,761,110	21,729,212
Diluted	21,709,557	21,754,627	21,761,110	21,729,212

See the accompanying Notes to the Consolidated Financial Statements.

A. H. Belo Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)

<i>In thousands (unaudited)</i>	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Net Income (Loss)	\$ (1,036)	\$ 2,580	\$ (5,584)	\$ (2,655)
Other Comprehensive Income (Loss), Net of Tax:				
Amortization of actuarial losses	158	5,967	473	6,080
Actuarial gains	—	3,648	—	3,648
Total other comprehensive income, net of tax	158	9,615	473	9,728
Total Comprehensive Income (Loss)	\$ (878)	\$ 12,195	\$ (5,111)	\$ 7,073

See the accompanying Notes to the Consolidated Financial Statements.

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

<i>In thousands, except share amounts (unaudited)</i>	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 58,471	\$ 57,660
Accounts receivable (net of allowance of \$703 and \$1,055 at September 30, 2018 and December 31, 2017, respectively)	19,759	26,740
Inventories	4,193	3,171
Prepays and other current assets	6,631	13,734
Assets held for sale	1,089	1,089
Total current assets	<u>90,143</u>	<u>102,394</u>
Property, plant and equipment, at cost	421,773	418,730
Less accumulated depreciation	(394,479)	(387,024)
Property, plant and equipment, net	27,294	31,706
Intangible assets, net	3,474	4,073
Goodwill	13,973	13,973
Deferred income taxes, net	6,679	5,355
Other assets	4,123	5,347
Total assets	<u>\$ 145,686</u>	<u>\$ 162,848</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,064	\$ 10,303
Accrued compensation and benefits	6,460	8,243
Other accrued expense	5,582	4,275
Advance subscription payments	11,095	11,670
Total current liabilities	<u>30,201</u>	<u>34,491</u>
Long-term pension liabilities	19,746	23,038
Other post-employment benefits	1,165	2,052
Other liabilities	7,533	5,568
Total liabilities	58,645	65,149
Shareholders' equity:		
Preferred stock, \$.01 par value; Authorized 2,000,000 shares; none issued	—	—
Common stock, \$.01 par value; Authorized 125,000,000 shares		
Series A: issued 20,851,728 and 20,700,292 shares at September 30, 2018 and December 31, 2017, respectively	209	208
Series B: issued 2,469,555 and 2,469,755 shares at September 30, 2018 and December 31, 2017, respectively	24	24
Treasury stock, Series A, at cost; 1,641,925 and 1,430,961 shares held at September 30, 2018 and December 31, 2017, respectively	(12,358)	(11,302)
Additional paid-in capital	495,842	494,989
Accumulated other comprehensive loss	(24,459)	(24,932)
Accumulated deficit	(372,217)	(361,288)
Total shareholders' equity	<u>87,041</u>	<u>97,699</u>
Total liabilities and shareholders' equity	<u>\$ 145,686</u>	<u>\$ 162,848</u>

See the accompanying Notes to the Consolidated Financial Statements.

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

<i>In thousands, except share amounts (unaudited)</i>	Common Stock			Additional Paid-in Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Noncontrolling Interests	Total
	Shares Series A	Shares Series B	Amount		Shares Series A	Amount				
Balance at December 31, 2016	20,620,461	2,472,680	\$ 231	\$ 499,552	(1,416,881)	\$ (11,233)	\$ (39,308)	\$ (361,324)	\$ 1,234	\$ 89,152
Net loss	—	—	—	—	—	—	—	(2,655)	—	(2,655)
Other comprehensive income	—	—	—	—	—	—	9,728	—	—	9,728
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(118)	(118)
Issuance of shares for restricted stock units	76,906	—	1	(1)	—	—	—	—	—	—
Share-based compensation	—	—	—	775	—	—	—	—	—	775
Purchases of noncontrolling interests	—	—	—	(5,506)	—	—	—	—	(1,116)	(6,622)
Conversion of Series B to Series A	525	(525)	—	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—	(5,324)	—	(5,324)
Balance at September 30, 2017	20,697,892	2,472,155	\$ 232	\$ 494,820	(1,416,881)	\$ (11,233)	\$ (29,580)	\$ (369,303)	\$ —	\$ 84,936
Balance at December 31, 2017	20,700,292	2,469,755	\$ 232	\$ 494,989	(1,430,961)	\$ (11,302)	\$ (24,932)	\$ (361,288)	\$ —	\$ 97,699
Net loss	—	—	—	—	—	—	—	(5,584)	—	(5,584)
Other comprehensive income	—	—	—	—	—	—	473	—	—	473
Treasury stock purchases	—	—	—	—	(210,964)	(1,056)	—	—	—	(1,056)
Issuance of shares for restricted stock units	151,236	—	1	(1)	—	—	—	—	—	—
Share-based compensation	—	—	—	854	—	—	—	—	—	854
Conversion of Series B to Series A	200	(200)	—	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—	(5,345)	—	(5,345)
Balance at September 30, 2018	20,851,728	2,469,555	\$ 233	\$ 495,842	(1,641,925)	\$ (12,358)	\$ (24,459)	\$ (372,217)	\$ —	\$ 87,041

See the accompanying Notes to the Consolidated Financial Statements.

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

<i>In thousands (unaudited)</i>	<i>Nine Months Ended September 30,</i>	
	<i>2018</i>	<i>2017</i>
Operating Activities		
Net loss	\$ (5,584)	\$ (2,655)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation and amortization	8,121	8,439
Net periodic benefit and contributions related to employment benefit plans	(2,791)	(16,667)
Share-based compensation	854	775
Deferred income taxes	(1,324)	—
Loss on investment related activity	—	250
(Gain) loss on disposal of fixed assets	212	(7,118)
Asset impairments	(22)	228
Changes in working capital and other operating assets and liabilities, net of acquisitions:		
Accounts receivable	6,981	3,200
Inventories, prepaids and other current assets	6,081	(663)
Other assets	1,224	568
Accounts payable	(3,239)	85
Compensation and benefit obligations	(1,872)	(932)
Other accrued expenses	4,396	(62)
Advance subscription payments	(575)	(1,064)
Other post-employment benefits	(915)	(174)
Net cash provided by (used for) operating activities	<u>11,547</u>	<u>(15,790)</u>
Investing Activities		
Purchases of assets	(4,344)	(7,837)
Sales of assets	—	8,252
Purchases of investments	—	(18)
Net cash provided by (used for) investing activities	<u>(4,344)</u>	<u>397</u>
Financing Activities		
Purchases of noncontrolling interests	—	(9,231)
Dividends paid	(5,336)	(5,313)
Distributions to noncontrolling interests	—	(179)
Purchases of treasury stock	(1,056)	—
Net cash used for financing activities	<u>(6,392)</u>	<u>(14,723)</u>
Net increase (decrease) in cash and cash equivalents	811	(30,116)
Cash and cash equivalents, beginning of period	57,660	80,071
Cash and cash equivalents, end of period	<u>\$ 58,471</u>	<u>\$ 49,955</u>
Supplemental Disclosures		
Income tax paid, net (refund)	\$ (6,408)	\$ 1,200
Noncash investing and financing activities:		
Investments in property, plant and equipment payable	97	228
Dividends payable	1,783	1,775

See the accompanying Notes to the Consolidated Financial Statements.

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

Note 1: Basis of Presentation and Recently Issued Accounting Standards

Description of Business. A. H. Belo Corporation and subsidiaries are referred to collectively herein as “A. H. Belo” or the “Company.” The Company, headquartered in Dallas, Texas, is the leading local news and information publishing company in Texas with commercial printing, distribution and direct mail capabilities, as well as a presence in emerging media and digital marketing. While focusing on extending the Company’s media platforms, A. H. Belo delivers news and information in innovative ways to a broad spectrum of audiences with diverse interests and lifestyles. The Company publishes *The Dallas Morning News* (www.dallasnews.com), Texas’ leading newspaper and winner of nine Pulitzer Prizes, and various niche publications targeting specific audiences. In December 2017, the Company completed the sale of the *Denton Record-Chronicle* and the Company no longer owns newspaper operations in Denton, Texas.

Basis of Presentation. The interim consolidated financial statements included herein are unaudited; however, they include adjustments of a normal recurring nature which, in the Company’s opinion, are necessary to present fairly the interim consolidated financial information as of and for the periods indicated. All significant intercompany balances and transactions have been eliminated in consolidation. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017. All dollar amounts presented herein, except share and per share amounts, are in thousands, unless the context indicates otherwise.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and (iii) the reported amount of net operating revenues and expenses recognized during the periods presented. Adjustments made with respect to the use of estimates often relate to improved information not previously available. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements; accordingly, actual results could differ from these estimates.

Recently Adopted Accounting Pronouncements.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. This guidance prescribes a single comprehensive model for entities to use in the accounting of revenue arising from contracts with customers. The core principle contemplated by this new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount reflecting the consideration the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. Since May 2014, the FASB issued clarifying updates to the new standard specifically to address certain core principles including the identification of performance obligations, licensing guidance, the assessment of the collectability criterion, the presentation of taxes collected from customers, noncash considerations, contract modifications, and completed contracts at transition. The new guidance will supersede virtually all existing revenue guidance under GAAP and is effective for fiscal years beginning after December 15, 2017. There are two transition options available to entities, the full retrospective approach, in which the Company would restate prior periods, or the modified retrospective approach. The Company adopted ASU 2014-09 using the modified retrospective approach as of January 1, 2018; see [Note 3 – Revenue](#).

In March 2017, the FASB issued ASU 2017-07 – *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This update clarifies the presentation and classification of the components of net periodic benefit cost in the Consolidated Statement of Operations. Specifically, this standard requires the service cost component of net periodic benefit cost to be recorded in the same income statement line as other employee compensation costs and all other components of net periodic benefit cost must be presented as non-operating items. The Company adopted this standard retrospectively as of January 1, 2018. The Company’s defined benefit plans have been frozen, so the Company is no longer incurring service costs related to the plans. Therefore, the entire net periodic pension and other post-employment expense (benefit) will be presented in the Consolidated Statements of Operations in other income, net.

As a result of adopting this guidance, total operating costs and expense decreased \$5,051 and \$3,333 for the three and nine months ended September 30, 2017, respectively, with the offsetting change recorded to other income, net. There was no impact to net income (loss), retained earnings and earnings per share. In the third quarter of 2017, the Company completed a de-risking transaction to reduce the Company’s pension liability, which resulted in a charge to pension expense of \$5,911; see [Note 8 – Pension and Other Retirement Plans](#).

New Accounting Pronouncements. The FASB issued the following accounting pronouncements and guidance, which may be applicable to the Company but have not yet become effective.

In February 2016, the FASB issued ASU 2016-02 – *Leases (Topic 842)*. This update requires an entity to recognize a right-of-use asset and a lease liability for virtually all of its leases. The liability will be equal to the present value of lease payments. The asset will generally be based on the liability. For income statement purposes operating leases will result in straight-line expense and finance leases will result in expenses similar to current capital leases. The guidance also requires additional disclosures to enable users of financial statements to understand the amount, timing and uncertainty of cash flows arising from leases. Since February 2016, the FASB issued clarifying updates to the new standard that did not change the core principle of ASU 2016-02. The new guidance will supersede virtually all existing lease guidance under GAAP and is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted.

The Company currently anticipates adopting ASU 2016-02 on January 1, 2019, using the modified retrospective approach and expects to elect certain available transitional practical expedients. The Company is reviewing its various lease agreements and in the third quarter of 2018, implemented new lease management software. Based on progress to date, the Company believes it will have a significant impact related to how it accounts for real estate operating leases. Upon adoption, the Company expects to record additional assets and liabilities related to leases, but has not yet quantified its impact on the Company's consolidated financial statements. The Company is continuing to assess the potential impact of adopting the new standard and expects the assessment to be completed in the fourth quarter of 2018.

In August 2018, the FASB issued ASU 2018-14 – *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*. This update modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans by removing disclosures that are no longer considered cost beneficial, clarifying the specific requirements of disclosures and adding disclosure requirements identified as relevant. The guidance will be effective for fiscal years ending after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the requirements of this update and has not yet determined its impact on the Company's financial statement disclosures.

In August 2018, the FASB issued ASU 2018-15 – *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. This update clarifies the accounting for implementation costs incurred in a cloud computing arrangement, or hosting arrangement, that is a service contract. Costs for implementation activities incurred during the application development stage will be capitalized depending on the nature of the costs, while costs incurred during the preliminary project and post implementation stages will be expensed as the activities are performed. The capitalized implementation costs will be expensed over the term of the hosting arrangement. The guidance will be effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the requirements of this update and has not yet determined its impact on the Company's consolidated financial statements.

Note 2: Segment Reporting

The Company identified two reportable segments based on reporting structure and the go-to-market for the Company's service and product offerings. The two reportable segments are Publishing and Marketing Services.

The Publishing segment includes the Company's core print and digital operations associated with its newspapers, niche publications and related websites and apps. These operations generate revenue from sales of advertising within its newspaper and digital platforms, subscription and retail sales of its newspapers, commercial printing and distribution services, primarily related to national and regional newspapers, and preprint advertisers. Businesses within the Publishing segment leverage the production facilities, subscriber and advertiser base, and digital news platforms to provide additional contribution margin. The Company evaluates Publishing operations based on operating profit and cash flows from operating activities.

The Marketing Services segment includes the operations of DMV Digital Holdings Company ("DMV Holdings"), Your Speakeasy, LLC ("Speakeasy") and digital advertising through Connect (programmatic advertising). The Company operates this integrated portfolio of assets within its Marketing Services segment as separate businesses that sell digital marketing and advertising through different channels, including programmatic advertising and content marketing within the social media environment.

Based on the organization of the Company's structure and organizational chart, the Company's chief operating decision maker (the "CODM") is its Chief Executive Officer. As of May 17, 2018, Robert W. Decherd became the CODM upon Jim Moroney's retirement. The CODM allocates resources and capital to the Publishing and Marketing Services segments at the segment level.

The tables below set forth summarized financial information for the Company's reportable segments.

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Revenue				
Publishing	\$ 43,719	\$ 52,603	\$ 133,251	\$ 160,916
Marketing Services	5,333	7,956	16,423	23,633
Total	\$ 49,052	\$ 60,559	\$ 149,674	\$ 184,549
Operating Income (Loss)				
Publishing	\$ (1,554)	\$ (834)	\$ (9,434)	\$ (8,485)
Marketing Services	252	836	548	2,215
Total	\$ (1,302)	\$ 2	\$ (8,886)	\$ (6,270)
Noncash Expenses				
Publishing				
Depreciation	\$ 2,455	\$ 2,565	\$ 7,389	\$ 7,762
Asset impairments	—	—	(22)	228
Pension settlement	—	5,911	—	5,911
Total	\$ 2,455	\$ 8,476	\$ 7,367	\$ 13,901
Marketing Services				
Depreciation	\$ 59	\$ 42	\$ 133	\$ 78
Amortization	199	200	599	599
Total	\$ 258	\$ 242	\$ 732	\$ 677

	<i>September 30,</i>	<i>December 31,</i>
	<i>2018</i>	<i>2017</i>
Total Assets		
Publishing	\$ 124,199	\$ 137,409
Marketing Services	21,487	25,439
Total	\$ 145,686	\$ 162,848

Net periodic pension and other post-employment expense (benefit) is now included in other income, net in the Consolidated Statements of Operations; see [Note 1 – Basis of Presentation and Recently Issued Accounting Standards](#). As a result of adopting this guidance, Publishing operating costs and operating loss decreased \$5,051 and \$3,333 for the three and nine months ended September 30, 2017, respectively. In the third quarter of 2017, the Company completed a de-risking transaction to reduce the Company's pension liability, which resulted in a charge to pension expense of \$5,911; see [Note 8 – Pension and Other Retirement Plans](#).

Note 3: Revenue

Adoption of ASU 2014-09 – Revenue from Contracts with Customers (Topic 606)

On January 1, 2018, the Company adopted ASU 2014-09 using the modified retrospective approach applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018, are presented in accordance with the new guidance under ASU 2014-09, while prior period amounts are not restated.

The table below sets forth the impact on the Company's Consolidated Statements of Operations for the three and nine months ended September 30, 2018, due to the adoption of the new revenue guidance. There was no impact to opening retained earnings.

	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	As Reported	Balances Without Adoption	Effect of Change (Decrease)	As Reported	Balances Without Adoption	Effect of Change (Decrease)
Revenue						
Advertising and marketing services	\$ 25,260	\$ 28,278	\$ (3,018)	\$ 77,398	\$ 86,175	\$ (8,777)
Circulation	17,896	18,158	(262)	53,564	54,353	(789)
Expenses						
Other production, distribution and operating costs	\$ 20,939	\$ 24,219	\$ (3,280)	\$ 66,786	\$ 76,352	\$ (9,566)

The impact to advertising and marketing services revenue was related to digital advertising placed on third-party websites where the Company acted as an agent. Prior to adoption, such revenue was generally recorded gross, but under the new standard this revenue is recorded net. The impact to circulation revenue was related to home delivery subscriptions where the Company recorded revenue for the grace period of newspapers delivered after a subscription expires. Prior to adoption, any non-payment of grace was recorded as bad debt expense, but under the new standard this is considered variable consideration and revenue is directly reduced for the non-payment.

Revenue Recognition

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. This occurs when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Sales tax collected concurrent with revenue-producing activities are excluded from revenue.

Accounts receivable are reported net of a valuation reserve that represents an estimate of amounts considered uncollectible. The Company estimates the allowance for doubtful accounts based on historical write-off experience and the Company's knowledge of the customers' ability to pay amounts due. Accounts are written-off after all collection efforts fail; generally, after one year has expired. Expense for such uncollectible amounts is included in other production, distribution and operating costs.

The table below sets forth revenue disaggregated by revenue source. As stated above, prior period amounts have not been restated under the modified retrospective approach.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Advertising revenue	\$ 19,927	\$ 26,919	\$ 60,975	\$ 82,468
Digital services	4,191	6,194	12,740	19,902
Other services	1,142	1,762	3,683	3,731
Advertising and marketing services	25,260	34,875	77,398	106,101
Circulation	17,896	18,845	53,564	57,099
Printing, distribution and other	5,896	6,839	18,712	21,349
Total Revenue	\$ 49,052	\$ 60,559	\$ 149,674	\$ 184,549

Advertising and Marketing Services Revenue

Advertising revenue, included in the Publishing segment results, is generated by selling print and digital advertising products. Print advertising revenue represents sales of advertising space within the Company's core and niche newspapers, as well as preprinted advertisements inserted into the Company's core newspapers and niche publications or distributed to non-subscribers through the mail. Digital advertising is generated by selling banner and real estate classified advertising on *The Dallas Morning News*' website

[dallasnews.com](#), online employment and obituary classified advertising on third-party websites sold under a print/digital bundle package and sales of online automotive classifieds on the [cars.com](#) platform.

Digital services and other services revenues are included in the Marketing Services segment results. Digital services revenue includes targeted and multi-channel (programmatic) advertising placed on third-party websites, content development, social media management, search optimization, and other consulting. Other services revenue is primarily generated from the sale of promotional merchandise.

Advertising and marketing services revenue is primarily recognized at a point in time when the ad or service is complete and delivered, based on the customers' contract price. In addition, certain digital advertising revenue related to website access is recognized over time, based on the customers' monthly rate.

For ads placed on certain third-party websites, the Company must evaluate whether it is acting as the principal, where revenue is reported on a gross basis, or acting as the agent, where revenue is reported on a net basis. Generally, the Company reports advertising revenue for ads placed on third-party websites on a net basis, meaning the amount recorded to revenue is the amount billed to the customer net of amounts paid to the publisher of the third-party website. The Company is acting as the agent because the publisher controls the advertising inventory.

Circulation

Circulation revenue, included in the Publishing segment results, is generated primarily by selling home delivery and digital subscriptions, as well as single copy sales to non-subscribers. Home delivery and single copy revenue is recognized at a point in time when the paper is delivered or purchased. Digital subscriptions are recognized over time, based on the customers' monthly rate.

Printing, Distribution and Other

Printing, distribution and other revenue, included in the Publishing segment results, is primarily generated from printing and distribution of other newspapers, as well as production of preprinted advertisements for other newspapers. Printing, distribution and other revenue is recognized at a point in time when the product or service is delivered.

Remaining Performance Obligations

The Company has various Publishing advertising contracts and Marketing Services digital services contracts that range from 13 months to 36 months. The Company recognizes revenue on the advertising contracts over the term of the agreement at a point in time when the service or product is delivered. The Company recognizes revenue on the digital services contracts over time, based on the customers' monthly rate. At September 30, 2018, the remaining performance obligation was \$2,105. The Company expects to recognize \$542 over the remainder of 2018 and \$1,563 thereafter.

Deferred Revenue

Deferred revenue is recorded when cash payments are received in advance of the Company's performance, including amounts which are refundable. The short-term and long-term deferred revenue balance as of September 30, 2018, was \$11,376. In the nine months ended September 30, 2018, the balance increased \$33, primarily driven by cash payments received in advance of satisfying our performance obligations, offset by \$9,545 of revenue recognized that was included in the deferred revenue balance as of December 31, 2017.

Practical Expedients and Exemptions

The Company generally expenses sales commissions and circulation acquisition costs when incurred because the amortization period would have been one year or less. These costs are recorded within employee compensation and benefits expense and other production, distribution and operating costs expense, respectively.

The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less and contracts for which revenue is recognized at the amount invoiced for services performed.

Note 4: Acquisitions

In February 2017, the Company acquired the remaining 30 percent voting interest in Speakeasy for a cash purchase price of \$2,111, and in March 2017, the Company acquired the remaining 20 percent voting interest in DMV Holdings for a cash purchase price of \$7,120. The initial purchase of 80 percent voting interest in DMV Holdings occurred in January 2015. DMV Holdings holds all outstanding ownership interests of three Dallas-based businesses, Distribion, Inc., Vertical Nerve, Inc. and CDFX, LLC. These businesses specialize in local marketing automation, search engine marketing, and direct mail and promotional products, respectively. These acquisitions complement the product and service offerings currently available to A. H. Belo clients, thereby strengthening the Company's diversified product portfolio and allowing for greater penetration in a competitive advertising market. Operating results of the businesses acquired have been included in the Consolidated Statements of Operations from the initial acquisition date forward.

Pro-rata distributions. In connection with the 2015 acquisition of 80 percent voting interest in DMV Holdings, the shareholder agreement provided for a pro-rata distribution of 50 percent and 100 percent of DMV Holdings' free cash flow for fiscal years 2016 and 2015, respectively. Free cash flow is defined as earnings before interest, taxes, depreciation and amortization less capital expenditures, debt amortization and interest expense, as applicable. In the nine months ended September 30, 2017, the Company recorded pro-rata distributions to noncontrolling interests of \$163 in connection with this agreement based on 2016 free cash flow as defined.

Note 5: Goodwill and Intangible Assets

The table below sets forth goodwill and other intangible assets by reportable segment as of September 30, 2018 and December 31, 2017. In the first quarter of 2017, the Company reorganized reporting units based on reporting structure and the go-to-market for the Company's service and product offerings. The Company's Publishing and Marketing Services segments each operate as a single reporting unit.

	September 30, 2018	December 31, 2017
Goodwill		
Marketing Services	\$ 13,973	\$ 13,973
Intangible Assets		
Marketing Services		
Cost	\$ 6,470	\$ 6,470
Accumulated Amortization	(2,996)	(2,397)
Net Carrying Value	\$ 3,474	\$ 4,073

Marketing Services' intangible assets consist of \$4,950 of customer relationships with estimated useful lives of 10 years and \$1,520 of developed technology with an estimated useful life of five years. In 2017, the Publishing segment's fully amortized intangible assets were written-off and had no remaining useful life. Aggregate amortization expense was \$199 and \$599 for the three and nine months ended September 30, 2018, respectively, and \$200 and \$599 for the three and nine months ended September 30, 2017, respectively.

As a result of the first quarter 2017 segment reorganization, certain goodwill and intangible assets previously reported in the Marketing Services segment were moved to the Publishing segment, which was fully impaired as of December 31, 2016. Therefore, the Company recorded a noncash goodwill impairment charge of \$228 in the first quarter of 2017.

The Company tested the Marketing Services segment's goodwill for impairment as of December 31, 2017, using a discounted cash flow methodology with a peer-based, risk-adjusted weighted average cost of capital, combined with a market approach using peer-based earnings multiples. The Company believes the use of a discounted cash flow approach, combined with the market approach, is the most reliable indicator of the estimated fair value of the business. Upon completion of the annual test, it was determined the Marketing Services reporting unit's fair value exceeded its carrying value by approximately 93 percent. Accordingly, no impairment was warranted.

Note 6: Long-term Incentive Plan

A. H. Belo sponsors a long-term incentive plan (the “Plan”) under which 8,000,000 shares of the Company’s Series A and Series B common stock are authorized for equity-based awards. Awards may be granted to A. H. Belo employees and outside directors in the form of non-qualified stock options, incentive stock options, restricted share awards, restricted stock units (“RSUs”), performance shares, performance units or stock appreciation rights. In addition, stock options may be accompanied by full and limited stock appreciation rights. Rights and limited stock appreciation rights may also be issued without accompanying stock options. Awards under the Plan were also granted to holders of stock options issued by A. H. Belo’s former parent company in connection with the Company’s separation from its former parent in 2008. Due to the expiration of the Plan on February 8, 2018, A. H. Belo implemented, and shareholders approved, a new long-term incentive plan (the “2017 Plan”) under which an additional 8,000,000 shares of the Company’s Series A and Series B common stock are authorized for equity-based awards. Like its predecessor plan, awards under the 2017 Plan may be granted to A. H. Belo employees and outside directors in the form of non-qualified stock options, incentive stock options, restricted share awards, RSUs, performance shares, performance units or stock appreciation rights.

Stock Options. Stock options granted under the Plan are fully vested and exercisable. No options have been granted since 2009, and all compensation expense associated with stock options has been fully recognized as of September 30, 2018.

The table below sets forth a summary of stock option activity under the Plan.

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2017	100,344	\$ 6.46
Canceled	(97,344)	6.60
Outstanding at September 30, 2018	3,000	2.05

As of September 30, 2018, the aggregate intrinsic value of outstanding options was \$8 and the weighted average remaining contractual life of the Company’s stock options was less than one year. No options were exercised in the nine months ended September 30, 2018 and 2017.

Restricted Stock Units. The Company’s RSUs have service and/or performance conditions and, subject to retirement eligibility, vest over a period of up to three years. Vested RSUs are redeemed 60 percent in A. H. Belo Series A common stock and 40 percent in cash over a period of up to three years. As of September 30, 2018, the liability for the portion of the awards to be redeemed in cash was \$939, which is included in other liabilities in the Consolidated Balance Sheet.

The table below sets forth a summary of RSU activity under the Company’s long-term incentive plans.

	Total RSUs	Issuance of Common Stock	RSUs Redeemed in Cash	Cash Payments at Closing Price of Stock	Weighted Average Price on Date of Grant
Non-vested at December 31, 2017	224,053				\$ 6.07
Granted	348,455				5.05
Canceled	(3,711)				6.06
Vested and outstanding	(184,774)				5.38
Vested and issued	(114,248)	68,543	45,705	\$ 235	6.29
Non-vested at September 30, 2018	269,775				5.13

In the nine months ended September 30, 2018, the Company issued 82,693 shares of Series A common stock and 55,128 shares were redeemed in cash for RSUs that were previously vested as of December 31, 2017. In addition, 337,778 and 290,825 RSUs were vested and outstanding as of September 30, 2018 and December 31, 2017, respectively.

The fair value of RSU grants is determined using the closing trading price of the Company’s Series A common stock on the grant date. As of September 30, 2018, unrecognized compensation expense related to non-vested RSUs totaled \$1,193, which is expected to be recognized over a weighted average period of 2.1 years.

Compensation Expense. A. H. Belo recognizes compensation expense for awards granted under the Company's long-term incentive plans over the vesting period of the award. Compensation expense related to granted RSUs is set forth in the table below.

	RSUs Redeemable in Stock		RSUs Redeemable in Cash		Total RSU Awards Expense
Three Months Ended September 30,					
2018	\$	134	\$	112	\$ 246
2017		149		82	231
Nine Months Ended September 30,					
2018	\$	854	\$	424	\$ 1,278
2017		775		399	1,174

Note 7: Income Taxes

The Company calculates the income tax provision based on the year-to-date pretax loss adjusted for permanent differences and discrete items on a pro-rata basis. Due to the volatility of the newspaper industry, reliable forecasting is unavailable. As such, a discrete tax rate was calculated for the period.

In December 2017, the Tax Cuts and Jobs Act (the "2017 Tax Act") was enacted. The 2017 Tax Act includes a number of changes to existing U.S. tax laws that impact the Company, most notably a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017. The 2017 Tax Act also provides for the acceleration of depreciation for certain assets placed into service after September 27, 2017, as well as prospective changes beginning in 2018, including repeal of the domestic manufacturing deduction, acceleration of tax revenue recognition, capitalization of research and development expenditures, additional limitations on executive compensation and limitations on the deductibility of interest.

The Company measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid. Accordingly, the Company's deferred tax assets and liabilities were remeasured to reflect the reduction in the U.S. corporate income tax rate from 35 percent to 21 percent, resulting in a \$3,570 decrease in income tax benefit for the year ended December 31, 2017.

The Company recognized income tax provision (benefit) of \$596 and \$10 for the three months ended September 30, 2018 and 2017, respectively, and \$(661) and \$261 for the nine months ended September 30, 2018 and 2017, respectively. The income tax provision (benefit) was calculated using the newly enacted income tax rate of 21 percent. The change in income tax rate from 35 percent to 21 percent, resulted in a \$669 decrease in income tax benefit for the nine months ended September 30, 2018. Effective income tax rates were 10.6 percent and (10.9) percent for the nine months ended September 30, 2018 and 2017, respectively. The effective income tax rate for the nine months ended September 30, 2018, was due to changes in the valuation allowance, an increase in the net operating loss deferred tax asset and the effect of the Texas margin tax. The change to the valuation allowance was a decrease of \$60 for the nine months ended September 30, 2018, primarily due to the pension liability, accrued bonuses and the allowance for bad debt.

A refund of \$4,095 was received in the third quarter of 2018, for a tax benefit recognized in 2017 related to a capital loss on the sale of the *Denton Record-Chronicle* in the fourth quarter of 2017, of which a portion was carried back against taxes paid in 2014. In the second quarter of 2018, the Company received a refund of \$3,210 for a tax benefit recognized in 2016 that was carried back against taxes paid in 2014. The 2016 tax benefit was the result of the abandonment of the Company's ownership interest in Wanderful Media, LLC and the sale of the Company's equity investment in Homesnap, Inc. in the fourth quarter of 2016.

Note 8: Pension and Other Retirement Plans

Defined Benefit Plans. The Company sponsors the A. H. Belo Pension Plans (the "Pension Plans"), which provide benefits to approximately 1,500 current and former employees of the Company. A. H. Belo Pension Plan I provides benefits to certain current and former employees primarily employed with *The Dallas Morning News* or the A. H. Belo corporate offices. A. H. Belo Pension Plan II provides benefits to certain former employees of The Providence Journal Company. This obligation was retained by the Company upon the sale of the newspaper operations of *The Providence Journal*. No additional benefits are accruing under the A. H. Belo Pension Plans, as future benefits were frozen.

No contributions are required to the A. H. Belo Pension Plans in 2018 under the applicable tax and labor laws governing pension plan funding. In the third quarter of 2017, the Company made a voluntary contribution of \$20,000 to the Pension Plans and using the contribution, in addition to liquidating \$23,391 of plan assets, transferred \$43,391 of pension liabilities to an insurance company. As a result of this de-risking action, the Company reduced the number of participants in its Pension Plans by 796, or 36 percent. In the three months ended September 30, 2017, a charge to pension expense for \$5,911 was recorded to reflect the amortization of losses in

accumulated other comprehensive loss associated with this transaction. In addition, the projected benefit obligation was remeasured as of September 30, 2017, which resulted in an actuarial gain of \$3,648 that was recorded to other comprehensive income (loss) in the three months ended September 30, 2017; see [Note 9 – Shareholders’ Equity](#). This transaction occurred on September 20, 2017, but the Company elected to use the measurement date practical expedient, allowing the Company to use September 30, 2017, as the alternative measurement date. No material transactions or changes in market conditions occurred between the transaction date and the alternative measurement date.

Net Periodic Pension Expense (Benefit)

The Company’s estimates of net periodic pension expense or benefit are based on the expected return on plan assets, interest on the projected benefit obligations and the amortization of actuarial gains and losses that are deferred in accumulated other comprehensive loss. The table below sets forth components of net periodic pension expense (benefit), which are included in other income, net in the Consolidated Statements of Operations.

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Interest cost	\$ 1,796	\$ 2,386	\$ 5,389	\$ 7,158
Expected return on plans' assets	(2,894)	(3,313)	(8,681)	(9,940)
Amortization of actuarial loss	168	75	503	224
Recognized settlement loss	—	5,911	—	5,911
Net periodic pension expense (benefit)	\$ (930)	\$ 5,059	\$ (2,789)	\$ 3,353

Defined Contribution Plans. The A. H. Belo Savings Plan (the “Savings Plan”), a defined contribution 401(k) plan, covers substantially all employees of A. H. Belo. Participants may elect to contribute a portion of their pretax compensation as provided by the Savings Plan and the Internal Revenue Code. Employees can contribute up to 100 percent of their annual eligible compensation less required withholdings and deductions up to statutory limits. The Company provides an ongoing dollar-for-dollar match of eligible employee contributions, up to 1.5 percent of the employees’ compensation. During the three months ended September 30, 2018 and 2017, the Company recorded expense of \$199 and \$175, respectively, and during the nine months ended September 30, 2018 and 2017, the Company recorded expense of \$653 and \$670, respectively, for matching contributions to the Savings Plan.

Note 9: Shareholders’ Equity

Dividends. On September 5, 2018, the Company’s board of directors declared an \$0.08 per share dividend to shareholders of record and holders of RSUs as of the close of business on November 16, 2018, which is payable on December 7, 2018. During the three months ended September 30, 2018, the Company recorded \$1,783 to accrue for dividends declared but not yet paid.

Treasury Stock. The Company repurchased shares of its common stock pursuant to a publicly announced share repurchase program authorized by the Company’s board of directors. In the fourth quarter of 2017, the Company resumed open market repurchases under a repurchase plan agreement limited to a total of \$2,500. During the third quarter of 2018, the Company repurchased 50,784 shares of its Series A common stock at a total cost of \$231.

Outstanding Shares. The Company had Series A and Series B common stock outstanding of 19,209,803 and 2,469,555, respectively, net of treasury shares at September 30, 2018. At December 31, 2017, the Company had Series A and Series B common stock outstanding of 19,269,331 and 2,469,755, respectively, net of treasury shares.

Accumulated other comprehensive loss. Accumulated other comprehensive loss consists of actuarial gains and losses attributable to the A. H. Belo Pension Plans, gains and losses resulting from Pension Plans’ amendments and other actuarial experience attributable to other post-employment benefit (“OPEB”) plans. The Company records amortization of the components of accumulated other comprehensive loss in employee compensation and benefits in its Consolidated Statements of Operations. Gains and losses associated with the A. H. Belo Pension Plans are amortized over the weighted average remaining life expectancy of the Pension Plans’ participants. Gains and losses associated with the Company’s OPEB plans are amortized over the average remaining service period of active OPEB plans’ participants. Net deferred tax assets related to amounts recorded in accumulated other comprehensive loss are fully reserved.

The tables below set forth the changes in accumulated other comprehensive loss, net of tax, as presented in the Company's consolidated financial statements.

	<i>Three Months Ended September 30,</i>					
	<i>2018</i>			<i>2017</i>		
	<i>Total</i>	<i>Defined benefit pension plans</i>	<i>Other post-employment benefit plans</i>	<i>Total</i>	<i>Defined benefit pension plans</i>	<i>Other post-employment benefit plans</i>
Balance, beginning of period	\$ (24,617)	\$ (25,099)	\$ 482	\$ (39,195)	\$ (39,588)	\$ 393
Amortization	158	168	(10)	5,967	5,986	(19)
Actuarial gains	—	—	—	3,648	3,648	—
Balance, end of period	\$ (24,459)	\$ (24,931)	\$ 472	\$ (29,580)	\$ (29,954)	\$ 374

	<i>Nine Months Ended September 30,</i>					
	<i>2018</i>			<i>2017</i>		
	<i>Total</i>	<i>Defined benefit pension plans</i>	<i>Other post-employment benefit plans</i>	<i>Total</i>	<i>Defined benefit pension plans</i>	<i>Other post-employment benefit plans</i>
Balance, beginning of period	\$ (24,932)	\$ (25,434)	\$ 502	\$ (39,308)	\$ (39,737)	\$ 429
Amortization	473	503	(30)	6,080	6,135	(55)
Actuarial gains	—	—	—	3,648	3,648	—
Balance, end of period	\$ (24,459)	\$ (24,931)	\$ 472	\$ (29,580)	\$ (29,954)	\$ 374

Note 10: Earnings Per Share

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

	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Earnings (Numerator)				
Net income (loss)	\$ (1,036)	\$ 2,580	\$ (5,584)	\$ (2,655)
Less: dividends to participating securities	48	35	142	117
Net income (loss) available to common shareholders	\$ (1,084)	\$ 2,545	\$ (5,726)	\$ (2,772)
Shares (Denominator)				
Weighted average common shares outstanding (basic)	21,709,557	21,753,166	21,761,110	21,729,212
Effect of dilutive securities	—	1,461	—	—
Adjusted weighted average shares outstanding (diluted)	21,709,557	21,754,627	21,761,110	21,729,212
Earnings Per Share				
Basic and diluted	\$ (0.05)	\$ 0.12	\$ (0.26)	\$ (0.13)

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

The Company considers outstanding stock options and RSUs in the calculation of earnings per share. A total of 610,553 and 615,222 options and RSUs outstanding as of September 30, 2018 and 2017, respectively, were excluded from the calculation because the effect was anti-dilutive.

Note 11: Contingencies

Legal proceedings. From time to time, the Company is involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business. Management routinely assesses the likelihood of adverse judgments or outcomes in these matters, as well as the ranges of probable losses to the extent losses are reasonably estimable. Accruals for contingencies are recorded when, in the judgment of management, adverse judgments or outcomes are probable and the financial impact, should an adverse outcome occur, is reasonably estimable. The determination of likely outcomes of litigation matters relates to factors that include, but are not limited to, past experience and other evidence, interpretation of relevant laws or regulations and the specifics and status of each matter. Predicting the outcome of claims and litigation and estimating related costs and financial exposure involves substantial uncertainties that could cause actual results to vary materially from estimates and accruals. In the opinion of management, liabilities, if any, arising from other currently existing claims against the Company would not have a material adverse effect on A. H. Belo's results of operations, liquidity or financial condition.

Note 12: Sales of Assets

Sales of Assets. Assets held for sale include long-lived assets being actively marketed for which a sale is considered probable within the next 12 months. These assets are recorded at the lower of their fair value less costs to sell or their carrying value at the time they are classified as assets held for sale. In the fourth quarter of 2017, the Company announced real estate assets in downtown Dallas, Texas, previously used as the corporate headquarters, are available for sale. These assets, with a total carrying value of \$1,089, are reported as assets held for sale as of September 30, 2018 and December 31, 2017. See [Note 13 – Subsequent Events](#) for additional information.

In September 2017, the Company completed the sale of one parcel of land and received net cash proceeds of \$8,252, generating a gain of approximately \$5,000.

Other Dispositions. On December 31, 2017, the Company completed the sale of the outstanding capital stock of the Denton Publishing Company, owner of the *Denton Record-Chronicle*, to Denton Media Company, Inc. (the "purchaser"). The business did not meet the requirements of a discontinued operation; therefore, all financial results were included in continuing operations. Prior to the disposition, the *Denton Record-Chronicle* was included in the Publishing segment results.

The Company entered into multi-year agreements with the purchaser, effective January 1, 2018, including an advertising services reseller agreement, printing, distribution and content services agreements. The Company also entered into an agreement to provide transition services to the purchaser through June 30, 2018, which has been extended to November 30, 2018, for certain transition services. In connection with the sale, the Company entered into a sublease with Denton Publishing Company for a term ending on July 30, 2023.

Note 13: Subsequent Events

On October 29, 2018, the Company entered into a definitive agreement to sell real estate assets in downtown Dallas, Texas, previously used as the corporate headquarters, for \$33,000. The expected close date is December 28, 2018, and the Company expects to recognize net cash proceeds of approximately \$32,000.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

A. H. Belo intends for the discussion of its financial condition and results of operations that follows to provide information that will assist in understanding its financial statements, the changes in certain key items in those statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect its financial statements. The following information should be read in conjunction with the Company’s consolidated financial statements and related notes filed as part of this report. Unless otherwise noted, amounts in Management’s Discussion and Analysis reflect continuing operations of the Company, and all dollar amounts are presented in thousands, except share and per share amounts.

OVERVIEW

A. H. Belo, headquartered in Dallas, Texas, is the leading local news and information publishing company in Texas with commercial printing, distribution and direct mail capabilities, as well as a presence in emerging media and digital marketing. While focusing on extending the Company’s media platforms, A. H. Belo delivers news and information in innovative ways to a broad spectrum of audiences with diverse interests and lifestyles.

The Company’s Publishing segment includes the operations of *The Dallas Morning News* (www.dallasnews.com), Texas’ leading newspaper and winner of nine Pulitzer Prizes, and various niche publications targeting specific audiences. Its newspaper operations also provide commercial printing and distribution services to large national and regional newspapers and other businesses in Texas. In addition, the segment includes sales of online automotive classifieds on the cars.com platform.

All other operations are reported within the Company’s Marketing Services segment. These operations primarily include DMV Digital Holdings Company (“DMV Holdings”) and its subsidiaries Distribion, Inc. (“Distribion”), Vertical Nerve, Inc. (“Vertical Nerve”) and CDFX, LLC (“MarketingFX”). The segment also includes Your Speakeasy, LLC (“Speakeasy”) and targeted display advertising generated by Connect (programmatic advertising).

In March 2017, the Company acquired the remaining 20 percent voting interest in DMV Holdings for a cash purchase price of \$7,120. The initial purchase of 80 percent voting interest in DMV Holdings occurred in January 2015. DMV Holdings holds all outstanding ownership interests of three Dallas-based businesses, Distribion, Vertical Nerve and MarketingFX. These businesses specialize in local marketing automation, search engine marketing, and direct mail and promotional products, respectively. The Company believes this acquisition complements the product and service offerings currently available to A. H. Belo customers, thereby strengthening the Company’s diversified product portfolio and allowing for greater penetration in a competitive marketing environment. Operating results of the businesses acquired have been included in the Consolidated Statements of Operations from the initial acquisition date forward.

RESULTS OF OPERATIONS**Consolidated Results of Operations**

This section contains discussion and analysis of net operating revenue, expense and other information relevant to an understanding of results of operations for the three and nine months ended September 30, 2018 and 2017. Net periodic pension and other post-employment expense (benefit) is now included in other income, net in the Consolidated Statements of Operations; see [Note 1 – Basis of Presentation and Recently Issued Accounting Standards](#). As a result of adopting this guidance, total operating costs and expense decreased \$5,051 and \$3,333 for the three and nine months ended September 30, 2017, respectively. In the third quarter of 2017, the Company completed a de-risking transaction to reduce the Company’s pension liability, which resulted in a charge to pension expense of \$5,911; see [Note 8 – Pension and Other Retirement Plans](#).

The table below sets forth the components of A. H. Belo’s operating income (loss) by segment.

	<i>Three Months Ended September 30,</i>			<i>Nine Months Ended September 30,</i>		
	<i>2018</i>	<i>Percentage Change</i>	<i>2017</i>	<i>2018</i>	<i>Percentage Change</i>	<i>2017</i>
Publishing						
Advertising and marketing services	\$ 19,927	(26.0)%	\$ 26,919	\$ 60,975	(26.1)%	\$ 82,468
Circulation	17,896	(5.0)%	18,845	53,564	(6.2)%	57,099
Printing, distribution and other	5,896	(13.8)%	6,839	18,712	(12.4)%	21,349
Total Net Operating Revenue	43,719	(16.9)%	52,603	133,251	(17.2)%	160,916
Total Operating Costs and Expense	45,273	(15.3)%	53,437	142,685	(15.8)%	169,401
Operating Loss	\$ (1,554)	(86.3)%	\$ (834)	\$ (9,434)	(11.2)%	\$ (8,485)
Marketing Services						
Advertising and marketing services	\$ 5,333	(33.0)%	\$ 7,956	\$ 16,423	(30.5)%	\$ 23,633
Total Net Operating Revenue	5,333	(33.0)%	7,956	16,423	(30.5)%	23,633
Total Operating Costs and Expense	5,081	(28.6)%	7,120	15,875	(25.9)%	21,418
Operating Income	\$ 252	(69.9)%	\$ 836	\$ 548	(75.3)%	\$ 2,215

Traditionally, the Company’s primary revenues are generated from advertising within its core newspapers, niche publications and related websites and from subscription and single copy sales of its printed newspapers. As a result of competitive and economic conditions, the newspaper industry has faced a significant revenue decline over the past decade. Therefore, the Company has sought to diversify its revenues through development and investment in new product offerings, increased circulation rates and leveraging of its existing assets to offer cost efficient commercial printing and distribution services to its local markets. The Company continually evaluates the overall performance of its core products to ensure existing assets are deployed adequately to maximize return.

The Company’s advertising revenue from its core newspapers continues to be adversely affected by the shift of advertiser spending to other forms of media and the increased accessibility of free online news content, as well as news content from other sources, which resulted in declines in advertising and paid print circulation volumes and revenue. The most significant decline in advertising revenue has been attributable to print display and classified categories. These categories, which represented 24.0 percent of consolidated revenue in 2015, have declined to 17.8 percent of consolidated revenue thus far in 2018, and further declines are likely in future periods. Decreases in print display and classified categories are indicative of continuing trends by advertisers towards digital platforms, which are widely available from many sources. In the current environment, companies are allocating more of their advertising spending towards programmatic channels that provide digital advertising on multiple platforms with enhanced technology for targeted delivery and measurement. As a result of the continued declines the Publishing segment experienced, and expects to continue to experience, in advertising and print circulation revenues, the Publishing reporting unit’s goodwill was determined to be fully impaired as of December 31, 2016. Certain goodwill and intangible assets previously reported in the Marketing Services segment were moved to the Publishing segment as a result of the first quarter 2017 segment reorganization. Therefore, the Company recorded a noncash goodwill impairment charge of \$228 in the first quarter of 2017.

The Company has responded to these challenges by expanding programmatic channels through which it works to meet customer demand for digital advertisement opportunities in display, mobile, video and social media categories. By utilizing advertising exchanges to apply

marketing insight, the Company believes it offers greater value to clients through focused targeting of advertising to potential customers. In May 2016, the Company installed a meter on its website and began to build a base of paid digital subscribers.

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

Advertising and marketing services revenue

Advertising and marketing services revenue was 51.5 percent and 51.7 percent of total revenue for the three and nine months ended September 30, 2018, respectively, and 57.6 percent and 57.5 percent for the three and nine months ended September 30, 2017, respectively.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	Percentage Change	2017	2018	Percentage Change	2017
Publishing						
Advertising revenue	\$ 19,927	(26.0)%	\$ 26,919	\$ 60,975	(26.1)%	\$ 82,468
Marketing Services						
Digital services	4,191	(32.3)%	6,194	12,740	(36.0)%	19,902
Other services	1,142	(35.2)%	1,762	3,683	(1.3)%	3,731
Advertising and Marketing Services	\$ 25,260	(27.6)%	\$ 34,875	\$ 77,398	(27.1)%	\$ 106,101

Publishing

Advertising Revenue – The Company has a comprehensive portfolio of print and digital advertising products, which include display, classified, preprint and digital advertising. Display and classified print revenue primarily represents sales of advertising space within the Company's core and niche newspapers. As advertisers continue to diversify marketing budgets to incorporate more and varied avenues of reaching consumers, traditional display advertising continues to decline. Display revenue decreased in the three and nine months ended September 30, 2018, primarily due to lower retail advertising in substantially all categories. In retail, the financial, department store, furniture, real estate, medical and other retail categories experienced the greatest declines with a combined revenue decrease of approximately \$725 and \$2,355 for the three and nine months ended September 30, 2018, respectively. The revenue decrease was driven by a retail volume decline of 30.9 percent and 26.9 percent for the three and nine months ended September 30, 2018, respectively. Classified print revenue decreased in the three and nine months ended September 30, 2018, as a result of revenue declines in all categories, with the largest declines in automotive and real estate.

Preprint revenue primarily reflects preprinted advertisements inserted into the Company's core newspapers and niche publications, or distributed to non-subscribers through the mail. Revenue decreased due to a volume decline in home delivery mail advertising and preprint newspaper inserts, consistent with the decline in circulation volumes discussed below.

Digital Publishing revenue is primarily comprised of banner and real estate classified advertising on *The Dallas Morning News'* website dallasnews.com, online employment and obituary classified advertising on third-party websites sold under a print/digital bundle package and sales of online automotive classifieds on the cars.com platform. Revenue decreased primarily due to the adoption of the new revenue guidance; see [Note 1 – Basis of Presentation and Recently Issued Accounting Standards](#). Under the new revenue guidance, digital advertising on third-party websites, where the Company acts as an agent, is recorded net. Prior to adoption, such revenue was generally recorded gross.

Marketing Services

Digital services – Digital marketing revenue includes targeted and multi-channel advertising placed on third-party websites, content development, social media management, search optimization, and other consulting. Adoption of the new revenue guidance resulted in a revenue decrease of \$1,004 and \$2,956 for the three and nine months ended September 30, 2018, respectively. In addition, in the first quarter of 2018, the segment had attrition of six accounts with significant pass-through revenue in 2017.

Other services – Other services revenue decreased \$620 and \$48 in the three and nine months ended September 30, 2018, respectively, due to a decrease in the sale of promotional merchandise by MarketingFX.

Circulation revenue

Circulation revenue was 36.5 percent and 35.8 percent of total revenue for the three and nine months ended September 30, 2018, respectively, and 31.1 percent and 30.9 percent for the three and nine months ended September 30, 2017, respectively.

	<i>Three Months Ended September 30,</i>			<i>Nine Months Ended September 30,</i>		
	<i>2018</i>	<i>Percentage Change</i>	<i>2017</i>	<i>2018</i>	<i>Percentage Change</i>	<i>2017</i>
Publishing						
Circulation	\$ 17,896	(5.0)%	\$ 18,845	\$ 53,564	(6.2)%	\$ 57,099

Revenue decreased primarily due to home delivery revenue, driven by a volume decline of 14.4 percent and 13.5 percent, for the three and nine months ended September 30, 2018, respectively. Single copy revenue also decreased compared to prior year, due to a decline in single copy paid print circulation volume of 24.4 percent and 24.8 percent, for the three and nine months ended September 30, 2018, respectively. The single copy volume decline was partially offset by an increase in single copy rates. Volume declines in circulation revenue have been more pronounced with single copy sales. Price increases and supplemental editions are critical to maintaining the revenue base to support this product. Also contributing to the decline was the adoption of the new revenue guidance. Revenue declined by \$262 and \$789 for the three and nine months ended September 30, 2018, respectively, related to the grace period for home delivery subscriptions where the Company recorded revenue for newspapers delivered after a subscription expires. Prior to adoption, non-payment of grace was recorded as bad debt expense. However, under the new guidance revenue is directly reduced.

Printing, distribution and other revenue

Printing, distribution and other revenue was 12.0 percent and 12.5 percent of total revenue for the three and nine months ended September 30, 2018, respectively, and 11.3 percent and 11.6 percent for the three and nine months ended September 30, 2017, respectively.

	<i>Three Months Ended September 30,</i>			<i>Nine Months Ended September 30,</i>		
	<i>2018</i>	<i>Percentage Change</i>	<i>2017</i>	<i>2018</i>	<i>Percentage Change</i>	<i>2017</i>
Publishing						
Printing, Distribution and Other	\$ 5,896	(13.8)%	\$ 6,839	\$ 18,712	(12.4)%	\$ 21,349

The Company aggressively markets the capacity of its printing and distribution assets to other newspapers that would benefit from cost sharing arrangements. Revenue decreased in the three and nine months ended September 30, 2018, due to a decrease in event-related revenue, a decrease in commercial printing volumes and a discontinued product line.

Operating Costs and Expense

The table below sets forth the components of the Company's operating costs and expense.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	Percentage Change	2017	2018	Percentage Change	2017
Publishing						
Employee compensation and benefits	\$ 18,323	(14.1)%	\$ 21,333	\$ 58,014	(16.0)%	\$ 69,093
Other production, distribution and operating costs	19,175	(20.7)%	24,192	61,673	(18.5)%	75,637
Newsprint, ink and other supplies	5,320	(0.5)%	5,347	15,631	(6.3)%	16,681
Depreciation	2,455	(4.3)%	2,565	7,389	(4.8)%	7,762
Asset impairments	—	N/A	—	(22)	(109.6)%	228
Marketing Services						
Employee compensation and benefits	2,851	(13.8)%	3,309	9,361	(6.3)%	9,995
Other production, distribution and operating costs	1,764	(46.0)%	3,268	5,113	(48.3)%	9,885
Newsprint, ink and other supplies	208	(30.9)%	301	669	(22.3)%	861
Depreciation	59	40.5 %	42	133	70.5 %	78
Amortization	199	(0.5)%	200	599	— %	599
Total Operating Costs and Expense	\$ 50,354	(16.8)%	\$ 60,557	\$ 158,560	(16.9)%	\$ 190,819

Publishing

Employee compensation and benefits – The Company continues to implement measures to optimize its workforce and reduce risk associated with future obligations towards employee benefit plans. Employee compensation and benefits decreased \$3,010 and \$11,079 in the three and nine months ended September 30, 2018, respectively, primarily due to headcount reductions within the Company.

Other production, distribution and operating costs – Expense decreased \$5,017 and \$13,964 in the three and nine months ended September 30, 2018, respectively, reflecting savings as the Company continues to manage discretionary spending. Adoption of the new revenue guidance resulted in decreased expense of \$3,280 and \$9,566 for the three and nine months ended September 30, 2018, respectively. Additional savings were generated by reductions in advertising and promotion expense, legal fees, and distribution expense related to delivery of the Company's various publications and products.

Newsprint, ink and other supplies – Expense decreased due to reduced newsprint costs associated with lower circulation volumes. Newsprint consumption for the three months ended September 30, 2018 and 2017, approximated 4,541 and 5,721 metric tons, respectively, at an average cost per metric ton of \$689 and \$560, respectively. Newsprint consumption for the nine months ended September 30, 2018 and 2017, approximated 14,554 and 17,475, respectively, at an average cost per metric ton of \$646 and \$561, respectively. The average purchase price for newsprint was \$720 and \$558 for the three months ended September 30, 2018 and 2017, respectively, and \$662 and \$561 for the nine months ended September 30, 2018 and 2017, respectively.

Depreciation – Expense decreased in the three and nine months ended September 30, 2018, due to a lower depreciable asset base as a higher level of in-service assets are now fully depreciated.

Asset impairments – In the nine months ended September 30, 2017, operating costs and expense for the Publishing segment reflect a noncash goodwill impairment charge of \$228.

Marketing Services

Employee compensation and benefits – Expense decreased in the three and nine months ended September 30, 2018, primarily due to a reduction in variable compensation, partially offset by an increase in benefits expense due to the segment moving to the Company's fully-insured healthcare plan.

Other production, distribution and operating costs – Expense decreased \$1,504 and \$4,772 in the three and nine months ended September 30, 2018, respectively, primarily due to the adoption of the new revenue guidance and a decrease in digital service fees.

Newsprint, ink and other supplies – Expense decreased in the three and nine months ended September 30, 2018, primarily due to a decrease in promotional material printing costs associated with MarketingFX.

Depreciation – Marketing Services’ cost structure is primarily labor driven. Capital purchases are required to support technology investments. Capital assets are primarily depreciated over a life of three years.

Amortization – Expense is primarily related to customer lists associated with DMV Holdings.

Other

The table below sets forth the other components of the Company’s results of operations.

	<u>Three Months Ended September 30,</u>			<u>Nine Months Ended September 30,</u>		
	<u>2018</u>	<u>Percentage Change</u>	<u>2017</u>	<u>2018</u>	<u>Percentage Change</u>	<u>2017</u>
Other income, net	\$ 862	(66.7)%	\$ 2,588	\$ 2,641	(31.9)%	\$ 3,876
Income tax provision (benefit)	\$ 596	5,860.0 %	\$ 10	\$ (661)	(353.3)%	\$ 261

Other income, net – Other income, net includes gain (loss) on disposal of fixed assets and gain (loss) from investments.

Net periodic pension and other post-employment expense (benefit) is now included in other income, net in the Consolidated Statements of Operations; see [Note 1 – Basis of Presentation and Recently Issued Accounting Standards](#). As a result of adopting this guidance, other income, net decreased \$5,051 and \$3,333 for the three and nine months ended September 30, 2017, respectively. In the third quarter of 2017, the Company completed a de-risking transaction to reduce the Company’s pension liability, which resulted in a charge to pension expense of \$5,911; see [Note 8 – Pension and Other Retirement Plans](#).

Income tax provision (benefit) – The Company recognized income tax provision (benefit) of \$596 and \$10 for the three months ended September 30, 2018 and 2017, respectively, and \$(661) and \$261 for the nine months ended September 30, 2018 and 2017, respectively. The income tax provision (benefit) was calculated using the newly enacted income tax rate of 21 percent. The change in income tax rate from 35 percent to 21 percent, resulted in a \$669 decrease in income tax benefit for the nine months ended September 30, 2018. Effective income tax rates were 10.6 percent and (10.9) percent for the nine months ended September 30, 2018 and 2017, respectively. The effective income tax rate for the nine months ended September 30, 2018, was due to changes in the valuation allowance, an increase in the net operating loss deferred tax asset and the effect of the Texas margin tax.

Legal proceedings – From time to time, the Company is involved in a variety of claims, lawsuits and other disputes arising in the ordinary course of business. Management routinely assesses the likelihood of adverse judgments or outcomes in these matters, as well as the ranges of probable losses to the extent losses are reasonably estimable. Accruals for contingencies are recorded when, in the judgment of management, adverse judgments or outcomes are probable and the financial impact, should an adverse outcome occur, is reasonably estimable. The determination of likely outcomes of litigation matters relates to factors that include, but are not limited to, past experience and other evidence, interpretation of relevant laws or regulations and the specifics and status of each matter. Predicting the outcome of claims and litigation and estimating related costs and financial exposure involves substantial uncertainties that could cause actual results to vary materially from estimates and accruals. In the opinion of management, liabilities, if any, arising from other currently existing claims against the Company would not have a material adverse effect on A. H. Belo’s results of operations, liquidity or financial condition.

Liquidity and Capital Resources

The Company's cash balances as of September 30, 2018 and December 31, 2017, were \$58,471 and \$57,660, respectively.

The Company intends to hold existing cash for purposes of future investment opportunities, potential return of capital to shareholders and for contingency purposes. Although revenue from Publishing operations is expected to continue to decline in future periods, operating contributions expected from the Company's Marketing Services businesses and other cost cutting measures, are expected to be sufficient to fund operating activities and capital spending of approximately \$1,000 over the remainder of the year. On October 29, 2018, the Company entered into a definitive agreement to sell real estate assets in downtown Dallas, Texas, previously used as the corporate headquarters. Upon completion of the sale, the Company expects to recognize net cash proceeds of approximately \$32,000.

The future payment of dividends is dependent upon available cash after considering future operating and investing requirements and cannot be guaranteed. The Company resumed open market stock repurchases in the fourth quarter of 2017 under its prior board-authorized repurchase authority. Current holdings of treasury stock could be used to satisfy its obligations related to share-based awards issued to employees and directors, or can be sold on the open market.

The following discusses the changes in cash flows by operating, investing and financing activities.

Operating Cash Flows

Net cash provided by (used for) operating activities for the nine months ended months ended September 30, 2018 and 2017, was \$11,547 and \$(15,790), respectively. Cash flows from operating activities increased by \$27,337 during the nine months ended September 30, 2018, when compared to the prior year period, primarily due to the 2017 voluntary contribution of \$20,000 to the A. H. Belo Pension Plans, federal income tax refunds of \$3,210 and \$4,095 received in 2018 (see [Note 7 – Income Taxes](#)) and changes in working capital and other operating assets and liabilities.

Investing Cash Flows

Net cash provided by (used for) investing activities was \$(4,344) and \$397 for the nine months ended September 30, 2018 and 2017, respectively. Cash flows for investing activities include \$4,344 and \$7,837 of capital spending in 2018 and 2017, respectively. Cash proceeds of \$8,252 were received during 2017 related to the sale of a parcel of land in downtown Dallas, Texas.

Financing Cash Flows

Net cash used for financing activities was \$6,392 and \$14,723 for the nine months ended September 30, 2018 and 2017, respectively. Cash flows used for financing activities decreased in 2018 compared to 2017, due to the first quarter 2017 acquisitions of the remaining interests in DMV Holdings and Speakeasy for a purchase price of \$7,120 and \$2,111, respectively. Cash used for financing activities included dividend payments of \$5,336 and \$5,313 in 2018 and 2017, respectively. Additionally, in 2018, the Company purchased 210,964 shares of its Series A common stock at a cost of \$1,056 under its share repurchase program.

Financing Arrangements

None.

Contractual Obligations

Under the applicable tax and labor laws governing pension plan funding, no contributions to the A. H. Belo Pension Plans are required in 2018.

On September 5, 2018, the Company's board of directors declared an \$0.08 per share dividend to shareholders of record and holders of RSUs as of the close of business on November 16, 2018, which is payable on December 7, 2018.

Additional information related to the Company's contractual obligations is available in Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed on March 16, 2018, with the Securities and Exchange Commission ("SEC").

Critical Accounting Policies and Estimates

Beginning January 1, 2018, the Company adopted ASU 2014-09 – Revenue from Contracts with Customers (Topic 606). The Company implemented changes to the Company’s policies related to processes around recording revenue for digital advertising placed on third-party websites where the Company acted as an agent under the new standard. Prior to adoption, such revenue was generally recorded gross, but under the new standard this revenue is recorded net.

Except for adoption of the new revenue guidance (Topic 606), no material changes were made to the Company’s critical accounting policies as set forth in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations”, included in the Company’s Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2017.

Forward-Looking Statements

Statements in this communication concerning A. H. Belo Corporation’s business outlook or future economic performance, anticipated profitability, revenues, expenses, dividends, capital expenditures, investments, dispositions, impairments, business initiatives, acquisitions, pension plan contributions and obligations, real estate sales, working capital, future financings and other financial and non-financial items that are not historical facts, are “forward-looking statements” as the term is defined under applicable federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those statements. Such risks, trends and uncertainties are, in most instances, beyond the Company’s control, and include changes in advertising demand and other economic conditions; consumers’ tastes; newsprint prices; program costs; labor relations; technology obsolescence; as well as other risks described in the Company’s Annual Report on Form 10-K and in the Company’s other public disclosures and filings with the Securities and Exchange Commission. Forward-looking statements, which are as of the date of this filing, are not updated to reflect events or circumstances after the date of the statement.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There were no material changes in A. H. Belo Corporation’s exposure to market risk from the disclosure included in the Annual Report on Form 10-K for the year ended December 31, 2017.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (Exchange Act), that are designed to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the Company’s Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company’s management, under the supervision and with the participation of the Company’s Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on that evaluation, the Company’s Principal Executive Officer and Principal Financial Officer have concluded that as of the end of the period covered by this report, due to material weaknesses in internal control over financial reporting described in Management’s Report on Internal Control Over Financial Reporting in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 (the “Management’s Report on Internal Controls”), the Company’s disclosure controls and procedures were not effective.

Notwithstanding the material weaknesses discussed above, management believes the consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, the Company’s financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. generally accepted accounting principles.

Management's Report on Internal Control Over Financial Reporting

The Company's management, with oversight from the Audit Committee of the Board of Directors of the Company, is actively engaged in remediation efforts to address the material weaknesses identified in the Management's Report on Internal Controls. Management has taken, and will take, a number of actions to remediate the 2017 material weaknesses including the following:

- Develop and deliver Internal Controls training to individuals associated with these control deficiencies and enhance training provided to all personnel who have financial reporting or internal control responsibilities to learn from these deficiencies. The training will include a review of individual roles and responsibilities related to internal controls and reemphasize the importance of completing the control procedures on a timely basis.
- Improve monitoring and risk assessment activities to address these control deficiencies.

These improvements are targeted at strengthening the Company's internal control over financial reporting and remediating the 2017 material weaknesses. The Company remains committed to an effective internal control environment and management believes that these actions, and the improvements management expects to achieve as a result, will effectively remediate the 2017 material weaknesses. However, the material weaknesses in the Company's internal control over financial reporting will not be considered remediated until the controls operate for a sufficient period of time and management has concluded, through testing, that these controls operate effectively. The Company expects that the remediation of the 2017 material weaknesses will be completed by December 31, 2018.

Changes in Internal Control Over Financial Reporting

Beginning January 1, 2018, the Company adopted ASU 2014-09 – Revenue from Contracts with Customers (Topic 606). The Company implemented changes to processes related to revenue recognition and the control activities within them. The changes are primarily related to processes around recording revenue for digital advertising placed on third-party websites where the Company acted as an agent under the new standard. Prior to adoption, such revenue was generally recorded gross, but under the new standard this revenue is recorded net.

Except as related to the adoption of the new revenue guidance (Topic 606) and the material weaknesses described above, there have been no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the third fiscal quarter ended September 30, 2018, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There were no material changes from the risk factors disclosed under the heading "Risk Factors" in Item 1A in the Annual Report on Form 10-K for the year ended December 31, 2017.

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

There were no unregistered sales of the Company's equity securities during the period covered by this report.

Issuer Purchases of Equity Securities

The Company repurchased shares of its common stock pursuant to a publicly announced share repurchase program authorized by the Company's board of directors. In the fourth quarter of 2017, the Company resumed open market repurchases under a repurchase plan agreement limited to a total of \$2,500. During 2018, the Company repurchased 210,964 shares of its Series A common stock at a total cost of \$1,056. All purchases were made through open market transactions and were recorded as treasury stock.

The following table contains information for shares repurchased during the third quarter of 2018. None of the shares in this table were repurchased directly from any of the Company's officers or directors.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 2018	33,440	\$ 4.55	1,624,581	875,419
August 2018	2,000	4.53	1,626,581	873,419
September 2018	15,344	4.56	1,641,925	858,075

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

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

Exhibit Number	Description
2.1 *	Agreement and Plan of Merger dated April 23, 2018 by and between A. H. Belo Corporation and A. H. Belo Texas, Inc. (Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 23, 2018 (Securities and Exchange Commission File No. 001-33741) (the "April 23, 2018 Form 8-K"))
3.1 *	Certificate of Formation of A. H. Belo Corporation (successor to A. H. Belo Texas, Inc.) (Exhibit 3.1 to the April 23, 2018 Form 8-K)
3.2 *	Certificate of Merger (Delaware) of A. H. Belo Corporation with and into A. H. Belo Texas, Inc. (Exhibit 3.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 2, 2018 (Securities and Exchange Commission File No. 001-33741) (the "July 2, 2018 Form 8-K"))
3.3 *	Certificate of Merger (Texas) of A. H. Belo Corporation with and into A. H. Belo Texas, Inc. (Exhibit 3.4 to the July 2, 2018 Form 8-K)
3.4 *	Bylaws of A. H. Belo Corporation (successor to A. H. Belo Texas, Inc.) (Exhibit 3.2 to the April 23, 2018 Form 8-K)
4.1(a) *	Certain rights of the holders of the Company's Common Stock set forth in Exhibits 3.1-3.4 above
4.1(b) *	Description of Capital Stock (Exhibit 4.1 to the July 2, 2018 Form 8-K)
4.2 *	Specimen Form of Certificate representing shares of the Company's Series A Common Stock (Exhibit 4.2 to the July 2, 2018 Form 8-K)
4.3 *	Specimen Form of Certificate representing shares of the Company's Series B Common Stock (Exhibit 4.3 to the July 2, 2018 Form 8-K)
10.1 *	Material Contracts
(1) *	Asset Purchase Agreement by and between the Press-Enterprise Company, AHC California Properties LLC, A. H. Belo Management Services, Inc. and Freedom Communications Holdings, Inc. dated October 9, 2013 (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 11, 2013 (Securities and Exchange Commission File No. 001-33741) (the "October 11, 2013 Form 8-K"))
(2) *	Form of Limited Guaranty by and between A. H. Belo Corporation and Freedom Communications Holdings, Inc (Exhibit 10.2 to the October 11, 2013 Form 8-K)
(3) *	Amendment No. 1 to Asset Purchase Agreement dated October 31, 2013, between the Press-Enterprise Company, AHC California Properties LLC, A. H. Belo Management Services, Inc. and Freedom Communications Holdings Inc. (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 4, 2013 (Securities and Exchange Commission File No. 001-33741))
(4) *	Amendment No. 2 to Asset Purchase Agreement dated November 21, 2013, between the Press-Enterprise Company, AHC California Properties LLC, A. H. Belo Management Services, Inc. and Freedom Communications Holdings Inc. (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 25, 2013 (Securities and Exchange Commission File No. 001-33741))
(5) *	Asset Purchase Agreement among The Providence Journal Company and LMG Rhode Island Holdings, Inc. dated as of July 22, 2014 (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 25, 2014 (Securities and Exchange Commission File No. 001-33741))
(6) *	Unit Purchase Agreement dated August 5, 2014 by and among Gannett Company, Inc., Classified Ventures, LLC, and Unitholders of Classified Ventures, LLC (Exhibit 2.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 6, 2014 (Securities and Exchange Commission File No. 001-33741))

Exhibit Number	Description
(7)	* Sublease Agreement for Old Dallas Library Building dated December 30, 2016 (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 3, 2017 (Securities and Exchange Commission File No. 001-33741)(the "January 3, 2017 Form 8-K"))
(8)	* Guaranty of Lease dated December 30, 2016 (Exhibit 10.2 to the January 3, 2017 Form 8-K)
(9)	* Purchase and Sale Agreement by and between The Dallas Morning News, Inc., as Seller, and 508 Young Acquisition LP, as Purchaser (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2018 (Securities and Exchange Commission File No. 001-33741))
10.2	* Compensatory plans and arrangements:
~(1)	* A. H. Belo Savings Plan as Amended and Restated Effective January 1, 2015 (Exhibit 10.2(1) to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 6, 2015 (Securities and Exchange Commission File No. 001-33741))
	* (a) First Amendment to the A. H. Belo Savings Plan effective January 1, 2016 (Exhibit 10.2(1)(a) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 1, 2016 (Securities and Exchange Commission File No. 001-33741))
	* (b) Second Amendment to the A. H. Belo Savings Plan effective September 8, 2016 (Exhibit 10.2(1)(b) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 1, 2016 (Securities and Exchange Commission File No. 001-33741))
	* (c) Third Amendment to the A. H. Belo Savings Plan dated September 7, 2017 (Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 8, 2017 (Securities and Exchange Commission File No. 001-33741)(the "September 8, 2017 Form 8-K"))
	* (d) Fourth Amendment to the A. H. Belo Savings Plan (Exhibit 10.2 to the July 2, 2018 Form 8-K)
~(2)	* A. H. Belo Corporation 2008 Incentive Compensation Plan (Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 12, 2008)(the "February 12, 2008 Form 8-K")
	* (a) First Amendment to A. H. Belo 2008 Incentive Compensation Plan effective July 23, 2008 (Exhibit 10.2(2)(a) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2008 (Securities and Exchange Commission File No. 001-33741))
	* (b) Form of A. H. Belo 2008 Incentive Compensation Plan Evidence of Grant (for Non-Employee Director Awards) (Exhibit 10.2(2)(b) to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 13, 2010 (Securities and Exchange Commission File No. 001-33741)(the "1st Quarter 2010 Form 10-Q"))
	* (c) Form of A. H. Belo 2008 Incentive Compensation Plan Evidence of Grant (for Employee Awards) (Exhibit 10.2(2)(c) to the 1st Quarter 2010 Form 10-Q)
	* (d) Form of A. H. Belo 2008 Incentive Compensation Plan Evidence of Grant (for Employee Awards) (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 12, 2012 (Securities and Exchange Commission File No. 001-33741)(the "March 12, 2012 Form 8-K"))
	* (e) Form of A. H. Belo Cash Long-Term Incentive Evidence of Grant (for Employee Awards) (Exhibit 10.2 to the March 12, 2012 Form 8-K)
~(3)	* A. H. Belo 2017 Incentive Compensation Plan (Exhibit I to A. H. Belo Corporation's Schedule 14A Proxy Statement filed with the Securities and Exchange Commission on March 28, 2017)
	* (a) Form of A. H. Belo 2017 Incentive Compensation Plan Evidence of Grant (for Non-Employee Directors) (Exhibit 10.1 to A. H. Belo Corporation's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 12, 2017 (Securities and Exchange Commission File No. 001-33741)(the "May 12, 2017 Form 8-K"))
	* (b) Form of A. H. Belo 2017 Incentive Compensation Plan Evidence of Grant (for Employee Awards) (Exhibit 10.2 to the May 12, 2017 Form 8-K)
	* (c) First Amendment to the A. H. Belo 2017 Incentive Compensation Plan (Exhibit 10.1 to the July 2, 2018 Form 8-K)
~(4)	* A. H. Belo Corporation Change In Control Severance Plan (Exhibit 10.7 to the February 12, 2008 Form 8-K)
	* (a) Amendment to the A. H. Belo Change in Control Severance Plan dated March 31, 2009 (Exhibit 10.3 to the April 2, 2009 Form 8-K)

Exhibit Number	Description
~(5)	* Robert W. Decherd Compensation Arrangements dated June 19, 2013 (Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 19, 2013)
~(6)	* Timothy M. Storer Employment Agreement dated March 2, 2017 (Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 6, 2017 (Securities and Exchange Commission File No. 001-33741) (the "March 6, 2017 Form 8-K"))
	* (a) Timothy M. Storer PBR SU Award Notice dated March 2, 2017 (Exhibit 10.2 to the March 6, 2017 Form 8-K)
	* (b) First Amendment to Timothy M. Storer Employment Agreement dated September 6, 2017 (Exhibit 10.1 to the September 8, 2017 Form 8-K)
	* (c) Timothy M. Storer Amended PBR SU Award Notice dated September 6, 2017 (Exhibit 10.2 to the September 8, 2017 Form 8-K)
~(7)	* James M. Moroney III Employment Agreement dated April 18, 2018 (Exhibit 10.1 to the Company's April 18, 2018 Form 8-K)
10.3	* Agreements relating to the separation of A. H. Belo from its former parent company:
	(1) * Pension Plan Transfer Agreement by and between Belo Corp. and A. H. Belo Corporation dated as of October 6, 2010 (Exhibit 10.1 to the Company's current Report on Form 8-K filed with the Securities and Exchange Commission on October 8, 2010 (Securities and Exchange Commission File No. 001-33741))
	(2) * Agreement among the Company, Belo Corp., and The Pension Benefit Guaranty Corporation, effective March 9, 2011 (Exhibit 10.3(6) to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 11, 2011 (Securities and Exchange Commission File No. 001-33741))
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certifications of Chief Executive Officer and principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	** XBRL Instance Document
101.SCH	** XBRL Taxonomy Extension Scheme
101.CAL	** XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	** XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	** XBRL Taxonomy Extension Label Linkbase Document
101.PRE	** XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

A. H. BELO CORPORATION

By: /s/ Katy Murray

Katy Murray

Senior Vice President/Chief Financial Officer

(Principal Financial Officer)

Dated: October 30, 2018

EXHIBIT INDEX

Exhibit Number	Description
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101.INS **	XBRL Instance Document
101.SCH **	XBRL Taxonomy Extension Schema
101.CAL **	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF **	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB **	XBRL Taxonomy Extension Label Linkbase Document
101.PRE **	XBRL Taxonomy Extension Presentation Linkbase Document

In accordance with Regulation S-T, the XBRL-related information marked with a double asterisk (**) in Exhibit No. 101 to this Quarterly Report on Form 10-Q is deemed filed.

SECTION 302 CERTIFICATION

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

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

By: /s/ Robert W. Decherd
Robert W. Decherd
Chairman of the Board, President and Chief Executive Officer

Date: October 30, 2018

SECTION 302 CERTIFICATION

I, Katy Murray, Senior Vice President/Chief Financial Officer of A. H. Belo Corporation, certify that:

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

By: /s/ Katy Murray
Katy Murray
Senior Vice President/Chief Financial Officer

Date: October 30, 2018

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

In connection with the Quarterly Report of A. H. Belo Corporation (the "Company") on Form 10-Q for the period ended September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert W. Decherd, Chairman of the Board, President and Chief Executive Officer of the Company, and Katy Murray, Senior Vice President/Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Robert W. Decherd
Robert W. Decherd
Chairman of the Board, President and Chief Executive Officer

Date: October 30, 2018

By: /s/ Katy Murray
Katy Murray
Senior Vice President/Chief Financial Officer

Date: October 30, 2018
