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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the quarterly period ended: March 31, 2002

OR

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

Commission File No. 1-8598

## Belo Corp.

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**75-0135890**  
*(I.R.S. employer  
identification no.)*

**P. O. Box 655237**  
**Dallas, Texas**  
*(Address of principal executive offices)*

**75265-5237**  
*(Zip code)*

Registrant's telephone number, including area code: **(214) 977-6606**

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

Class	Outstanding at April 30, 2002
Common Stock, \$1.67 par value	111,822,436*

\* Consisting of 93,742,325 shares of Series A Common Stock and 18,080,111 shares of Series B Common Stock.

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**BELO CORP.**  
**FORM 10-Q**  
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**Item 1. Financial Statements****CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS**

Belo Corp. and Subsidiaries

	<i>Three months ended March 31,</i>	
<i>In thousands, except per share amounts (unaudited)</i>	2002	2001
<b>Net Operating Revenues</b>	\$ 319,857	\$ 331,547
<b>Operating Costs and Expenses</b>		
Salaries, wages and employee benefits	123,105	126,182
Other production, distribution and operating costs	88,919	89,478
Newsprint, ink and other supplies	28,869	38,433
Depreciation	24,319	25,367
Amortization	<u>1,642</u>	<u>20,251</u>
Total operating costs and expenses	<u>266,854</u>	<u>299,711</u>
Earnings from operations	53,003	31,836
<b>Other Income and Expense</b>		
Interest expense	(28,293)	(30,909)
Other, net	<u>2,202</u>	<u>252</u>
Total other income and expense	(26,091)	(30,657)
<b>Earnings</b>		
Earnings before income taxes	26,912	1,179
Income taxes	<u>10,148</u>	<u>556</u>
Net earnings	<u>\$ 16,764</u>	<u>\$ 623</u>
<b>Net Earnings Per Share</b>		
Basic	\$ .15	\$ .01
Diluted	\$ .15	\$ .01
<b>Average Shares Outstanding</b>		
Basic	110,805	109,544
Diluted	112,297	110,093
<b>Cash Dividends Declared Per Share</b>	\$ .075	\$ .075

See accompanying Notes to Consolidated Condensed Financial Statements.

**CONSOLIDATED CONDENSED BALANCE SHEETS**

Belo Corp. and Subsidiaries

<i>In thousands, except share and per share amounts (Current year unaudited)</i>	March 31, 2002	December 31, 2001
<b>Assets</b>		
Current assets:		
Cash and temporary cash investments	\$ 32,316	\$ 35,913
Accounts receivable, net	204,413	231,673
Other current assets	<u>52,618</u>	<u>64,593</u>
Total current assets	289,347	332,179
Property, plant and equipment, net	579,907	597,106
Intangible assets, net	1,377,889	1,368,385
Goodwill, net	1,255,262	1,255,262
Other assets	<u>101,004</u>	<u>119,293</u>
Total assets	<u>\$ 3,603,409</u>	<u>\$ 3,672,225</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$	46,627 \$ 60,347
Accrued expenses	85,380	85,911
Other current liabilities	<u>56,528</u>	<u>39,142</u>
Total current liabilities	188,535	185,400
Long-term debt	1,603,200	1,696,900
Deferred income taxes	412,542	416,500
Other liabilities	52,143	52,680
Shareholders' equity:		
Preferred stock, \$1.00 par value. Authorized 5,000,000 shares; none issued.		
Common stock, \$1.67 par value. Authorized 450,000,000 shares		
Series A: Issued 93,314,934 shares at March 31, 2002 and 91,800,402 shares at December 31, 2001	155,836	153,307
Series B: Issued 18,094,170 shares at March 31, 2002 and 18,582,538 shares at December 31, 2001	30,217	31,033
Additional paid-in capital	853,567	837,515
Retained earnings	<u>307,369</u>	<u>298,890</u>
Total shareholders' equity		<u>1,346,989</u> <u>1,320,745</u>
Total liabilities and shareholders' equity	<u>\$ 3,603,409</u>	<u>\$ 3,672,225</u>

*See accompanying Notes to Consolidated Condensed Financial Statements.*

**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

Belo Corp. and Subsidiaries

*Three months ended March 31,**In thousands (unaudited)*

	2002	2001
<b>Operations</b>		
Net earnings	\$ 16,764	\$ 623
Adjustments to reconcile net earnings to net cash provided by operations:		
Net gain on sale of investments	(1,841)	---
Depreciation and amortization	25,961	45,618
Deferred income taxes	78	1,127
Non-cash expenses	3,478	2,645
Other, net	2,075	(844)
Net change in current assets and liabilities:		
Accounts receivable	26,962	47,779
Other current assets	13,095	(3,380)
Accounts payable	(13,772)	(22,355)
Accrued expenses	2,750	(20,060)
Other current liabilities	<u>13,893</u>	<u>(38,484)</u>
Net cash provided by operations	89,443	12,669
<b>Investments</b>		
Capital expenditures	(6,958)	(14,711)
Acquisitions	(18,000)	---
Proceeds from sale of investments	27,000	---
Other investments	(9,487)	(566)
Other, net	<u>(483)</u>	<u>845</u>
Net cash used for investments	(7,928)	(14,432)
<b>Financing</b>		
Purchase of treasury shares	---	(12,621)
Borrowings of debt	200,575	228,150
Repayment of debt	(294,375)	(212,858)
Payment of dividends on stock	(8,285)	(8,211)
Net proceeds from exercise of stock options	<u>16,973</u>	<u>2,456</u>
Net cash used for financing	(85,112)	(3,084)
Net decrease in cash and temporary cash investments	(3,597)	(4,847)
Cash and temporary cash investments at beginning of period	<u>35,913</u>	<u>87,680</u>
Cash and temporary cash investments at end of period	<u>\$ 32,316</u>	<u>\$ 82,833</u>
<b>Supplemental Disclosures</b>		
Interest paid, net of amounts capitalized	\$ 12,375	\$ 25,830
Income taxes paid, net of refunds	<u>\$ (1,418)</u>	<u>\$ 43,576</u>

*See accompanying Notes to Consolidated Condensed Financial Statements.*

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Belo Corp. and Subsidiaries

(in thousands, except per share amounts)

- (1) The accompanying unaudited consolidated condensed financial statements of Belo Corp. and subsidiaries (the "Company" or "Belo") have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The balance sheet at December 31, 2001 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

Certain amounts for the prior period have been reclassified to conform to the current year presentation.

- (2) The following table sets forth the reconciliation between weighted average shares used for calculating basic and diluted earnings per share for the three months ended March 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Weighted average shares for basic earnings per share	110,805	109,544
Effect of employee stock options	<u>1,492</u>	<u>549</u>
<u>Weighted average shares for diluted earnings per share</u>	<u>112,297</u>	<u>110,093</u>

- (3) Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Under the provisions of SFAS No. 142, goodwill and certain other intangibles with indefinite lives, namely Federal Communications Commission ("FCC") licenses, are no longer amortized, but are instead reviewed at least annually for impairment at the reporting unit level and written down (expensed against earnings) when the implied fair value of a reporting unit, including goodwill and other related intangibles, is less than its carrying amount. Separable intangible assets that have finite useful lives, will continue to be amortized over their useful lives. For Belo's Television Group, a reporting unit is defined as an operating cluster of television stations and for Belo's Newspaper Group, a reporting unit is defined as the newspaper operations in each individual market.

The Company is in the process of finalizing its review of goodwill and other intangibles, except for the FCC license review, which is complete. Based on this review, the Company does not expect impairment, if any, to be material in 2002 in either the value associated with its goodwill or the value of its other intangibles.

Prior to the adoption of SFAS No. 142, amortization expense was recorded for goodwill and other indefinite lived intangible assets. The following sets forth a reconciliation of net earnings and net earnings per share information for the three months ended March 31, 2002 and 2001 as though SFAS No. 142 had been in effect at the beginning of fiscal 2001:

	<u>2002</u>	<u>2001</u>
Net earnings, as reported	\$ 16,764	\$ 623
Add back: Goodwill and FCC license amortization, net of tax	<u>---</u>	<u>11,484</u>
Net earnings, pro forma	<u>\$ 16,764</u>	<u>\$12,107</u>
Basic net earnings per share, as reported	\$ .15	\$ .01
Add back: Goodwill and FCC license amortization, net of tax	<u>---</u>	<u>.10</u>
Basic net earnings per share, pro forma	<u>\$ .15</u>	<u>\$ .11</u>
Diluted net earnings per share, as reported	\$ .15	\$ .01
Add back: Goodwill and FCC license amortization, net of tax	<u>---</u>	<u>.10</u>
Diluted net earnings per share, pro forma	<u>\$ .15</u>	<u>\$ .11</u>

The reported effective tax rate for the first quarter of 2002 of 37.7 percent is lower than the rate of 47.2 percent for the first quarter of 2001 primarily due to the elimination of non-deductible goodwill amortization upon adoption of SFAS No. 142. The pro forma effective tax rate would have been 38.2 percent for the first quarter of 2001 if SFAS No. 142 had been in effect at the beginning of 2001.

The following table is as of March 31, 2002 and sets out the identifiable intangible assets that continue to be subject to amortization and the identifiable intangible assets no longer subject to amortization as of January 1, 2002:

	Gross Carrying Amount	Accumulated Amortization	Weighted Average Amortization Period
Amortized intangible assets:			
Television Group:			
Market alliance	8,832	--- <sup>(1)</sup>	5 years
Newspaper Group:			
Subscriber lists	115,963	37,378	18 years
Unamortized intangible assets:			
Television Group:			
FCC licenses	<u>1,464,184</u>	<u>173,712</u>	
Total identifiable intangible assets	<u>\$1,588,979</u>	211,090	

(1) Acquired March 12, 2002.

Amortization expense for intangible assets subject to amortization was \$1,642 for the three months ended March 31, 2002. The annual amortization expense for intangible assets subject to amortization is estimated to be approximately \$8,500 for each of the next five fiscal years.

The total carrying amount of goodwill as of January 1, 2002 and March 31, 2002 is \$1,255,262, of which amount \$779,987, \$470,043 and \$5,232 is associated with the Television Group, Newspaper Group and Other, respectively. The Company is in the process of finalizing its review of goodwill and other intangibles, except for the FCC license review, which is complete. Based on this review, the Company does not expect impairment, if any, to be material in 2002 in either the value associated with its goodwill or the value of its other intangibles.

- (4) Net operating revenues, earnings from operations, depreciation and amortization, operating cash flow by industry segment and consolidated cash flow information are shown below. Operating cash flow is defined as earnings from operations plus depreciation and amortization. Operating cash flow is used in the broadcasting and publishing industries to analyze and compare companies on the basis of operating performance and liquidity. Operating cash flow should not be considered as a measure of financial performance or liquidity under generally accepted accounting principles and should not be considered in isolation or as an alternative to net income, cash flows generated by operating, investing or financing activities or financial statement data presented in the consolidated condensed financial statements. Because operating cash flow is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, operating cash flow as presented may not be comparable to other similarly titled measures of other companies.

<i>Three months ended March 31,</i>	<i>2002</i>		
<i>2001</i>			
<b>Net Operating Revenues</b>			
Television group	\$ 140,611	\$ 143,431	
Newspaper group		171,459	181,313
Interactive media	3,994	2,898	
Other	<u>3,793</u>	<u>3,905</u>	
Total net operating revenues	<u>\$ 319,857</u>	<u>\$ 331,547</u>	
<b>Earnings from Operations</b>			
Television group	\$ 39,878	\$ 25,846	
Newspaper group		29,592	24,017
Interactive media	(3,808)	(5,186)	
Other	(1,241)	(1,172)	
Corporate expenses	<u>(11,418)</u>	<u>(11,669)</u>	
Total earnings from operations	<u>\$ 53,003</u>	<u>\$ 31,836</u>	
<b>Depreciation and Amortization</b>			
Television group	\$ 11,743	\$ 27,815	
Newspaper group		11,883	15,259
Interactive media	859	739	
Other	572	653	
Corporate	<u>904</u>	<u>1,152</u>	
Total depreciation and amortization	<u>\$ 25,961</u>	<u>\$ 45,618</u>	
<b>Operating Cash Flow</b> (see definition above)			
Television group	\$ 51,621	\$ 53,661	
Newspaper group	41,475	39,276	
Interactive media	(2,949)	(4,447)	
Other	(669)	(519)	
Corporate	<u>(10,514)</u>	<u>(10,517)</u>	
Total operating cash flow	<u>\$ 78,964</u>	<u>\$ 77,454</u>	
<b>Consolidated Cash Flow Information<sup>(a)</sup></b>			
Net cash provided by operations	\$ 89,443	\$ 12,669	
Net cash used for investments	\$ (7,928)	\$ (14,432)	
Net cash used for financing	\$ (85,112)	\$ (3,084)	

- (a) Cash flow information is provided on a consolidated basis and is as presented in the Consolidated Condensed Statements of Cash Flows included herein.



**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**  
(dollars in thousands, except per share amounts)

The Company is an owner and operator of 19 television stations and publisher of four daily newspapers. The following table sets forth the Company's major media assets by segment as of March 31, 2002:

<i>Television Group</i>					
<i>Market</i>	<i>Market Rank</i> <sup>(a)</sup>	<i>Station</i>	<i>Network Affiliation</i> <sup>(b)</sup>	<i>Status</i>	<i>Acquired</i>
Dallas/Fort Worth	7	WFAA	ABC	Owned	March 1950
Houston	11	KHOU	CBS	Owned	February 1984
Seattle/Tacoma	12	KING	NBC	Owned	February 1997
Seattle/Tacoma	12	KONG	IND	Owned	March 2000
Phoenix	16	KTVK	IND	Owned	November 1999
Phoenix	16	KASW	WB	Owned	March 2000
St. Louis	22	KMOV	CBS	Owned	June 1997
Portland	23	KGW	NBC	Owned	February 1997
Charlotte	27	WCNC	NBC	Owned	February 1997
San Antonio	37	KENS	CBS	Owned	October 1997
San Antonio	37	KBEJ	UPN	LMA	<sup>(c)</sup>
Hampton/Norfolk	42	WVEC	ABC	Owned	February 1984
New Orleans	43	WWL	CBS	Owned	June 1994
Louisville	50	WHAS	ABC	Owned	February 1997
Austin	54	KVUE	ABC	Owned	June 1999
Tucson	73	KMSB	FOX	Owned	February 1997
Tucson	73	KTTU	UPN	Owned	March 2002 <sup>(d)</sup>
Spokane	78	KREM	CBS	Owned	February 1997
Spokane	78	KSKN	UPN/WB <sup>(e)</sup>	Owned	October 2001 <sup>(f)</sup>
Boise <sup>(g)</sup>	121	KTVB	NBC	Owned	February 1997

<i>Newspaper Group</i>				
<i>Newspaper</i>	<i>Location</i>	<i>Acquired</i>	<i>Daily Circulation</i> <sup>(i)</sup>	<i>Sunday Circulation</i> <sup>(i)</sup>
<i>The Dallas Morning News ("DMN")</i>	Dallas, TX	<sup>(h)</sup>	529,617	776,868
<i>The Providence Journal ("PJ")</i>	Providence, RI	February 1997	165,880	233,751
<i>The Press-Enterprise ("PE")</i>	Riverside, CA	July 1997	184,562	189,095
<i>Denton Record-Chronicle</i>	Denton, TX	June 1999	14,783	19,098

*Interactive Media*

Belo Interactive, Inc. Includes the Web site operations of Belo's operating companies, interactive alliances and Internet-based products and services.<sup>(j)</sup>

*Other*

Northwest Cable News ("NWCN") Cable news channel distributed to over 2.3 million homes in the Pacific Northwest.

Texas Cable News ("TXCN") Cable news channel distributed to over 1.3 million homes in Texas.

- (a) Market rank is based on the relative size of the television market, or Designated Market Area ("DMA"), among the 210 generally recognized DMAs in the United States, based on November 2001 Nielsen estimates.
- (b) Substantially all the revenue of the Company's television stations is derived from advertising. Less than 4 percent of Television Group revenue is provided by compensation paid by networks to the television stations for broadcasting network programming.
- (c) Belo entered into an agreement to operate KBEJ under a local marketing agreement ("LMA") in May 1999; the station's on-air date was August 3, 2000.
- (d) Belo acquired KTTU, previously operated under an LMA, on March 12, 2002.
- (e) The primary affiliation is with UPN. The WB network is currently a secondary affiliation.
- (f) Belo acquired KSKN, previously operated under an LMA, on October 1, 2001.
- (g) The Company also owns KTFT-LP (NBC), a low power television station in Twin Falls, Idaho.
- (h) The first issue of *DMN* was published by Belo on October 1, 1885.

- (i) Average paid circulation data for *DMN* and *PE* is for the six months ended March 31, 2002 as filed in the Audit Bureau of Circulation's ("ABC") FAS-FAX report and is calculated in accordance with ABC guidelines. Circulation data for *PJ* is for the six months ended September 30, 2001 as filed in the ABC FAS-FAX report. Circulation data for the *Denton Record-Chronicle* is taken from the Certified Audit of Circulations Report for the twelve-month period ended December 31, 2001.
- (j) The majority of Belo Interactive's Web sites are associated with the Company's television stations and newspapers and primarily provide news and information.

## Results of Operations

### *Consolidated Results of Operations*

Total net operating revenue declined \$11,690, or 3.5 percent, in the first quarter of 2002 as compared to the first quarter of 2001 primarily due to a decrease in classified advertising revenue in the Newspaper Group and declines in local and national spot revenue for the Television Group, partially offset by higher political advertising.

Salaries, wages and employee benefits declined \$3,077, or 2.4 percent, in the first quarter of 2002 as compared to the year earlier period primarily due to a decrease in the number of employees resulting from a Company-wide reduction in force and an early retirement program at *The Providence Journal* in the fourth quarter of 2001, partially offset by higher accruals for performance-based bonuses.

Other production, distribution and operating costs declined \$559, or approximately 1 percent, in the first quarter of 2002 as compared to the first quarter of 2001 primarily due to decreases in communications, sales projects and outside services expenses, partially offset by increases in insurance and distribution expenses.

Newsprint, ink and other supplies decreased \$9,564, or 24.9 percent, in the first quarter of 2002 as compared to the year earlier period. The average cost per metric ton of newsprint decreased approximately 21 percent in the first quarter of 2002 when compared to the first quarter of 2001. Newsprint consumption was down 7.5 percent compared to the year earlier period.

Depreciation expense decreased \$1,048, from \$25,367 in the first quarter of 2001 to \$24,319 in the first quarter of 2002.

Amortization expense decreased from \$20,251 in the quarter ended March 31, 2001 to \$1,642 in the quarter ended March 31, 2002 due to the Company's adoption of SFAS No. 142 effective January 1, 2002. See Note 3 of Notes to the Consolidated Condensed Financial Statements.

Interest expense for the first quarter of 2002 of \$28,293 was 8.5 percent lower than first quarter 2001 expense of \$30,909, primarily reflecting lower average debt levels.

Other, net increased from income of \$252 in the first quarter of 2001 to income of \$2,202 in the first quarter of 2002 due primarily to a \$2,375 gain on the sale of Belo's interest in the Dallas Mavericks and the American Airlines Center.

The effective tax rate for the first quarter of 2002 was 37.7 percent compared with 47.2 percent for the first quarter of 2001 primarily due to the elimination of non-deductible goodwill amortization upon adoption of SFAS No. 142. The effective tax rate would have been 38.2 percent for the first quarter of 2001 if SFAS No. 142 had been in effect at the beginning of 2001.

As a result of the factors discussed above, net earnings for the first quarter of 2002 were \$16,764 (15 cents per share) as compared to \$623 (1 cent per share) for the first quarter of 2001. Net earnings for the first quarter of 2001 would have been \$12,107 (11 cents per share) if SFAS No. 142 had been in effect at the beginning of 2001.

## *Segment Results of Operations*

### *Television Group*

Television Group revenue was \$140,611 for the first quarter of 2002, a decrease of \$2,820, or approximately 2 percent compared with first quarter 2001 revenue of \$143,431. Total spot revenue decreased \$2,871, or 2.1 percent, in the first quarter of 2002. Political advertising revenue was \$3,777 higher in the first three months of 2002 versus the same period in 2001 due to certain election campaigns in Texas, Missouri and Louisiana. The Company's NBC affiliates generated approximately \$9,000 of advertising revenue from their two-week broadcast of the Winter Olympics in February 2002. Local and national advertising revenue each decreased by approximately 5 percent in the first quarter of 2002 as compared to the prior year period. The largest local advertising declines were in Houston, Dallas and Phoenix. National advertising decreases were recorded in Dallas, Seattle, St. Louis, Phoenix and San Antonio. Cash operating expenses were down approximately 1 percent between the quarterly periods primarily due to a decrease in salaries, wages and employee benefits expense resulting from a decrease in the number of employees.

Television Group operating cash flow decreased \$2,040, or 3.8 percent, in the first quarter of 2002 as compared to the first quarter of 2001. Operating cash flow margins declined to 36.7 percent in the first quarter of 2002 from 37.4 percent in the first quarter of 2001.

### *Newspaper Group*

Newspaper Group revenue decreased \$9,854, or 5.4 percent, in the first quarter of 2002 when compared to the first quarter of 2001. In the first quarter of 2002 there was one more Sunday than in the first quarter of 2001. After adjusting for the effects of the additional Sunday, Newspaper Group revenue decreased by 8.2 percent. Classified advertising revenue declined 17.8 percent in the first quarter of 2002 when compared to the same period of 2001. General advertising revenue decreased 5.7 percent while retail advertising revenue increased 3.3 percent.

First quarter 2002 revenues at *DMN* were 8.2 percent lower than the comparable 2001 period (down 10.9 percent adjusting for the extra Sunday in 2002). Classified advertising revenues decreased 21.6 percent in the first three months of 2002 primarily due to a 53.9 percent decline in classified employment volume. General advertising revenue decreased 9.2 percent in the first quarter of 2002 while retail advertising revenue increased 3.5 percent.

*PJ* reported a revenue increase of approximately 1 percent in the first quarter of 2002 as compared to the prior year period while *PE* reported decreased revenue of approximately 1 percent. First quarter 2002 revenues for *PJ* and *PE* were down 3.1 percent and 2.6 percent, respectively, as compared to first quarter 2001, after adjusting for the extra Sunday in 2002. The most significant revenue decline at these papers was in classified employment advertising. Revenue increases were reported in general advertising for *PJ* and *PE* and in retail advertising for *PJ* in the first quarter of 2002 when compared to the same period of 2001.

Newspaper Group cash expenses decreased \$12,053, or 8.5 percent, primarily due to a decrease in newsprint expense. Excluding newsprint, Newspaper Group cash expenses decreased approximately 3 percent compared to the first quarter of 2001 due to lower salaries, wages and employee benefits expense resulting from a decrease in the number of employees. As a result, operating cash flow for the Newspaper Group increased 5.6 percent, from \$39,276 in the first quarter of 2001 to \$41,475 in the first quarter of 2002. Newspaper Group operating cash flow margins increased from 21.7 percent in the first quarter of 2001 to 24.2 percent in the first quarter of 2002.

### *Interactive Media*

Interactive Media revenues, which are derived primarily from advertising, increased 37.8 percent, from \$2,898 in the first quarter of 2001 to \$3,994 in the first quarter of 2002. Interactive Media cash expenses decreased 5.5 percent in the first quarter of 2002 as compared with the prior year period as a result of the expense reduction initiatives beginning in the third quarter of 2001 in response to the softening economy. As a result, the Interactive Media operating cash flow deficit was \$2,949 in the first quarter of 2002 as compared to an operating cash flow deficit of \$4,447 in the first quarter of 2001.

## Other

Other revenues consist primarily of Belo's regional cable news operations, NWCN and TXCN. Other revenues decreased 2.9 percent, from \$3,905 in the first quarter of 2001 to \$3,793 in the first quarter of 2002, reflecting a revenue decrease at NWCN, partially offset by an increase TXCN. Cash expenses increased by 0.9 percent in the first quarter of 2002 as compared to the first quarter of 2001 primarily due to an increase in advertising and promotion expense. The operating cash flow deficit increased from \$519 in the first quarter of 2001 to \$669 in the first quarter of 2002 reflecting a decrease in cash flow at NWCN between the periods, offset somewhat by a decrease in the cash flow deficit at TXCN.

## Liquidity and Capital Resources

Net cash provided by operations, bank borrowings and term debt are the Company's primary sources of liquidity. Net cash provided by operations was \$89,443 in the first quarter of 2002 compared with \$12,669 for the same period in 2001. In the first quarter of 2001, net cash provided by operations was lower partially due to tax payments of approximately \$40,200 on fourth quarter 2000 transactions, including the sales of *The Gleaner*, *The Eagle*, the *Messenger-Inquirer* and KOTV and a gain in 2000 from the settlement of a lawsuit brought by the Company against a third party. Total debt decreased \$93,800 from December 31, 2001 to March 31, 2002.

At March 31, 2002, the Company had \$1,350,000 in fixed-rate debt securities as follows: \$250,000 of 6-7/8 percent Senior Notes due 2002; \$300,000 of 7-1/8 percent Senior Notes due 2007; \$350,000 of 8 percent Senior Notes due 2008; \$200,000 of 7-3/4 percent Senior Debentures due 2027; and \$250,000 of 7-1/4 percent Senior Debentures due 2027. The weighted average effective interest rate for the fixed-rate debt instruments is 7.4 percent. The Company also has \$150,000 of additional debt securities available for issuance under a shelf registration statement filed in April 1997. Future issuances of fixed-rate debt may be used to refinance variable-rate debt in whole or in part or for other corporate needs as determined by management. The Company intends to repay the \$250 million of Senior Notes due 2002 with borrowings under its existing credit facility.

At March 31, 2002, the Company had a \$720,000 variable-rate revolving credit facility under which borrowings were \$218,000. Borrowings under the credit facility mature upon expiration of the agreement on November 29, 2006. In addition, the Company had \$28,800 of short-term unsecured notes outstanding at March 31, 2002. These borrowings may be converted at the Company's option to revolving debt. Accordingly, such borrowings are classified as long-term in the Company's financial statements.

The Company is required to maintain certain ratios as of the end of each quarter, as defined in its revolving credit agreement. As of March 31, 2002, the Company was in compliance with all debt covenant requirements.

On January 30, 2002, the Company sold its interest in the Dallas Mavericks and the American Airlines Center for \$27,000 which resulted in a pretax gain of approximately \$2,375, or 2 cents per share.

On March 12, 2002, Belo completed the purchase of KTTU, the UPN affiliate in the Tucson, Arizona television market, for \$18,000 in cash. Belo had previously operated KTTU under a local marketing agreement.

The Company paid first quarter 2002 dividends of \$8,285, or 7.5 cents per share, on Series A and Series B common stock outstanding, compared with \$8,211, or 7.5 cents per share, in the first quarter of 2001.

First quarter 2002 capital expenditures were \$6,958. Expenditures were primarily for Television Group equipment purchases, including those for equipment to be used in the transmission of digital television, and Newspaper Group equipment purchases.

During 2000 and 2001, Belo announced the formation of a series of cable news partnerships with Time Warner Cable ("Time Warner"). The Time Warner agreements call for the creation of 24-hour cable news channels in Houston and San Antonio, Texas and Charlotte, North Carolina. As of March 31, 2002, investments totaling \$24,250 (\$10,000 of which was invested in the first quarter of 2002) had been made related to the Time Warner partnerships which will be used to fund capital expenditures and operating costs.

### *Forward-Looking Statements*

Statements in this Form 10-Q concerning the Company's future financings and pending acquisitions, as well as any other statements concerning the Company's business outlook or future economic performance, anticipated profitability, revenues, expenses, capital expenditures, investments or other financial and non-financial items that are not historical facts, are "forward-looking statements" as the term is defined under applicable federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those statements.

Such risks, uncertainties and factors include, but are not limited to, changes in capital market conditions and prospects, and other factors such as changes in advertising demand, interest rates and newsprint prices; technological changes; development of Internet commerce; industry cycles; changes in pricing or other actions by competitors and suppliers; regulatory changes; the effects of Company acquisitions and dispositions; and general economic conditions, as well as other risks detailed in the Company's filings with the Securities and Exchange Commission, including the Annual Report on Form 10-K and in the Company's periodic press releases.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

No disclosure required.

## **PART II.**

### **Item 1. Legal Proceedings**

There are a number of legal proceedings pending against the Company, including several actions for alleged libel and slander incidental to the Company's business. In the opinion of management, liabilities, if any, arising from these actions would not have a material adverse effect on the results of operations, liquidity or financial position of the Company.

### **Item 2. Changes in Securities and Use of Proceeds**

None.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Submission of Matters to a Vote of Security Holders**

None.

### **Item 5. Other Information**

None.

### **Item 6. Exhibits and Reports on Form 8-K**

#### (a) Exhibits

Exhibits marked with an asterisk (\*) are incorporated by reference to documents previously filed by the Company with the Securities and Exchange Commission, as indicated. Exhibits marked with a tilde (~) are management contracts or compensatory plan contracts or arrangements filed pursuant to Item 601(b)(10)(iii)(A) of Regulation S-K. All other documents are filed with this report.

- 3.1 \* Certificate of Incorporation of the Company (Exhibit 3.1 to the Company's Annual Report on Form 10-K dated March 15, 2000 (the "1999 Form 10-K"))

**Exhibit  
Number Description**

- 3.2 \* Certificate of Correction to Certificate of Incorporation dated May 13, 1987 (Exhibit 3.2 to the 1999 Form 10-K)
- 3.3 \* Certificate of Designation of Series A Junior Participating Preferred Stock of the Company dated April 16, 1987 (Exhibit 3.3 to the 1999 Form 10-K)
- 3.4 \* Certificate of Amendment of Certificate of Incorporation of the Company dated May 4, 1988 (Exhibit 3.4 to the 1999 Form 10-K)
- 3.5 \* Certificate of Amendment of Certificate of Incorporation of the Company dated May 3, 1995 (Exhibit 3.5 to the 1999 Form 10-K)
- 3.6 \* Certificate of Amendment of Certificate of Incorporation of the Company dated May 13, 1998 (Exhibit 3.6 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1998 (the "2<sup>nd</sup> Quarter 1998 Form 10-Q"))
- 3.7 \* Certificate of Ownership and Merger, dated December 20, 2000, but effective as of 11:59 p.m. on December 31, 2000 (Exhibit 99.2 to Belo's Current Report on Form 8-K filed with the Commission on December 29, 2000)
- 3.8 \* Amended Certificate of Designation of Series A Junior Participating Preferred Stock of the Company dated May 4, 1988 (Exhibit 3.7 to the 1999 Form 10-K)
- 3.9 \* Certificate of Designation of Series B Common Stock of the Company dated May 4, 1988 (Exhibit 3.8 to the 1999 Form 10-K)
- 3.10 \* Amended and Restated Bylaws of the Company, effective December 31, 2000 (Exhibit 3.10 to the Company's Annual Report on Form 10-K dated March 13, 2001 (the "2000 Form 10-K"))
- 4.1 Certain rights of the holders of the Company's Common Stock are set forth in Exhibits 3.1-3.10 above
- 4.2 \* Specimen Form of Certificate representing shares of the Company's Series A Common Stock (Exhibit 4.2 to the 2000 Form 10-K)
- 4.3 \* Specimen Form of Certificate representing shares of the Company's Series B Common Stock (Exhibit 4.3 to the 2000 Form 10-K)
- 4.4 \* Amended and Restated Form of Rights Agreement as of February 28, 1996 between the Company and Chemical Mellon Shareholder Services, L.L.C., a New York banking corporation (Exhibit 4.4 to the 1999 Form 10-K)
- 4.5 \* Supplement No. 1 to Amended and Restated Rights Agreement between the Company and The First National Bank of Boston dated as of November 11, 1996 (Exhibit 4.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1996)
- 4.6 \* Supplement No. 2 to Amended and Restated Rights Agreement between the Company and The First National Bank of Boston dated as of June 5, 1998 (Exhibit 4.6 to the 2000 Form 10-K)
- 4.7 Instruments defining rights of debt securities:
  - (1) \* Indenture dated as of June 1, 1997 between the Company and The Chase Manhattan Bank, as Trustee (Exhibit 4.6(1) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997 (the "2<sup>nd</sup> Quarter 1997 Form 10-Q"))

**Exhibit  
Number Description**

- (2) \* (a) \$200 million 6-7/8% Senior Note due 2002 (Exhibit 4.6(2)(a) to the 2<sup>nd</sup> Quarter 1997 Form 10-Q)
  - \* (b) \$50 million 6-7/8% Senior Note due 2002 (Exhibit 4.6(2)(b) to the 2<sup>nd</sup> Quarter 1997 Form 10-Q)
  - (3) \* (a) \$200 million 7-1/8% Senior Note due 2007 (Exhibit 4.6(3)(a) to the 2<sup>nd</sup> Quarter 1997 Form 10-Q)
  - \* (b) \$100 million 7-1/8% Senior Note due 2007 (Exhibit 4.6(3)(b) to the 2<sup>nd</sup> Quarter 1997 Form 10-Q)
  - (4) \* \$200 million 7-3/4% Senior Debenture due 2027 (Exhibit 4.6(4) to the 2<sup>nd</sup> Quarter 1997 Form 10-Q)
  - (5) \* Officers' Certificate dated June 13, 1997 establishing terms of debt securities pursuant to Section 3.1 of the Indenture (Exhibit 4.6(5) to the 2<sup>nd</sup> Quarter 1997 Form 10-Q)
  - (6) \* (a) \$200 million 7-1/4% Senior Debenture due 2027 (Exhibit 4.6(6)(a) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997 (the "3<sup>rd</sup> Quarter 1997 Form 10-Q"))
  - \* (b) \$50 million 7-1/4% Senior Debenture due 2027 (Exhibit 4.6(6)(b) to the 3<sup>rd</sup> Quarter 1997 Form 10-Q)
  - (7) \* Officers' Certificate dated September 26, 1997 establishing terms of debt securities pursuant to Section 3.1 of the Indenture (Exhibit 4.6(7) to the 3<sup>rd</sup> Quarter 1997 Form 10-Q)
  - (8) \* \$350 million 8.00% Senior Note due 2008 (Exhibit 4.6(8) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 (the "3<sup>rd</sup> Quarter 2001 Form 10-Q"))
  - (9) \* Officers' Certificate dated November 1, 2001 establishing terms of debt securities pursuant to Section 3.1 of the Indenture (Exhibit 4.6(9) to the 3<sup>rd</sup> Quarter 2001 Form 10-Q)
- 10.1 Financing agreements:
- (1) \* Five-year Credit Agreement dated as of November 29, 2001 among the Company, as Borrower; J.P. Morgan Chase Bank, as Administrative Agent and as Competitive Advance Facility Agent; J.P. Morgan Securities Inc. and Banc of America Securities LLC, as Co-Advisors, Co-Arrangers and Joint Bookrunners; Bank of America, N.A., Fleet National Bank and the Bank of New York, as Co-Syndication Agents; BNP Paribas, as Documentation Agent; and the Fuji Bank Limited and SunTrust Bank, as Senior Managing Agents (Exhibit 10.1(1) to the Company's Annual Report on Form 10-K dated March 15, 2002)
- 10.2 Compensatory plans:
- ~(1) Belo Savings Plan:
    - \* (a) Belo Savings Plan Amended and Restated July 1, 2000 (Exhibit 10.2(1) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2000 (the "2<sup>nd</sup> Quarter 2000 Form 10-Q"))
    - \* (b) First Amendment to the Belo Savings Plan effective December 31, 2000 (Exhibit 10.2(1)(b) to the 2000 Form 10-K)

**Exhibit  
Number Description**

- \* (c) Second Amendment to Belo Savings Plan effective as of January 1, 2002 (Exhibit 4.16(c) to the Company's Registration Statement on Form S-8 (No. 333-88030) filed with the Securities and Exchange Commission on May 10, 2002)
- \* (d) Third Amendment to Belo Savings Plan effective as of May 7, 2002 (Exhibit 4.16(d) to the Company's Registration Statement on Form S-8 (No. 333-88030) filed with the Securities and Exchange Commission on May 10, 2002)
  
- ~(2) Belo 1986 Long-Term Incentive Plan:
  - \* (a) Belo Corp. 1986 Long-Term Incentive Plan (Effective May 3, 1989, as amended by Amendments 1, 2, 3, 4 and 5) (Exhibit 10.3(2) to the Company's Annual Report on Form 10-K dated March 10, 1997 (the "1996 Form 10-K"))
  - \* (b) Amendment No. 6 to 1986 Long-Term Incentive Plan (Exhibit 10.3(2)(b) to the Company's Annual Report on Form 10-K dated March 19, 1998 (the "1997 Form 10-K"))
  - \* (c) Amendment No. 7 to 1986 Long-Term Incentive Plan (Exhibit 10.2(2)(c) to the 1999 Form 10-K)
  - \* (d) Amendment No. 8 to 1986 Long-Term Incentive Plan (Exhibit 10.3(2)(d) to the 2<sup>nd</sup> Quarter 1998 Form 10-Q)
  
- ~(3) \* Belo 1995 Executive Compensation Plan, as restated to incorporate amendments through December 4, 1997 (Exhibit 10.3(3) to the 1997 Form 10-K)
  - \* (a) Amendment to 1995 Executive Compensation Plan, dated July 21, 1998 (Exhibit 10.3(3)(a) to the 2<sup>nd</sup> Quarter 1998 Form 10-Q)
  - \* (b) Amendment to 1995 Executive Compensation Plan, dated December 16, 1999 (Exhibit 10.3(3)(b) to the 1999 Form 10-K)
  
- ~(4) \* Management Security Plan (Exhibit 10.3(1) to the 1996 Form 10-K)
  - \* (a) Amendment to Management Security Plan of Belo Corp. and Affiliated Companies (as Restated Effective January 1, 1982) (Exhibit 10.2(4)(a) to the 1999 Form 10-K)
  
- ~(5) Belo Supplemental Executive Retirement Plan
  - \* (a) Belo Supplemental Executive Retirement Plan As Amended and Restated Effective January 1, 2000 (Exhibit 10.2(5)(a) to the 1999 Form 10-K)
  - \* (b) First Amendment to Belo Supplemental Executive Retirement Plan as Amended and Restated Effective January 1, 2000, dated July 27, 2000 (Exhibit 10.2(5) to the 2<sup>nd</sup> Quarter 2000 Form 10-Q)
  
- ~(6) \* Belo 2000 Executive Compensation Plan (Exhibit 4.15 to the Company's Registration Statement on Form S-8 (No. 333-43056) filed with the Securities and Exchange Commission on August 4, 2000)
  
- ~(7) \* Retirement Agreement between the Company and Burl Osborne, dated June 27, 2001 (Exhibit 10.2(8) to Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001)
  
- ~(8) Retirement Agreement between the Company and Michael J. McCarthy, dated March 15, 2002

12 Ratio of Earnings to Fixed Charges

(b) Reports on Form 8-K.

During the quarter covered by this report, there were no reports on Form 8-K filed.

**SIGNATURES**

Pursuant to the requirements 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.

**BELO CORP.**

May 13, 2002

By: \_\_\_\_\_  
Dunia A. Shive  
Executive Vice President/  
Chief Financial Officer  
(Authorized Officer and Principal  
Financial and Accounting Officer)