# Section 1: 10-Q (10-Q)

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

**Form 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarterly Period ended June 30, 2020**

**or**

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

**For the transition period from __________ to**

**Commission file number 1-11588**

## Saga Communications, Inc.

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

| | |
|---|---|
| **Florida**<br>*(State or other jurisdiction of incorporation or organization)* | **38-3042953**<br>*(I.R.S. Employer Identification No.)* |
| **73 Kercheval Avenue**<br>**Grosse Pointe Farms, Michigan**<br>*(Address of principal executive offices)* | **48236**<br>*(Zip Code)* |

**(313) 886-7070**
*(Registrant's telephone number, including area code)*

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

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Class A Common Stock, par value $.01 per share | SGA | NASDAQ |

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

Indicate by check mark whether the registrant has submitted electronically 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 Exchange Act). Yes ☐ No ☑

The number of shares of the registrant's Class A Common Stock, $.01 par value, and Class B Common Stock, $.01 par value, outstanding as of August 5, 2020 was 5,038,969 and 953,842, respectively.

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**PART I — FINANCIAL INFORMATION**

**Item 1. *Financial Statements***

**SAGA COMMUNICATIONS, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

| | June 30, 2020 (Unaudited) | Dec |
|---|---|---|
| | (In thousands) | |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 48,909 | $ |
| Accounts receivable, net | 10,164 | |
| Prepaid expenses and other current assets | 2,949 | |
| Barter transactions | 1,658 | |
| Total current assets | 63,680 | |
| Property and equipment | 142,258 | |
| Less accumulated depreciation | 85,398 | |
| Net property and equipment | 56,860 | |
| Other assets: | | |
| Broadcast licenses, net | 91,600 | |
| Goodwill | 19,106 | |
| Other intangibles, deferred costs and investments, net | 11,807 | |
| | $ 243,053 | $ |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,842 | $ |
| Payroll and payroll taxes | 6,471 | |
| Dividend payable | — | |
| Other accrued expenses | 4,835 | |
| Barter transactions | 1,562 | |
| Total current liabilities | 14,710 | |
| Deferred income taxes | 22,652 | |
| Long-term debt | 10,000 | |
| Other liabilities | 7,098 | |
| Total liabilities | 54,460 | |
| **Commitments and contingencies** | — | |
| **Stockholders' equity:** | | |
| Common stock | 77 | |
| Additional paid-in capital | 67,861 | |
| Retained earnings | 157,672 | |
| Treasury stock | (37,017) | |
| Total stockholders' equity | 188,593 | |
| | $ 243,053 | $ |

Note: The balance sheet at December 31, 2019 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See notes to unaudited condensed consolidated financial statements.

**SAGA COMMUNICATIONS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Three Months Ended June 30, | | Six Mont Jun |
|---|---|---|---|
| | **2020** | **2019** | **2020** |
| | (Unaudited) (In thousands, except per share data) | | |
| Net operating revenue | $ 16,866 | $ 32,191 | $ 42,917 |
| Station operating expenses | 18,652 | 22,879 | 40,851 |
| Corporate general and administrative | 3,070 | 2,706 | 6,085 |
| Other operating expense (income), net | 46 | (2) | (1,284) |
| Impairment of broadcast licenses | 3,757 | — | 3,757 |
| Operating income (loss) | (8,659) | 6,608 | (6,492) |
| Interest expense | 82 | 184 | 190 |
| Interest income | (25) | (160) | (133) |
| Other income | — | — | (213) |
| Income (loss) before income tax (benefit) expense | (8,716) | 6,584 | (6,336) |
| Income tax (benefit) expense | (3,805) | 1,850 | (3,105) |
| Net income (loss) | $ (4,911) | $ 4,734 | $ (3,231) |
| | | | |
| Earnings (loss) per share: | | | |
| Basic | $ (0.82) | $ .80 | $ (0.54) |
| Diluted | $ (0.82) | $ .80 | $ (0.54) |
| | | | |
| Weighted average common shares | 5,868 | 5,844 | 5,867 |
| Weighted average common and common equivalent shares | 5,868 | 5,844 | 5,867 |
| | | | |
| Dividends declared per share | $ — | $ .30 | $ .32 |

See notes to unaudited condensed consolidated financial statements.

**SAGA COMMUNICATIONS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-In | Retained | Treasury | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Earnings | Stock | |
| | | | | (unaudited) (In thousands) | | | | |
| **Balance at December 31, 2018** | 6,732 | $ 67 | 923 | $ 9 | $ 64,795 | $ 156,689 | $ (36,561) | $ |
| Net income, Three months ended March 31, 2019 | | | | | | 1,370 | | |
| Dividends declared per common share | — | — | — | — | — | (1,784) | — | |
| Compensation expense related to restricted stock awards | — | — | — | — | 559 | — | — | |
| Purchase of shares held in treasury | — | — | — | — | — | — | (80) | |
| 401(k) plan contribution | — | — | — | — | (113) | — | 375 | |
| **Balance at March 31, 2019** | 6,732 | $ 67 | 923 | $ 9 | $ 65,241 | $ 156,275 | $ (36,266) | $ |
| Net income, Three months ended June 30, 2019 | | | | | | 4,734 | | |
| Dividends declared per common share | — | — | — | — | — | (1,784) | — | |
| Compensation expense related to restricted stock awards | — | — | — | — | 565 | — | — | |
| Purchase of shares held in treasury | — | — | — | — | — | — | (247) | |
| **Balance at June 30, 2019** | 6,732 | $ 67 | 923 | $ 9 | $ 65,806 | $ 159,225 | $ (36,513) | $ |

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-In | Retained | Treasury | |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Earnings | Stock | |
| | | | | (unaudited) (In thousands) | | | | |
| **Balance at December 31, 2019** | 6,771 | $ 68 | 954 | $ 9 | $ 66,811 | $ 162,822 | $ (37,358) | $ |
| Net income, Three months ended March 31, 2020 | | | | | | 1,680 | | |
| Dividends declared per common share | — | — | — | — | — | (1,919) | — | |
| Compensation expense related to restricted stock awards | — | — | — | — | 569 | — | — | |
| Purchase of shares held in treasury | — | — | — | — | — | — | (20) | |
| 401(k) plan contribution | — | — | — | — | (131) | — | 382 | |
| **Balance at March 31, 2020** | 6,771 | $ 68 | 954 | $ 9 | $ 67,249 | $ 162,583 | $ (36,996) | $ |
| Net loss, Three months ended June 30, 2020 | | | | | | (4,911) | | |
| Forfeiture of restricted stock | (2) | — | — | — | — | — | — | |
| Compensation expense related to restricted stock awards | — | — | — | — | 612 | — | — | |
| Purchase of shares held in treasury | — | — | — | — | — | — | (21) | |
| **Balance at June 30, 2020** | 6,769 | $ 68 | 954 | $ 9 | $ 67,861 | $ 157,672 | $ (37,017) | $ |

See notes to unaudited condensed consolidated financial statements.

**SAGA COMMUNICATIONS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Six Months End June 30, | |
|---|---|---|
| | **2020** | |
| | **(Unaudited)** | |
| | **(In thousands** | |
| **Cash flows from operating activities:** | | |
| Net cash provided by operating activities | 8,319 | |
| **Cash flows from investing activities:** | | |
| Acquisition of property and equipment | (1,379) | |
| Acquisition of broadcast properties | (190) | |
| Proceeds from sale and disposal of assets | 1,669 | |
| Proceeds from insurance claims | 213 | |
| Other investing activities | — | |
| Net cash provided by (used in) investing activities | 313 | |
| **Cash flows from financing activities:** | | |
| Cash dividends paid | (3,716) | |
| Payments on long-term debt | — | |
| Purchase of treasury shares | (41) | |
| Net cash used in financing activities | (3,757) | |
| Net increase (decrease) in cash and cash equivalents | 4,875 | |
| Cash and cash equivalents, beginning of period | 44,034 | |
| Cash and cash equivalents, end of period | $ 48,909 | $ |

See notes to unaudited condensed consolidated financial statements.

**SAGA COMMUNICATIONS, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and 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 accounting principles generally accepted in the United States for annual financial statements.

In our opinion, the accompanying financial statements include all adjustments of a normal, recurring nature considered necessary for a fair presentation of our financial position as of June 30, 2020 and the results of operations for the three and six months ended June 30, 2020 and 2019. Results of operations for the three and six months ended June 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020.

We own or operate broadcast properties in 27 markets, including 79 FM and 34 AM radio stations and 78 metro signals.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Saga Communications, Inc. Annual Report on Form 10-K for the year ended December 31, 2019.

We have evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2020, for items that should potentially be recognized in these financial statements or discussed within the notes to the financial statements.

***Earnings Per Share Information***

Earnings per share is calculated using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security. The Company has participating securities related to restricted stock units, granted under the Company’s Second Amended and Restated 2005 Incentive Compensation Plan, that earn dividends on an equal basis with common shares. In applying the two-class method, earnings are allocated to both common shares and participating securities.

**SAGA COMMUNICATIONS, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The following table sets forth the computation of basic and diluted earnings (loss) per share:

| | Three Months Ended June 30, | | Six Months End June 30, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | |
| | (In thousands, except per share data) | | | |
| Numerator: | | | | |
| Net income (loss) | $ (4,911) | $ 4,734 | $ (3,231) | $ |
| Less: Income (loss) allocated to unvested participating securities | (104) | 88 | (68) | |
| Net income (loss) available to common stockholders | $ (4,807) | $ 4,646 | $ (3,163) | $ |
| Denominator: | | | | |
| Denominator for basic earnings (loss) per share — weighted average shares | 5,868 | 5,844 | 5,867 | |
| Effect of dilutive securities: | | | | |
| Common stock equivalents | — | — | — | |
| Denominator for diluted earnings (loss) per share — adjusted weighted-average shares and assumed conversions | 5,868 | 5,844 | 5,867 | |
| Earnings (loss) per share: | | | | |
| Basic | $ (.82) | $ .80 | $ (.54) | $ |
| Diluted | $ (.82) | $ .80 | $ (.54) | $ |

There were no stock options outstanding that had an antidilutive effect on our earnings per share calculation for the three and six months ended June 30, 2020 and 2019, respectively. The actual effect of these shares, if any, on the diluted earnings per share calculation will vary significantly depending on the fluctuation in the stock price.

***Financial Instruments***

Our financial instruments are comprised of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short maturities. The carrying value of long-term debt approximates fair value as it carries interest rates that either fluctuate with the euro-dollar rate, prime rate or have been reset at the prevailing market rate at June 30, 2020.

***Allowance for Doubtful Accounts***

A provision for doubtful accounts is recorded based on our judgment of collectability of receivables. Amounts are written off when determined to be fully uncollectible. Delinquent accounts are based on contractual terms. We have included in our calculation of our allowance for doubtful accounts, the potential impact of the COVID-19 pandemic on our customers businesses and their ability to pay their accounts receivable. We maintain a specific allowance for estimated losses resulting from the inability of certain customers to make required payments. We also consider factors external to the specific customer, including current conditions and forecasts of economic conditions, including the potential impact of the COVID-19 pandemic. In the event we recover amounts previously written off, we will reduce the specific allowance for credit loss.

***Income Taxes***

Our effective tax rate is higher than the federal statutory rate as a result of the inclusion of state taxes in the income tax amount. We have historically calculated the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate for the full fiscal year to “ordinary” income or loss (pretax income or loss excluding unusual or infrequently occurring discrete items) for the reporting period.

***Segments***

We serve twenty-seven radio markets (reporting units) that aggregate into one operating segment (Radio), which also qualifies as a reportable segment. We operate under one reportable business segment for which segment disclosure is consistent with the management decision-making process that determines the allocation of resources and the measuring of performance. The Chief Operating Decision Maker (“CODM”) evaluates the results of the radio operating segment and makes operating and capital investment decisions based at the Company level. Furthermore, technological enhancements and system integration decisions are reached at the Company level and applied to all markets rather than to specific or individual markets to ensure that each market has the same tools and opportunities as every other market. Managers at the market level do not report to the CODM and instead report to other senior management, who are responsible for the operational oversight of radio markets and for communication of results to the CODM. We continually review our operating segment classification to align with operational changes in our business and may make changes as necessary.

***Time Brokerage Agreements/Local Marketing Agreements***

We have entered into Time Brokerage Agreements (“TBAs”) or Local Marketing Agreements (“LMAs”) in certain markets. In a typical TBA/LMA, the FCC licensee of a station makes available, for a fee, blocks of air time on its station to another party that supplies programming to be broadcast during that air time and sells their own commercial advertising announcements during the time periods specified. Revenue and expenses related to TBAs/LMAs are included in the accompanying unaudited Condensed Consolidated Statements of Income. Assets and liabilities related to the TBAs/LMAs are included in the accompanying unaudited Condensed Consolidated Balance Sheets.

**2. Recent Accounting Pronouncements**

***Recently Adopted Accounting Pronouncements***

In January 2017, the FASB issued ASU 2017-04, “*Intangibles – Goodwill and Other (Topic 350)”* (“ASU 2017-04”) which removes step 2 from the goodwill impairment test. Under the new guidance, if a reporting unit’s carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. ASU 2017-04 will be applied prospectively and is effective for fiscal years and interim impairment tests performed in periods beginning after December 15, 2019 with early adoption permitted. The Company adopted this standard January 1, 2020 and there was no material impact.

In June 2016, the FASB issued ASU No. 2016-13, “*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”* (“ASU 2016-13”), which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. The guidance requires companies to measure credit losses utilizing a methodology that reflects expected credit losses and requires the consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for fiscal years and interim periods beginning after December 15, 2019. The Company adopted this standard January 1, 2020 and there was no material impact.

***Recent Accounting Pronouncements – Not Yet Adopted***

In December 2019, the FASB issued ASU 2019-12, “*Income Taxes (Topic 740): Simplifying the Accounting for Incomes Taxes”* (“ASU 2019-02”) which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance regarding the tax treatment of certain franchise taxes, goodwill and nontaxable entities, among other items to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2021 and interim periods beginning after December 15, 2022. We are currently evaluating the impact of this standard on our consolidated financial statements.

**3. Revenue**

***Nature of goods and services***

The following is a description of principal activities from which we generate our revenue:

*Broadcast Advertising Revenue*

Our primary source of revenue is from the sale of advertising for broadcast on our stations. We recognize revenue from the sale of advertising as performance obligations are satisfied upon airing of the advertising; therefore, revenue is recognized at a point in time when each advertising spot is transmitted. Agency commissions are calculated based on a stated percentage applied to gross billing revenue for our advertising inventory placed by an agency and are reported as a reduction of advertising revenue.

*Digital Advertising Revenue*

We recognize revenue from our digital initiatives across multiple platforms such as targeted digital advertising, online promotions, advertising on our websites, mobile messaging, email marketing and other e-commerce. Revenue is recorded when each specific performance obligation in the digital advertising campaign takes place, typically within a one month period.

*Other Revenue*

Other revenue includes revenue from concerts, promotional events, tower rent and other miscellaneous items. Revenue is generally recognized when the event is completed, as the promotional events are completed or as each performance obligation is satisfied.

***Disaggregation of Revenue***

Revenues from contracts with customers comprised the following for the three and six months ended June 30, 2020 and 2019:

| | Three Months Ended June 30, | | Six Months June 3 |
|---|---|---|---|
| | 2020 | 2019 | 2020 |
| | (in thousands) | | (in thousa |
| **Types of Revenue** | | | |
| Broadcast Advertising Revenue, net | $ 15,241 | $ 29,492 | $ 38,995 |
| Digital Advertising Revenue | 709 | 1,015 | 1,567 |
| Other Revenue | 916 | 1,684 | 2,355 |
| Net Revenue | $ 16,866 | $ 32,191 | $ 42,917 |

***Contract Liabilities***

Payments from our advertisers are generally due within 30 days although certain advertisers are required to pay in advance. When an advertiser pays for the services in advance of the performance obligations these prepayments are recorded as contract liabilities. Typical contract liabilities relate to prepayments for advertising spots not yet run; prepayments from sponsors for events that have not yet been held; and gift cards sold on our websites used to finance a broadcast advertising campaign. Generally all contract liabilities are expected to be recognized within one year and are included in accounts payable in the Company’s Condensed Consolidated Financial Statements and are immaterial.

***Transaction Price Allocated to the Remaining Performance Obligations***

As the majority of our sales contracts are one year or less, we have utilized the optional exemption under ASC 606-10-50-14 and will not disclose information about the remaining performance obligations for sales contracts which have original expected durations of one year or less.

**4. Broadcast License, Goodwill and Other Intangible Assets**

We evaluate our FCC licenses for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. We operate our broadcast licenses in each market as a single asset and determine the fair value by relying on a discounted cash flow approach assuming a start-up scenario in which the only assets held by an investor are broadcast licenses. The fair value calculation contains assumptions incorporating variables that are based on past experiences and judgments about future operating performance using industry normalized information for an average station within a market. These variables include, but are not limited to: (1) the forecasted growth rate of each radio market, including population, household income, retail sales and other expenditures that would influence advertising expenditures; (2) the estimated available advertising revenue within the market and the related market share and profit margin of an average station within a market; (3) estimated capital start-up costs and losses incurred during the early years; (4) risk-adjusted discount rate; (5) the likely media competition within the market area; and (6) terminal values. If the carrying amount of FCC licenses is greater than their estimated fair value in a given market, the carrying amount of FCC licenses in that market is reduced to its estimated fair value.

We also evaluate goodwill for impairment annually, or more frequently if certain circumstances are present. If the carrying amount of goodwill is greater than the implied value of goodwill determined by completing a hypothetical purchase price allocation using estimated fair value, the carrying amount of goodwill is reduced to its implied value.

We evaluate amortizable intangible assets for recoverability when circumstances indicate impairment may have occurred, using an undiscounted cash flow methodology. If the future undiscounted cash flows for the intangible asset are less than net book value, then the net book value is reduced to the estimated fair value. Amortizable intangible assets are included in other intangibles, deferred costs and investments in the consolidated balance sheets.

*Second Quarter 2020 Impairment Test*

Due to the impact of the COVID-19 pandemic on the U.S. economy and the related significant negative impact on our revenue for the second quarter of 2020, and the significant decline in our revenue pacing information for the third quarter of 2020 and beyond, the Company tested its FCC License for impairment during the second quarter of 2020. We also reviewed our value of goodwill and other long-lived assets during the second quarter of 2020 as of June 30, 2020, noting no impairment in goodwill or other long-lived assets. Our broadcast revenue has been significantly negatively impacted in the majority of the states where we operate, due to economic shutdowns and the related decline in advertising spending nationwide as most companies were making massive payroll cuts out of a necessity to survive with their revenues also significantly impacted. We have experienced a significant number of cancellations of advertising on our stations, with the greatest decreases in the following industries/categories: Automotive, Entertainment, Home Improvement, Professional Services, Restaurants, and Retail. The only category where we saw an increase over the prior quarter was political advertising. We also saw significant declines in our revenue related to events, venues, travel and sports as these types of businesses have been virtually shut down.

As a result of the quantitative impairment test performed as of June 30, 2020, the Company determined that the fair value of the broadcast licenses were less than the carrying amount on the balance sheet and recorded non-cash impairment charges totaling $3.8 million related to the FCC licenses in our Bucyrus, Ohio; Champaign, Illinois; Charleston, South Carolina; Columbus, Ohio; Harrisonburg, Virginia; Hilton Head, South Carolina; Mitchell, South Dakota; and Ocala, Florida markets. The impairment charges were primarily due to a decrease in projected revenue in these markets due to the impact of the COVID-19 pandemic, an increase in the discount rate used in the discounted cash flow analyses to estimate the fair value of our FCC licenses due to certain risks specifically associated with the Company and the radio broadcasting industry, and a decrease in mature operating margins in small markets due to the cost of operations in a small market.

**SAGA COMMUNICATIONS, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The following table reflects certain key estimates and assumptions used in the impairment test in the second quarter of 2020 and the fourth quarter of 2019, and 2018. The ranges for operating profit margin and market long-term revenue growth rates vary by market. In general, when comparing between 2020, 2019 and 2018: (1) the market specific operating profit margin range remained relatively consistent with some decreases to our smaller markets due to the cost of operations in a small market ; (2) the market long-term revenue growth rates were relatively consistent; (3) the discount rate increased a small percentage due to the COVID-19 pandemic; and (4) current year revenue projections were 21.4% lower than previously projected for 2020 and revenue projections for 2021 were 7.6% lower than previously projected.

| | Second Quarter 2020 | Fourth Quarter 2019 | Fourth |
|---|---|---|---|
| Discount Rates | 12.7% - 13.0% | 12.2% - 12.2% | 12. |
| Operating profit margin ranges | 17.8% - 36.4% | 19.0% - 36.4% | 19. |
| Market long-term revenue growth rates | 0.2% - 2.9% | 0.0% - 2.9% | 0. |

If actual market conditions are less favorable than those estimated by us or if events occur or circumstances change that would reduce the fair value of our broadcast licenses below the carrying value, we may be required to recognize additional impairment charges in future periods. Such a charge could have a material effect on our consolidated financial statements.

Intangible assets that have finite lives are amortized over their useful lives using the straight-line method. Favorable lease agreements are amortized over the lives of the leases ranging from five to twenty-six years. Other intangibles are amortized over one to fifteen years. Customer relationships are amortized over three years.

**5. Common Stock and Treasury Stock**

The following summarizes information relating to the number of shares of our common stock issued in connection with stock transactions through June 30, 2020:

| | Common Stock Is | |
|---|---|---|
| | Class A | |
| | (Shares in thousa | |
| Balance, January 1, 2019 | 6,732 | |
| Conversion of shares | 13 | |
| Issuance of restricted stock | 29 | |
| Forfeiture of restricted stock | (3) | |
| Balance, December 31, 2019 | 6,771 | |
| Forfeiture of restricted stock | (2) | |
| Balance, June 30, 2020 | 6,769 | |

We have a Stock Buy-Back Program to allow us to purchase up to $75.8 million of our Class A Common Stock. As of June 30, 2020, we have remaining authorization of $19.2 million for future repurchases of our Class A Common Stock. On September 14, 2017, the Board of Directors authorized the repurchase of our Class A Common Stock under our trading plan adopted pursuant to Securities and Exchange Commission Rule 10b5-1. The Rule 10b5-1 repurchase plan allows us to repurchase our shares during periods when we would normally not be active in the market due to our internal trading blackout periods. Under the plan, we may repurchase our Class A Common Stock in any combination of open market, block transactions and privately negotiated transactions subject to market conditions, legal requirements including applicable SEC regulations (which include certain price, market, volume and timing constraints), specific repurchase instructions and other corporate considerations. Purchases under the plan will be funded by cash on our balance sheet. The plan does not obligate us to acquire any particular amount of Class A Common Stock. Our original purchase authorization was effective until September 1, 2018 and has been extended several times, with the most recent extension being through May 28, 2020. During the three and six months ended June 30, 2020 and 2019, approximately 800, 1,600, 8,600 and 11,100 shares, respectively were repurchased for $21,000, $41,000, $247,000 and $327,000 respectively, related to the Stock Buy-Back Program. Given the unprecedented uncertainty surrounding the COVID-19 virus and the resulting economic issues we have halted the directions for any additional buybacks under our plan.

**6. Leases**

We lease certain land, buildings and equipment for use in our operations. We recognize lease expense for these leases on a straight-line basis over the lease term and combine lease and non-lease components for all leases. Right-of-use ("ROU") assets and lease liabilities are recorded on the balance sheet for all leases with an expected term of at least one year. Some leases include one or more options to renew. The exercise of lease renewal options is generally at our discretion. The depreciable lives of ROU assets are limited to the expected lease term. Our lease agreements do not contain any residual value guarantees or material restrictive covenants. As of June 30, 2020, we do not have any non-cancellable operating lease commitments that have not yet commenced.

ROU assets are classified within other intangibles, deferred costs and investments, net on the condensed consolidated balance sheet while current lease liabilities are classified within other accrued expenses and long-term lease liabilities are classified within other liabilities. Leases with an initial term of 12 months or less are not recorded on the balance sheet. ROU assets and lease liabilities were $6.5 million and $6.8 million and $5.9 million and $6.1 million at June 30, 2020 and 2019, respectively. During the three and six months ended June 30, 2020, we recorded an additional $134 thousand and $594 thousand of lease liabilities under operating leases. Payments on lease liabilities during the three and six months ended June 30, 2020 and 2019 totaled $401 thousand, $858 thousand, $405 thousand and $816 thousand, respectively.

Lease expense includes cost for leases with terms in excess of one year. For the three and six months ended June 30, 2020 and 2019, our total lease expense was $433 thousand, $866 thousand, $423 thousand and $852 thousand, respectively. Short-term lease costs are de minimus.

We have no financing leases and minimum annual rental commitments under non-cancellable operating leases consisted of the following at June 30, 2020 (in thousands):

| Years Ending December 31, | |
|---|---|
| 2020 *(a)* | $ |
| 2021 | |
| 2022 | |
| 2023 | |
| 2024 | |
| Thereafter | |
| Total lease payments *(b)* | |
| Less: Interest *(c)* | |
| Present value of lease liabilities *(d)* | $ |

*(a) Remaining payments are for the six-months ending December 31, 2020*
*(b) Lease payments include options to extend lease terms that are reasonably certain of being exercised. There were no legally binding minimum lease payments for leases signed but not yet commenc*
*(c) Our leases do not provide a readily determinable implicit rate. Therefore, we must estimate our discount rate for such leases to determine the present value of lease payments at the lease commenc*
*(d) The weighted average remaining lease term and weighted average discount rate used in calculating our lease liabilities were 6.6 years and 4.6%, respectively, at June 30, 2020.*

## 7. Acquisitions and Dispositions

We actively seek and explore opportunities for expansion through the acquisition of additional broadcast properties. The consolidated statements of income include the operating results of the acquired stations from their respective dates of acquisition. All acquisitions were accounted for as purchases and, accordingly, the total purchase consideration was allocated to the acquired assets and assumed liabilities based on their estimated fair values as of the acquisition dates. The excess of the consideration paid over the estimated fair value of net assets acquired have been recorded as goodwill. The Company accounts for acquisitions under the provisions of FASB ASC Topic 805, *Business Combinations*.

Management assigned fair values to the acquired property and equipment through a combination of cost and market approaches based upon each specific asset's replacement cost, with a provision for depreciation, and to the acquired intangibles, primarily an FCC license, based on the Greenfield valuation methodology, a discounted cash flow approach.

### *2020 Acquisitions*

On January 2, 2020, the Company closed on an agreement to purchase W295BL from Basic Holdings, LLC, for an aggregate purchase price of $200 thousand, of which $10 thousand was paid in 2019 and the remaining $190 thousand paid in 2020. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Manchester, New Hampshire market as well as synergies and growth opportunities expected through the combination with the Company's existing stations. The translators are start-up stations and therefore, have no pro forma revenue and expenses.

### *2019 Acquisitions*

On January 9, 2019, the Company closed on an agreement to purchase WPVQ-AM and W222CH from County Broadcasting Company, LLC for an aggregate purchase price of $210 thousand. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Greenfield, Massachusetts market as well as synergies and growth opportunities expected through the combination with the Company's existing stations. The pro forma results for this acquisition are not deemed material and therefore are not presented in the footnotes.

**SAGA COMMUNICATIONS, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

***Condensed Consolidated Balance Sheet of 2020 and 2019 Acquisitions:***

The following unaudited condensed balance sheets represent the estimated fair value assigned to the related assets and liabilities of the 2020 and 2019 acquisitions.

**Saga Communications, Inc.**

**Condensed Consolidated Balance Sheet of 2020 and 2019 Acquisitions**

| | Acquisition | |
|---|---|---|
| | **2020** | |
| | **(In thousan** | |
| **Assets Acquired:** | | |
| Current assets | $ — | $ |
| Property and equipment | 11 | |
| Other assets: | | |
| Broadcast licenses | 46 | |
| Goodwill | 143 | |
| Other intangibles, deferred costs and investments | — | |
| Total other assets | 189 | |
| Total assets acquired | 200 | |
| **Liabilities Assumed:** | | |
| Current liabilities | — | |
| Total liabilities assumed | — | |
| Net assets acquired | $ 200 | $ |

**8. Income taxes**

On March 18, 2020, the Families First Coronavirus Response Act ("FFCR Act"), and on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") were each enacted in response to the COVID-19 pandemic. The FFCR Act and the CARES Act contain numerous tax provisions, such as deferring payroll payments, establishing a credit for the retention of certain employees, relaxing limitations on the deductibility of interest, and updating the definition of qualified improvement property. This legislation currently has no material impact to the Company’s financial statements.

An income tax benefit of $3.8 million was recorded for the three months ended June 30, 2020 compared to income tax expense of $1.9 million for the three months ended June 30, 2019. The effective tax rate was approximately 43.7% for the three months ended June 30, 2020 compared to 28.1% for the three months ended June 30, 2019. An income tax benefit of $3.1 million was recorded for the six months ended June 30, 2020 compared to income tax expense of $2.4 million for the six months ended June 30, 2019. The effective tax rate was approximately 49.0% for the six months ended June 30, 2020 compared to 28.2% for the six months ended June 30, 2019. Income tax provisions for interim (quarterly) periods are based on estimated annual income tax rates and are adjusted for the effects of significant, infrequent or unusual items (i.e. discrete items) occurring during the interim period. The current quarter tax rate was impacted by the broadcast license impairment charge which was a discrete item and contributed approximately $1.1 million of tax benefit for the three and six month periods ended June 30, 2020.

**9. Stock-Based Compensation**

***2005 Incentive Compensation Plan***

On October 16, 2013 our stockholders approved the Second Amended and Restated Saga Communications, Inc. 2005 Incentive Compensation Plan, which was amended in 2018 after approval of the amendment by our stockholders at our 2018 annual meeting (as amended, the “Second Restated 2005 Plan”). The 2005 Incentive Compensation Plan, which replaced our 2003 Stock Option Plan, was first approved by stockholders in 2005 and subsequently this plan was

**SAGA COMMUNICATIONS, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

re-approved by stockholders in 2010. The changes made in 2013 in the Second Restated 2005 Plan (i) increased the number of authorized shares by 233,334 shares of Common Stock, (ii) extended the date for making awards to September 6, 2018, (iii) included directors as participants, (iv) targeted awards according to groupings of participants based on ranges of base salary of employees and/or retainers of directors, (v) required participants to retain 50 % of their net annual restricted stock awards during their employment or service as a director, and (vi) included a clawback provision. The 2018 amendment to the Second Restated 2005 Plan (i) extended the date for making awards to September 6, 2023 and (ii) increased the number of authorized shares under the Plan by 90,000 shares of Class B Common Stock. The Second Restated 2005 Plan allows for the granting of restricted stock, restricted stock units, incentive stock options, nonqualified stock options, and performance awards to eligible employees and non-employee directors.

The number of shares of Common Stock that may be issued under the Second Restated 2005 Plan may not exceed 370,000 shares of Class B Common Stock, 990,000 shares of Class A Common Stock of which up to 620,000 shares of Class A Common Stock may be issued pursuant to incentive stock options and 370,000 Class A Common Stock issuable upon conversion of Class B Common Stock. Awards denominated in Class A Common Stock may be granted to any employee or director under the Second Restated 2005 Plan. However, awards denominated in Class B Common Stock may only be granted to Edward K. Christian, President, Chief Executive Officer, Chairman of the Board of Directors, and the holder of 100% of the outstanding Class B Common Stock of the Company. Stock options granted under the Second Restated 2005 Plan may be for terms not exceeding ten years from the date of grant and may not be exercised at a price which is less than 100% of the fair market value of shares at the date of grant.

***Stock-Based Compensation***

All stock options granted were fully vested and expensed at December 31, 2012, therefore there was no compensation expense related to stock options for the three and six months ended June 30, 2020 and 2019, respectively.

There were no options granted during 2020 and 2019 and there were no stock options outstanding as of June 30, 2020. All outstanding stock options were exercised in 2017.

The following summarizes the restricted stock transactions for the six months ended June 30, 2020:

| | Shares | |
|---|---|---|
| Outstanding at January 1, 2020 | 128,224 | $ |
| Vested | 2,304 | |
| Forfeited | 1,802 | |
| Non-vested and outstanding at June 30, 2020 | 124,118 | $ |

For the three and six months ended June 30, 2020 and 2019, we had $612,000, $1,181,000, $565,000 and $1,124,000, respectively, of total compensation expense related to restricted stock-based compensation arrangements. This expense is included in corporate general and administrative expenses in our results of operations. The associated tax benefit recognized for the three and six months ended June 30, 2020 and 2019 was $69,000, $127,000, $62,000 and $125,000, respectively.

**SAGA COMMUNICATIONS, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**10. Long-Term Debt**

Long-term debt consisted of the following:

| | June 30, 2020 | |
|---|---|---|
| | (In thousan | |
| Revolving credit facility | $ 10,000 | $ |
| Amounts payable within one year | — | |
| | $ 10,000 | $ |

On August 18, 2015, we entered into a new credit facility (the "Credit Facility") with JPMorgan Chase Bank, N.A., The Huntington National Bank, Citizens Bank, National Association and J.P. Morgan Securities LLC. The Credit Facility consists of a $100 million five-year revolving facility (the "Revolving Credit Facility") and originally matured on August 18, 2020. On June 27, 2018, the Company entered into a Second Amendment to its Credit Facility, dated August 18, 2015, which had first been amended on September 1, 2017, extending the revolving credit maturity date under the Credit Agreement for five years after the date of the amendment to June 27, 2023. On July 1, 2019, we elected to reduce our Revolving Credit Facility to $70 million. On May 11, 2020 we entered into an assumption agreement and amendment of loan documents as part of our reincorporation as a Florida corporation. The amendment also includes an alternative benchmark rate as a replacement to LIBOR. A copy of this assumption agreement and amendment is included as Exhibit 10(v) to this 10-Q filing.

We have pledged substantially all of our assets (excluding our FCC licenses and certain other assets) in support of the Credit Facility and each of our subsidiaries has guaranteed the Credit Facility and has pledged substantially all of their assets (excluding their FCC licenses and certain other assets) in support of the Credit Facility.

Approximately $266,000 of debt issuance costs related to the Credit Facility were capitalized and are being amortized over the life of the Credit Facility. As a result of the Second Amendment, the Company incurred an additional $120,000 of transaction fees related to the Credit Facility that were capitalized. The cumulative transaction fees are being amortized over the remaining life of the Credit Facility. The cumulative transaction fees are being amortized over the remaining life of the Credit Facility. These debt issuance costs are included in other assets, net in the consolidated balance sheets.

Interest rates under the Credit Facility are payable, at our option, at alternatives equal to LIBOR (0.1875% at June 30, 2020), plus 1% to 2% or the base rate plus 0% to 1%. The spread over LIBOR and the base rate vary from time to time, depending upon our financial leverage. As previously noted, the May 11, 2020 amendment to the Credit Facility includes an alternative benchmark to LIBOR in the event LIBOR is no longer available. Letters of credit issued under the Credit Facility will be subject to a participation fee (which is equal to the interest rate applicable to Eurocurrency Loans, as defined in the Credit Agreement) payable to each of the Lenders and a fronting fee equal to 0.25% per annum payable to the issuing bank. We also pay quarterly commitment fees of 0.2% to 0.3% per annum on the unused portion of the Revolving Credit Facility.

The Credit Facility contains a number of financial covenants (all of which we were in compliance with at June 30, 2020) which, among other things, require us to maintain specified financial ratios and impose certain limitations on us with respect to investments, additional indebtedness, dividends, distributions, guarantees, liens and encumbrances.

On June 7, 2019, we used $5 million from funds generated by operations to voluntarily pay down a portion of our Revolving Credit Facility.

On February 4, 2019, we used $5 million from funds generated by operations to voluntarily pay down a portion of our Revolving Credit Facility which was presented in current portion of long-term debt on our balance sheet at December 31, 2018.

We had approximately $60 million of unused borrowing capacity under the Revolving Credit Facility at June 30, 2020.

**11. Litigation**

The Company is subject to various outstanding claims which arise in the ordinary course of business and to other legal proceedings. Management anticipates that any potential liability of the Company, which may arise out of or with respect to these matters, will not materially affect the Company's financial statements.

**12. Dividends**

On June 18, 2020, the Company's Board of Directors announced that it was temporarily suspending the quarterly cash dividend in response to the continued uncertainty of the ongoing impact of COVID-19.

On March 4, 2020, the Company's Board of Directors declared a regular cash dividend of $0.32 per share on its Classes A and B Common Stock. This dividend, totaling approximately $1.9 million, was paid on April 10, 2020 to shareholders of record on March 16, 2020.

On December 11, 2019, the Company's Board of Directors declared a quarterly cash dividend of $0.30 per share on its Classes A and B shares. This dividend totaling approximately $1.8 million was paid on January 17, 2020 to shareholders of record on December 27, 2019 and funded by cash on the Company's balance sheet.

On September 12, 2019, the Company's Board of Directors declared a regular cash dividend of $0.30 per share on its Classes A and B Common Stock. This dividend, totaling approximately $1.8 million was paid on October 11, 2019 to shareholders of record on September 23, 2019 and funded by cash on the Company's balance sheet.

On May 30, 2019, the Company's Board of Directors declared a regular cash dividend of $0.30 per share on its Classes A and B Common Stock. This dividend, totaling approximately $1.8 million, was paid on July 5, 2019 to shareholders of record on June 14, 2019 and funded by cash on the Company's balance sheet.

On February 26, 2019, the Company's Board of Directors declared a regular cash dividend of $0.30 per share on its Classes A and B Common Stock. This dividend, totaling approximately $1.8 million, was paid on March 29, 2019 to shareholders of record on March 12, 2019.

**13. Other Income**

During the first quarter of 2020, the Company sold land and a building on one of our tower sites in our Bellingham, Washington market for approximately $1.7 million to Talbot Real Estate, LLC. The cash was received on April 1, 2020. The Company recognized a gain on the sale of assets of approximately $1.4 million as of June 30, 2020. The gain is recorded in the other operating (income) expense, net in the Company's Condensed Consolidated Statements of Income.

During the first quarter of 2020, there was weather related damage to a tower in our Keene, New Hampshire market. The Company's insurance policy provided coverage for removal of the tower. The insurance settlement was finalized during the first quarter and the Company received cash proceeds of $208 thousand, resulting in a gain of $208 thousand. The gain is recorded in other (income) expense, net, in the Company's Condensed Consolidated Statements of Income.

***<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>***

**COVID-19 Impact and Response**

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Throughout the second quarter of 2020 the COVID-19 pandemic has continued to spread. During the second quarter of 2020, numerous state and local governments issued or extended "shelter-in-place" orders, materially impacting and restricting various aspects of our business. While these "shelter-in-place" orders have been lifted, there have been varying degrees to which the economy has reopened in each state. Our broadcast revenue has been significantly negatively impacted in the majority of states where we operate. We experienced a number of cancellations of advertising on our stations, especially regarding events, venues, sports, high ticket items, healthcare and automotive sales during the second quarter of 2020. We have been successful at creating fresh, innovative and effective new advertising which has helped generate business for a number of our customers so that they are better positioned to remain open. Our operations are functioning, subject to regulated restrictions and safety constraints we have enacted in order to protect our employees, and customers.

In response to the pandemic, we instituted the following actions in March which remained in place for some portion of the second quarter:

- Placed restrictions on business travel for our employees and imposed mandatory quarantine periods for employees who traveled to areas impacted by the pandemic;
- Closed our stations to the general public and shifted to appointment-only interactions with our customers where permitted, following recommended distancing and other health and safety protocols when meeting in person with a customer;
- Modified our corporate and station office functions in order to allow all of our employees to work remotely except for essential minimum basic operations which could only be done in an office or studio setting;

The severity of these restrictions and the date we resumed more normal operations varied by market during the second quarter based on the reduction in restrictions under "shelter-in-place" orders and improved public health conditions. While all of the above-referenced steps were, and some remain, necessary and appropriate in light of the COVID-19 pandemic, they impacted our ability to operate our business in its ordinary and traditional course. Those restrictions, combined with a reduction in the advertising abilities of our customers, which in each case has varied by market depending on the scope of the restrictions local authorities have established, have tempered our sales pace in the latter part of March and through the date of this report. The potential magnitude or duration of the business and economic impacts from the unprecedented public health effort to contain and combat the spread of COVID-19 are uncertain and include, among other things, significant volatility in financial markets. In addition, we can provide no assurance as to whether the COVID-19 public health effort will be intensified to such an extent that we will not be able to conduct any business operations in certain of our served markets or at all for an indefinite period.

As a result of the current challenging economic conditions, our reported results for the six months ended June 30, 2020 are not reflective of current market conditions. We began the year under positive conditions however our operating income for the three and six months ended June 30, 2020 decreased by $15,267,000 and $15,065,000, over the comparable prior year period. Advertising spending has significantly declined as a result of the disruptions to business activity in the markets where we operate due to the pandemic. This decline in advertising spending is causing our revenue and related net income to significantly decline. We anticipate our revenue for the third quarter of 2020 to be lower than 2019 by 25% to 30%. Although we have undertaken a number of steps to reduce costs, such cost control measures will not completely offset the declines in revenue. The extent to which these revenue conditions will persist is difficult to predict, given the uncertainty around further restrictive measures by governmental authorities and the duration of those actions. As the pandemic spread and government and business responses expanded, we focused on protecting our liquidity and closely managing our cash flows, including taking the following actions:

- Delaying capital expenditures where practical,
- Suspending the repurchase of shares under our share repurchase program,
- Temporarily suspending our quarterly dividend beginning in the second quarter,
- Implementing a series of initiatives to control or reduce costs,
- Consistently monitoring, following up and managing accounts receivable and collections,
- Providing innovative new sales strategies to help the businesses in the communities we serve,

- Providing many existing clients and other local businesses with free advertising to assist in their survival and to help them prepare for an eventual turnaround.

While we cannot reasonably estimate the length or severity of this pandemic, an extended economic slowdown in the U.S. could materially impact our consolidated financial position, consolidated results of operations, and consolidated cash flows in fiscal 2020 or beyond.

**Results of Operations**

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto of Saga Communications, Inc. and its subsidiaries contained elsewhere herein and the audited financial statements and Management Discussion and Analysis contained in our Annual Report on Form 10-K for the year ended December 31, 2019. The following discussion is presented on a consolidated basis.

We use certain financial measures that are not calculated in accordance with generally accepted accounting principles in the United States of America (GAAP) to assess our financial performance. For example, we evaluate the performance of our markets based on "station operating income" (operating income plus corporate general and administrative expenses, depreciation and amortization, other operating (income) expenses, and impairment of intangible assets). Station operating income is generally recognized by the broadcasting industry as a measure of performance, is used by analysts who report on the performance of the broadcasting industry and it serves as an indicator of the market value of a group of stations. In addition, we use it to evaluate individual stations, market-level performance, overall operations and as a primary measure for incentive based compensation of executives and other members of management. Station operating income is not necessarily indicative of amounts that may be available to us for debt service requirements, other commitments, reinvestment or other discretionary uses. Station operating income is not a measure of liquidity or of performance in accordance with GAAP, and should be viewed as a supplement to, and not a substitute for our results of operations presented on a GAAP basis.

**General**

We are a broadcast company primarily engaged in acquiring, developing and operating broadcast properties. We actively seek and explore opportunities for expansion through the acquisition of additional broadcast properties. We review acquisition opportunities on an ongoing basis. For additional information with respect to acquisitions, see "Liquidity and Capital Resources" below. We own or operate broadcast properties in 27 markets, including 79 FM and 34 AM radio stations and 78 metro signals.

**Radio Stations**

Our radio stations' primary source of revenue is from the sale of advertising for broadcast on our stations. Depending on the format of a particular radio station, there are a predetermined number of advertisements available to be broadcast each hour. We have twenty-seven radio station markets, which include all 113 of our radio stations. The discussion of our operating performance focuses on operating income because we manage our stations primarily on operating income. Operating performance is evaluated for each individual market.

Most advertising contracts are short-term and generally run for a few weeks only. The majority of our revenue is generated from local advertising, which is sold primarily by each radio markets' sales staff. For the six months ended June 30, 2020 and 2019, approximately 89% and 89%, respectively, of our radio station's gross revenue was from local advertising. To generate national advertising sales, we engage independent advertising sales representative firms that specialize in national sales for each of our broadcast markets.

Our revenue varies throughout the year. Advertising expenditures, our primary source of revenue, generally have been lowest during the winter months, which include the first quarter of each year. We expect an increase in political advertising for 2020 due to the increased number of national, state and local elections in most of our markets as compared to the prior year.

Our net operating revenue, station operating expense and operating income varies from market to market based upon the market's rank or size which is based upon population and the available radio advertising revenue in that particular market.

The broadcasting industry and advertising in general, is influenced by the state of the overall economy, including unemployment rates, inflation, energy prices and consumer interest rates. Our stations primarily broadcast in small to midsize markets. Historically, these markets have been more stable than major metropolitan markets during downturns in advertising spending, but may not experience increases in such spending as significant as those in major metropolitan markets in periods of economic improvement.

Our financial results are dependent on a number of factors, the most significant of which is our ability to generate advertising revenue through rates charged to advertisers. The rates a station is able to charge are, in large part, based on a station's ability to attract audiences in the demographic groups targeted by its advertisers. In a number of our markets this is measured by periodic reports generated by independent national rating services. In the remainder of our markets it is measured by the results advertisers obtain through the actual running of an advertising schedule. Advertisers measure these results based on increased demand for their goods or services and/or actual revenues generated from such demand. Various factors affect the rate a station can charge, including the general strength of the local and national economies, population growth, ability to provide popular programming, local market competition, target marketing capability of radio compared to other advertising media and signal strength.

When we acquire and/or begin to operate a station or group of stations we generally increase programming and advertising and promotion expenses to increase our share of our target demographic audience. Our strategy sometimes requires levels of spending commensurate with the revenue levels we plan on achieving in two to five years. During periods of economic downturns, or when the level of advertising spending is flat or down across the industry, this strategy may result in the appearance that our cost of operations is increasing at a faster rate than our growth in revenues, until such time as we achieve our targeted levels of revenue for the acquired station or group of stations.

The number of advertisements that can be broadcast without jeopardizing listening levels (and the resulting ratings) is limited in part by the format of a particular radio station. Our stations strive to maximize revenue by constantly managing the number of commercials available for sale and adjusting prices based upon local market conditions and ratings. While there may be shifts from time to time in the number of advertisements broadcast during a particular time of day, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year. Any change in our revenue, with the exception of those instances where stations are acquired or sold, is generally the result of inventory sell out ratios and pricing adjustments, which are made to ensure that the station efficiently utilizes available inventory.

Our radio stations employ a variety of programming formats. We periodically perform market research, including music evaluations, focus groups and strategic vulnerability studies. Because reaching a large and demographically attractive audience is crucial to a station's financial success, we endeavor to develop strong listener loyalty. Our stations also employ audience promotions to further develop and secure a loyal following. We believe that the diversification of formats on our radio stations helps to insulate us from the effects of changes in musical tastes of the public on any particular format.

The primary operating expenses involved in owning and operating radio stations are employee salaries, sales commissions, programming expenses, depreciation, and advertising and promotion expenses.

The radio broadcasting industry is subject to rapid technological change, evolving industry standards and the emergence of new media technologies and services. These new technologies and media are gaining advertising share against radio and other traditional media.

We are continuing to expand our digital initiative to provide a seamless experience across multiple platforms. Our goal is to allow our listeners to connect with our brands on demand, wherever, however and whenever they choose. We continue to create opportunities through targeted digital advertising and an array of digital services that include online promotions, mobile messaging, and email marketing.

During the six months ended June 30, 2020 and 2019 and the years ended December 31, 2019 and 2018, our Charleston, South Carolina; Columbus, Ohio; Des Moines, Iowa; Milwaukee, Wisconsin and Norfolk, Virginia markets, when combined, represented approximately 38%, 38%, 39% and 41%, respectively, of our consolidated net operating revenue. An adverse change in any of these radio markets or our relative market position in those markets could have a significant impact on our operating results as a whole.

The following tables describe the percentage of our consolidated net operating revenue represented by each of these markets:

| | Percentage of Consolidated Net Operating Revenue for the Six Months Ended June 30, | | Percentage of Consolidat Net Operating Revenue for the Years Ended December 31, |
|---|---|---|---|
| | 2020 | 2019 | 2019 |
| Market: | | | |
| Charleston, South Carolina | 5 % | 5 % | 5 % |
| Columbus, Ohio | 10 % | 10 % | 11 % |
| Des Moines, Iowa | 6 % | 6 % | 6 % |
| Milwaukee, Wisconsin | 11 % | 11 % | 11 % |
| Norfolk, Virginia | 6 % | 6 % | 6 % |

During the six months ended June 30, 2020 and 2019 and the years ended December 31, 2019 and 2018, the radio stations in our five largest markets when combined, represented approximately 56%, 44%, 43% and 46%, respectively, of our consolidated station operating income. We note that the percent of consolidated station operating income at June 30, 2020 is higher than normal due to the impact of the COVID-19 pandemic on our markets. If the pandemic is resolved, we would anticipate results by market to be back to normalized amounts in future years. The following tables describe the percentage of our consolidated station operating income represented by each of these markets:

| | Percentage of Consolidated Station Operating Income (*) for the Six Months Ended June 30, | | Percentage of Consolidated Station Operating Income(*) for the Years Ended December 31, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2019 | 2 |
| **Market:** | | | | |
| Charleston, South Carolina | 2 % | 4 % | 4 % | |
| Columbus, Ohio | 25 % | 15 % | 15 % | |
| Des Moines, Iowa | 3 % | 6 % | 6 % | |
| Milwaukee, Wisconsin | 19 % | 13 % | 12 % | |
| Norfolk, Virginia | 7 % | 6 % | 6 % | |

* Operating income adjusted for corporate general and administrative expenses, depreciation and amortization, other operating (income) expenses, and impairment of intangible assets.

**Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019**

***Results of Operations***

The following tables summarize our results of operations for the three months ended June 30, 2020 and 2019.

**Consolidated Results of Operations**

| | Three Months Ended June 30, | | $ Increase |
|---|---|---|---|
| | 2020 | 2019 | (Decrease) |
| | (In thousands, except percentages and per share informati | | |
| Net operating revenue | $ 16,866 | $ 32,191 | $ (15,325) |
| Station operating expense | 18,652 | 22,879 | (4,227) |
| Corporate general and administrative | 3,070 | 2,706 | 364 |
| Other operating (income) expense, net | 46 | (2) | 48 |
| Impairment of broadcast licenses | 3,757 | — | 3,757 |
| Operating income (loss) | (8,659) | 6,608 | (15,267) |
| Interest expense | 82 | 184 | (102) |
| Interest income | (25) | (160) | 135 |
| Other income | — | — | — |
| Income (loss) before income tax (benefit) expense | (8,716) | 6,584 | (15,300) |
| Income tax (benefit) expense | (3,805) | 1,850 | (5,655) |
| Net income (loss) | $ (4,911) | $ 4,734 | $ (9,645) |
| Earnings (loss) per share (diluted) | $ (.82) | $ .80 | (1.62) |

N/M = Not Meaningful

For the three months ended June 30, 2020, consolidated net operating revenue was $16,866,000 compared with $32,191,000 for the three months ended June 30, 2019, a decrease of $15,325,000 or 47.6%. The decrease in revenue was attributable to the COVID-19 pandemic and various governmental shutdowns within the markets we operate. We had decreases in gross local revenue of $13,060,000, gross national revenue of $2,203,000, non-spot revenue of $737,000, and gross barter revenue of $477,000 partially offset by a decrease in agency commissions of $1,470,000 and an increase in gross political revenue of $94,000, from the second quarter of 2019. Gross local revenue was most impacted at our Asheville, North Carolina; Charleston, South Carolina; Manchester, New Hampshire; Norfolk, Virginia; Portland, Maine; and Springfield, Massachusetts markets. The decrease in gross national revenue was at the majority of our markets. The decrease in gross barter revenue was primarily attributable to decreases in Champaign, Illinois; Charleston, South Carolina; Columbus, Ohio; Des Moines, Iowa; Ocala, Florida and Portland, Maine markets. The decrease in non-spot gross revenue is primarily due to decreases in the number of events being held due to the COVID-19 pandemic. The increase in gross political revenue was attributable to more national, local and state elections in 2020 versus 2019.

Station operating expense was $18,652,000 for the three months ended June 30, 2020, compared with $22,879,000 for the three months ended June 30, 2019, a decrease of $4,227,000 or 18.5%. The decrease in operating expense was primarily a result of decreases in commission expense, sales ratings survey expenses, compensation related expenses, advertising and promotional expenses, barter expenses, and music licensing fees of $1,332,000, $626,000, $538,000, $454,000, $431,000 and $268,000 respectively from the second quarter of 2019.

We had an operating loss for the three months ended June 30, 2020 of $8,659,000 compared to operating income of $6,608,000 for the three months ended June 30, 2019, a decrease of $15,267,000. The decrease was a result of the decrease in net operating revenue partially offset by the decrease in station operating expense, noted above, and a non cash impairment charge related to our broadcast licenses of $3,757,000, an increase in corporate general and administrative expenses of $364,000 and other operating expense of $46,000. The increase in corporate general and administrative expenses was primarily attributable to increases in insurance expenses, contribution expenses, legal expenses, and non cash compensation related expenses of $74,000, $65,000, $56,000, and $48,000, respectively from second quarter of 2019.

We generated a net loss of $4,911,000 ($(0.82) per share on a fully diluted basis) during the three months ended June 30, 2020, compared to net income of $4,734,000 ($0.80 per share on a fully diluted basis) for the three months ended June 30, 2019, a decrease of $9,645,000. The decrease in net income is primarily due to the decrease in operating loss/income, described above, a decrease in interest income of $135,000 and a decrease in income tax expense of $5,655,000 partially offset by a decrease in our interest expense of $102,000. The decrease in our interest expense is due to a decrease in our interest rate and a decrease in our debt outstanding. The decrease in our income tax expense is due to the decrease in income before income tax.

**Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019**

***Results of Operations***

The following tables summarize our results of operations for the six months ended June 30, 2020 and 2019.

**Consolidated Results of Operations**

| | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 | $ Increase (Decrease) |
|---|---|---|---|
| | (In thousands, except percentages and per share informati | | |
| Net operating revenue | $ 42,917 | $ 60,007 | $ (17,090) |
| Station operating expense | 40,851 | 46,042 | (5,191) |
| Corporate general and administrative | 6,085 | 5,391 | 694 |
| Other operating (income) expense, net | (1,284) | 1 | (1,285) |
| Impairment of broadcast licenses | 3,757 | — | 3,757 |
| Operating income (loss) | (6,492) | 8,573 | (15,065) |
| Interest expense | 190 | 392 | (202) |
| Interest income | (133) | (323) | 190 |
| Other income | (213) | — | (213) |
| Income (loss) before income tax (benefit) expense | (6,336) | 8,504 | (14,840) |
| Income tax (benefit) expense | (3,105) | 2,400 | (5,505) |
| Net income (loss) | $ (3,231) | $ 6,104 | $ (9,335) |
| Earnings (loss) per share (diluted) | $ (.54) | $ 1.03 | (1.57) |

N/M = Not Meaningful

For the six months ended June 30, 2020, consolidated net operating revenue was $42,917,000 compared with $60,007,000 for the six months ended June 30, 2019, a decrease of $17,090,000 or 28.5%. The decrease in revenue was primarily due to the COVID-19 pandemic and various governmental shutdowns within the markets we operate and the country as a whole. We had a decrease in gross local revenue of $15,252,000, a decrease in gross national revenue of $2,336,000, a decrease in non-spot gross revenue of $965,000 and a decrease in barter revenue of $728,000 partially offset by an increase in gross political revenue of $1,053,000 and a decrease in agency commissions of $1,568,000, for the comparable period of 2019. Gross local revenue was most impacted at our Asheville, North Carolina; Champaign, Illinois; Portland, Maine; and Springfield, Massachusetts markets. The decrease in gross national revenue was at the majority of our markets. The decrease in gross barter revenue was primarily attributable to decreases in Champaign, Illinois; Columbus, Ohio; Des Moines, Iowa; Ocala, Florida and Portland, Maine markets. The decrease in non-spot gross revenue is primarily due to decreases in the number of events being held due to the COVID-19 pandemic. The increase in gross political revenue was attributable to more national, local and state elections in 2020 versus 2019.

Station operating expense was $40,851,000 for the six months ended June 30, 2020, compared with $46,042,000 for the six months ended June 30, 2019, a decrease of $5,191,000 or 11.3%. The decrease in operating expense was primarily a result of decreases in commission expense, sales ratings survey expenses, barter expenses, compensation related expenses, advertising and promotional expenses, barter expenses, and music licensing fees of $1,718,000, $1,247,000, $615,000, $590,000, $548,000 and $310,000 respectively for the comparable period of 2019.

We had an operating loss for the six months ended June 30, 2020 of $6,492,000 compared to operating income of 8,573,000 for the six months ended June 30, 2019, a decrease of $15,065,000. The decrease was a result of the decrease in net operating revenue partially offset by the decrease in station operating expense, noted above, and a non cash impairment charge related to our broadcast licenses of $3,757,000, an increase in corporate general and administrative expenses of $694,000 offset by an increase in other operating income of $1,285,000 due to a gain on the sale of land and a building at one of our tower sites in Bellingham, Washington for $1.4 million. The increase in corporate general and administrative expenses was primarily attributable to increases in legal expenses, contribution expenses, franchise tax expenses, insurance expenses and non cash compensation related expenses of $171,000, $122,000, $79,000, $58,000 and $58,000, respectively for the comparable period of 2019.

We generated a net loss of $3,231,000 ($(0.54) per share on a fully diluted basis) during the six months ended June 30, 2020, compared to net income of $6,104,000 ($1.03 per share on a fully diluted basis) for the six months ended June 30, 2019, a decrease of $9,335,000. The decrease in net income is primarily due to the decrease in operating income, described above, a decrease in interest income of $190,000, and a decrease in income tax expense of $5,505,000 partially offset by increase in other income of $213,000 due to insurance proceeds for weather-related damage, and a decrease in interest expense of $202,000. The decrease in our interest expense is due to a decrease in our interest rate and a decrease in our debt outstanding. The decrease in our income tax expense is due to the decrease in income before income tax.

**Forward-Looking Statements**

Statements contained in this Form 10-Q that are not historical facts are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In addition, words such as “believes,” “anticipates,” “estimates,” “plans,” “expects,” and similar expressions are intended to identify forward-looking statements. These statements are made as of the date of this report or as otherwise indicated, based on current expectations. We undertake no obligation to update this information. A number of important factors could cause our actual results for 2020 and beyond to differ materially from those expressed in any forward-looking statements made by us or on our behalf. Forward-looking statements are not guarantees of future performance as they involve a number of risks, uncertainties and assumptions that may prove to be incorrect and that may cause our actual results and experiences to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks, uncertainties and assumptions that may affect our performance include our financial leverage and debt service requirements, dependence on key personnel, dependence on key stations, U.S. and local economic conditions, our ability to successfully integrate acquired stations, regulatory requirements, new technologies, natural disasters, terrorist attacks, and the effects of the ongoing COVID-19 pandemic. We cannot be sure that we will be able to anticipate or respond timely to changes in any of these factors, which could adversely affect the operating results in one or more fiscal quarters. Results of operations in any past period should not be considered, in and of itself, indicative of the results to be expected for future periods. Fluctuations in operating results may also result in fluctuations in the price of our stock.

For a more complete description of the prominent risks and uncertainties inherent in our business, see Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019 and in this Report.

**Liquidity and Capital Resources**

***Debt Arrangements and Debt Service Requirements***

On August 18, 2015, we entered into a new credit facility (the “Credit Facility”) with JPMorgan Chase Bank, N.A., The Huntington National Bank, Citizens Bank, National Association and J.P. Morgan Securities LLC. The Credit Facility consists of a $100 million five-year revolving facility (the “Revolving Credit Facility”) and originally matured on August 18, 2020. On June 27, 2018, the Company entered into a Second Amendment to its Credit Facility, dated August 18, 2015, which had first been amended on September 1, 2017, extending the revolving credit maturity date under the Credit Agreement for five years after the date of the amendment to June 27, 2023. On July 1, 2019, we elected to reduce our Revolving Credit Facility to $70 million. On May 11, 2020 we entered into an assumption agreement and amendment of loan documents as part of our reincorporation into a Florida corporation. The amendment also includes an alternative benchmark rate as a replacement to LIBOR. A copy of this assumption agreement and amendment is included as Exhibit 10(v) to this 10-Q filing.

We have pledged substantially all of our assets (excluding our FCC licenses and certain other assets) in support of the Credit Facility and each of our subsidiaries has guaranteed the Credit Facility and has pledged substantially all of their assets (excluding their FCC licenses and certain other assets) in support of the Credit Facility.

Approximately $266,000 of debt issuance costs related to the Credit Facility were capitalized and are being amortized over the life of the Credit Facility. These debt issuance costs are included in other assets, net in the consolidated balance sheets. As a result of the Second Amendment, the Company incurred an additional $120,000 of transaction fees related to the Credit Facility that were capitalized. The cumulative transaction fees are being amortized over the remaining life of the Credit Facility. The cumulative transaction fees are being amortized over the remaining life of the Credit Facility.

Interest rates under the Credit Facility are payable, at our option, at alternatives equal to LIBOR (0.1875% at June 30, 2020), plus 1% to 2% or the base rate plus 0% to 1%. The spread over LIBOR and the base rate vary from time to time, depending upon our financial leverage. As previously noted, the May 11, 2020 amendment to the Credit Facility includes an alternative to LIBOR in the event LIBOR is no longer available. Letters of credit issued under the Credit Facility will be subject to a participation fee (which is equal to the interest rate applicable to Eurocurrency Loans, as defined in the Credit Agreement) payable to each of the Lenders and a fronting fee equal to 0.25% per annum payable to the issuing bank. We also pay quarterly commitment fees of 0.2% to 0.3% per annum on the unused portion of the Revolving Credit Facility.

The Credit Facility contains a number of financial covenants (all of which we were in compliance with at June 30, 2020) which, among other things, require us to maintain specified financial ratios and impose certain limitations on us with respect to investments, additional indebtedness, dividends, distributions, guarantees, liens and encumbrances.

On June 7, 2019, we used $5 million from funds generated by operations to voluntarily pay down a portion of our Revolving Credit Facility.

On February 4, 2019, we used $5 million from funds generated by operations to voluntarily pay down a portion of our Revolving Credit Facility which was presented in current portion of long-term debt on our balance sheet at December 31, 2018.

We had approximately $60 million of unused borrowing capacity under the Revolving Credit Facility at June 30, 2020.

***Sources and Uses of Cash***

During the six months ended June 30, 2020 and 2019, we had net cash flows from operating activities of $8,319,000 and $12,830,000, respectively. We believe that cash flow from operations will be sufficient to meet quarterly debt service requirements for interest and payments of principal under our Credit Facility. However, if such cash flow is not sufficient we may be required to sell additional equity securities, refinance our obligations or dispose of one or more of our properties in order to make such scheduled payments. There can be no assurance that we would be able to effect any such transactions on favorable terms, if at all.

In March 2013, our board of directors authorized an increase to our Stock Buy-Back Program (the “Buy-Back Program”) to allow us to purchase up to $75.8 million of our Class A Common Stock. From its inception in 1998 through June 30, 2020, we have repurchased 2.1 million shares of our Class A Common Stock for $56.6 million. During the three and six months ended June 30, 2020, approximately 800 and 1,600 shares were repurchased for $21,000 and $41,000, respectively, related to the Buy-Back Program. Given the unprecedented uncertainty surrounding the COVID-19 virus and the resulting economic issues we have halted the directions for any additional buybacks under our plan.

Our capital expenditures, exclusive of acquisitions, for the six months ended June 30, 2020 were $1,379,000 ($3,162,000 in 2019). We anticipate capital expenditures in 2020 to be approximately $2.0 million to $2.5 million, which we expect to finance through funds generated from operations.

On January 2, 2020, the Company closed on an agreement to purchase W295BL from Basic Holdings, LLC, for an aggregate purchase price of $200 thousand, of which $10 thousand was paid in 2019 and the remaining $190 thousand paid in 2020. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Manchester, New Hampshire market as well as synergies and growth opportunities expected through the combination with the Company’s existing stations.

On March 4, 2020, the Company’s Board of Directors declared a regular cash dividend of $0.32 per share on its Classes A and B Common Stock. This dividend, totaling approximately $1.9 million, was paid on April 10, 2020 to shareholders of record on March 16, 2020 and was recorded in dividends payable on the Company’s Condensed Consolidated Balance sheet at June 30, 2020.

On December 11, 2019, the Company's Board of Directors declared a quarterly cash dividend of $0.30 per share on its Classes A and B shares. This dividend totaling approximately $1.8 million was paid on January 17, 2020 to shareholders of record on December 27, 2019 and funded by cash on the Company's balance sheet.

We continue to actively seek and explore opportunities for expansion through the acquisitions of additional broadcast properties.

We anticipate that any future acquisitions of radio and television stations and dividend payments will be financed through funds generated from operations, borrowings under the Credit Agreement, additional debt or equity financing, cash on hand, or a combination thereof. However, there can be no assurances that any such financing will be available on acceptable terms, if at all.

***Summary Disclosures About Contractual Obligations and Commercial Commitments***

We have future cash obligations under various types of contracts, including the terms of our Credit Facility, operating leases, programming contracts, employment agreements, and other operating contracts. For additional information concerning our future cash obligations see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation — Summary Disclosures About Contractual Obligations" in our Annual Report on Form 10-K for the year ended December 31, 2019.

We anticipate that our contractual cash obligations will be financed through funds generated from operations or additional borrowings under the Credit Facility, or a combination thereof.

**Critical Accounting Policies and Estimates**

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require us to make estimates, judgments and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures and contingencies. We evaluate estimates used in preparation of our financial statements on a continual basis. Except as set forth below, there have been no significant changes to our critical accounting policies that are described in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2019.

**Broadcast Licenses and Goodwill**: As of June 30, 2020, we have recorded approximately $91,600,000 in broadcast licenses and $19,106,000 in goodwill, which represents 45.5% of our total assets. In assessing the recoverability of these assets, we must conduct impairment testing and charge to operations an impairment expense only in the periods in which the carrying value of these assets is more than their fair value. We perform an annual impairment test on October 1 of each year or an interim impairment test when a triggering event occurs.

During the second quarter of 2020, we recognized a $3,757,000 impairment charge for broadcast license due to a decrease in projected revenue in these markets due to the impact of the COVID-19 pandemic , an increase in the discount rate used in the discounted cash flow analyses to estimate the fair value of our FCC licenses due to certain risks specifically associated with the Company and the radio broadcasting industry, and a decrease in mature operating margins in small markets due to the cost of operations in a small market in our Bucyrus, Ohio; Champaign, Illinois; Charleston, South Carolina; Columbus, Ohio; Harrisonburg, Virginia; Hilton Head, South Carolina; Mitchell, South Dakota; and Ocala, Florida markets. We also reviewed our value of goodwill and other long-lived assets during the second quarter of 2020 as of June 30, 2020, noting no impairment in goodwill or other long-lived assets. Please refer to Note 4 — Broadcast Licenses, Goodwill and Other Intangible Assets, in the accompanying notes to the consolidated financial statements for a discussion of several key assumptions used in the fair value estimate of our broadcast licenses during our second quarter impairment test.

There was no impairment of broadcast licenses in 2019 or 2018.

We believe our estimate of the value of our broadcast licenses is a critical accounting estimate as the value is significant in relation to our total assets, and our estimate of the value uses assumptions that incorporate variables based on past experiences and judgments about future operating performance of our stations. These variables include but are not limited to: (1) the forecast growth rate of each radio and television market, including population, household income, retail sales and other expenditures that would influence advertising expenditures; (2) market share and profit margin of an average station within a market; (3) estimated capital start-up costs and losses incurred during the early years; (4)

risk-adjusted discount rate; (5) the likely media competition within the market area; and (6) terminal values. Changes in our estimates of the fair value of these assets could result in material future period write-downs in the carrying value of our broadcast licenses. For illustrative purposes only, had the fair values of each of our broadcasting licenses been lower by 10% as of June 30, 2020, we would have recorded an additional broadcast license impairment of approximately $4.8 million; had the fair values of each of our broadcasting licenses been lower by 20% as of June 30, 2020, we would have recorded an additional broadcast license impairment of approximately $11.3 million; and had the fair value of our broadcasting licenses been lower by 30% as of June 30, 2020, we would have recorded an additional broadcast license impairment of approximately $19.1 million.

**Recent Accounting Pronouncements**

Recent accounting pronouncements are described in Note 2 to the accompanying financial statements.

**Inflation**

The impact of inflation on our operations has not been significant to date. There can be no assurance that a high rate of inflation in the future would not have an adverse effect on our operations.

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

Refer to “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Market Risk and Risk Management Policies” in our Annual Report on Form 10-K for the year ended December 31, 2019 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2019 Annual Report on Form 10-K except as noted below in “Part II – Other Information; Item 1A. Risk Factors”.

## ***Item 4. Controls and Procedures***

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective to cause the material information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 to be recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms. There were no changes in the Company’s internal controls over financial reporting during the quarter ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

**PART II — OTHER INFORMATION**

***Item 1. Legal Proceedings***

The Company is subject to various outstanding claims which arise in the ordinary course of business and to other legal proceedings. Management anticipates that any potential liability of the Company, which arise out of or with respect to these matters, will not materially affect the Company's financial statements.

***Item 1A. Risk Factors***

Except as set forth below, as of the date of this report, there have been no material changes to the risk factors we previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019.

***Our business, results of operations and financial condition may be adversely affected by the ongoing COVID-19 pandemic and the actions taken by governmental authorities in response to the pandemic.***

The ongoing COVID-19 pandemic and the measures taken to address the public health concerns resulting from the pandemic have resulted in disruptions to business activity worldwide, volatility in the equity markets and credit markets, and uncertainty in the global economic outlook. Such measures include travel restrictions and national border closings, restrictions on the conduct of non-essential business, closures of workplaces and schools, quarantines, shelter-in-place orders and social distancing orders. These measures have impacted and may further impact our business.

Recently implemented restrictions on business activity and uncertainty in the global economic outlook has caused advertisers to adjust their purchasing plans and a deterioration in economic conditions globally and in the markets in which we operate may cause advertisers to reduce further purchases of advertising. Furthermore, this level of uncertainty may adversely affect our ability to develop information in order to prepare accurate financial forecasts.

In addition, restrictive measures imposed by federal, state and local authorities in the United States as well as health-related concerns related to working conditions, have had, and may continue to have an impact on our business operations. While we are not currently anticipating any material impact to our internal ability to operate our business as a result of the COVID-19 pandemic, we may temporarily lose the services of employees or experience interruptions in the normal conduct of businesses or operations of our systems, which could lead to inefficiencies, and disruptions of our regular operations.

Although we have undertaken a number of steps to mitigate the impact of the COVID-19 pandemic on our business, including a series of initiatives to control or reduce costs, such cost control measures are unlikely to completely offset declines in revenues. The extent to which COVID-19 impacts our business and financial position will depend on future developments, which are difficult to predict, including the severity and scope of the COVID-19 outbreak as well as the types of measures imposed by governmental authorities to contain the virus or address its impact and the duration of those actions and measures. The imposition of further restrictive measures by governmental authorities to contain the COVID-19 virus or a prolonged period during which any such measures are kept in place would have an adverse impact on our business, financial position, results of operations and cash flows.

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

The following table summarizes our repurchases of our Class A Common Stock during the three months ended June 30, 2020.

| **Period** | **Total** Number **of Shares Purchased** | **Average Price Paid per Share** | **Total Number of Shares Purchased as Part of Publicly Announced Program** | **th** |
|---|---|---|---|---|
| April 1 - April 30, 2020 | — | $ — | — | $ |
| May 1 - May 31, 2020 | — | $ — | — | $ |
| June 1 – June 31, 2020 | 808 | $ 25.82 | — | $ |
| Total | 808 | $ 25.82 | — | $ |

(a) We have a Stock Buy-Back Program which allows us to purchase our Class A Common Stock. In February 2013, our Board of Directors authorized an increase in the amount committed to the Buy-Back Program from $60 million to approximately $75.8 million.

***Item 6. Exhibits***

| | |
|---|---|
| 10(v) | Assumption Agreement and Amendment of Loan Documents dated May 11, 2020 entered into between the Company and JPMorgan Chase Bank, N.A., The Huntington Na Citizens Bank. |
| 31.1 | Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarb 2002. |
| 31.2 | Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarb 2002. |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 and Rule 13-14(b) of the Securities Exchange Act of 1934, as Adopted Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL documen |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| (104) | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SAGA COMMUNICATIONS, INC.

Date: August 7, 2020

/s/ SAMUEL D. BUSH
Samuel D. Bush
*Senior Vice President and Chief Financial Officer (Principal Financial Officer)*

Date: August 7, 2020

/s/ CATHERINE A. BOBINSKI
Catherine A. Bobinski
*Senior Vice President, Chief Accounting Officer and Corporate Controller (Principal Acc*



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# Section 2: EX-10.(V) (EX-10.(V))

**Exhibit 10(v)**

**ASSUMPTION AGREEMENT AND AMENDMENT OF LOAN DOCUMENTS**

THIS ASSUMPTION AGREEMENT AND AMENDMENT OF LOAN DOCUMENTS, dated as of May 18, 2020 (this "Agreement"), is entered into among the undersigned pursuant to the Credit Agreement, dated as of August 18, 2015 (as amended, restated, supplemented, or modified from time to time, the "Credit Agreement"), among Saga Communications, Inc., a Delaware corporation (to be merged with Saga Communications Reincorporation, Inc., a Florida corporation pursuant to the Merger (as defined below)), the other loan parties party thereto, the lenders party thereto (collectively, the "Lenders"), and JPMorgan Chase Bank, N.A., a national banking association, as administrative agent for the Lenders (the "Administrative Agent").

**RECITALS**

A. Pursuant to the Agreement and Plan of Merger dated May 11, 2020 (the "Merger Agreement") between Saga Communications, Inc., a Delaware corporation ("Saga Communications") and Saga Communications Reincorporation, Inc., a Florida corporation, (i) Saga Communications and Saga Communications Reincorporation, Inc. are merging on the date hereof, (ii) Saga Communications Reincorporation, Inc. will be the surviving corporation, and (iii) Saga Communications Reincorporation, Inc. will simultaneously change its legal name to Saga Communications, Inc., a Florida corporation ("Saga Communications Florida") (all of the foregoing, collectively the "Merger").

B. Saga Communications Florida is required to assume all obligations of Saga Communications under the Credit Agreement and the other Loan Documents delivered by Saga Communications in favor of the Administrative Agent or the Lenders and, at the Effective Time (as defined in the Merger Agreement), will assume by law and pursuant to the Merger Agreement all of the obligations of Saga Communications, and is further confirming such assumption hereunder.

C. Saga Communications Florida has determined that it is in its best interest and to its financial benefit to execute and deliver this Agreement.

**AGREEMENT**

Based upon these recitals, each of the undersigned hereby agrees as follows:

ARTICLE I. ASSUMPTION.

1.1 Saga Communications and Saga Communications Florida hereby agree, confirm and acknowledge that at the Effective Time Saga Communications Florida will by operation of law and pursuant to the Merger Agreement assume all of the obligations of Saga Communications under the Credit Agreement and all other Loan Documents. At the Effective Time, Saga Communications Florida unconditionally acknowledges and agrees that it will be bound by, and hereby ratifies and confirms, all covenants, agreements, consents, submissions, appointments, acknowledgments, representations, warranties and other terms and provisions attributable to Saga Communications in the Credit Agreement and each other Loan Document and agrees to perform all obligations required of it as a Borrower or otherwise respect to Saga Communications under the Credit Agreement and each other Loan Document as if it were originally Saga Communications or the "Borrower" thereunder. Without limiting the foregoing, Saga Communications and Saga Communications Florida agree, confirm and acknowledge that the granting of the security interests in the Pledge and Security Agreement dated as of August 18, 2015 (as amended, restated, supplemented, or modified from time to time, the "Security Agreement") executed and delivered by Saga Communications and the guarantors signatory thereto in favor of the Administrative Agent shall apply to all present and future assets of Saga Communications Florida in accordance with the terms thereof at the Effective Time.

1.2 Saga Communications and Saga Communications Florida hereby represent and warrant that (a) the representations and warranties with respect to Saga Communications contained in, or made or deemed made in, the Credit Agreement and all other Loan Documents are true and correct on the date hereof and at the Effective Time; (b) the execution, delivery and performance by each of them of this Agreement are within their corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles of incorporation, by-laws or other charter documents of either of them, or of any material agreement, judgment, injunction, order, decree or other instrument binding upon either of them or their property; (c) all statements and terms in the recitals to this Agreement are accurate; and (d) this Agreement has been duly executed and constitutes a legal, valid and binding obligation of each of them, enforceable against them in accordance with its terms.

ARTICLE II. CONSENT OF THE ADMINISTRATIVE AGENT AND THE LENDERS. The Administrative Agent and the Lenders hereby consent to the assumption described in Article I and the Merger, subject to satisfaction of the following conditions precedent:

2.1 Saga Communications, Saga Communications Florida and each of the other Loan Parties shall have duly executed and delivered to the Administrative Agent this Agreement.

2.2 Saga Communications Florida shall have delivered to the Administrative Agent evidence satisfactory to the Administrative Agent that (i) Saga Communications Florida is authorized to enter into this Agreement and the transactions contemplated hereby and the other documents described herein, and (ii) the person signing on behalf of Saga Communications Florida is authorized to do so.

2.3 (i) The Administrative Agent and Lenders shall have received all documentation and other information required by bank regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including USA PATRIOT Act, a properly completed and signed IRS Form W-8 or W-9, as applicable, for Saga Communications Florida and (ii) to the extent Saga Communications Florida qualifies as a “legal entity customer” under the Beneficial Ownership Regulation, the Administrative Agent and Lenders shall have received a Beneficial Ownership Certification in relation to Saga Communications Florida (provided that, upon the execution and delivery by such Lender of its signature page to this Agreement, the condition set forth in this clause (ii) shall be deemed to be satisfied).

2.4 Saga Communications Florida shall have furnished to the Administrative Agent such other documents and evidence of completion of such other matters as the Administrative Agent may reasonably request in connection with the transactions contemplated hereby.

ARTICLE III. AMENDMENTS TO CREDIT AGREEMENT AND OTHER LOAN DOCUMENTS. Upon the satisfaction of the conditions precedent set forth under Article II above and once the Effective Time has occurred, the Loan Documents are amended as follows:

3.1 The following definitions are added to Section 1.01 of the Credit Agreement in appropriate alphabetical order:

“Benchmark Replacement” means the sum of: (a) the alternate benchmark rate (which may be a SOFR-Based Rate) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body and/or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to the LIBO Rate for U.S. dollar-denominated syndicated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement; provided further that any such Benchmark Replacement shall be administratively feasible as determined by the Administrative Agent in its sole discretion.

"Benchmark Replacement Adjustment" means the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBO Rate with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body and/or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the LIBO Rate with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated credit facilities at such time (for the avoidance of doubt, such Benchmark Replacement Adjustment shall not be in the form of a reduction to the Applicable Rate).

"Benchmark Replacement Conforming Changes" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Alternate Base Rate," the definition of "Interest Period," timing and frequency of determining rates and making payments of interest and other administrative matters) that the Administrative Agent decides in its reasonable discretion may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).

"Benchmark Replacement Date" means the earlier to occur of the following events with respect to the LIBO Rate:

(1) in the case of clause (1) or (2) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the LIBO Screen Rate permanently or indefinitely ceases to provide the LIBO Screen Rate; or

(2) in the case of clause (3) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein.

"Benchmark Transition Event" means the occurrence of one or more of the following events with respect to the LIBO Rate:

(1) a public statement or publication of information by or on behalf of the administrator of the LIBO Screen Rate announcing that such administrator has ceased or will cease to provide the LIBO Screen Rate, permanently or indefinitely, provided that, at the time of such statement or

publication, there is no successor administrator that will continue to provide the LIBO Screen Rate;

(2) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Screen Rate, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for the LIBO Screen Rate, a resolution authority with jurisdiction over the administrator for the LIBO Screen Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the LIBO Screen Rate, in each case which states that the administrator of the LIBO Screen Rate has ceased or will cease to provide the LIBO Screen Rate permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the LIBO Screen Rate; and/or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the LIBO Screen Rate announcing that the LIBO Screen Rate is no longer representative.

"Benchmark Transition Start Date" means (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date specified by the Administrative Agent or the Required Lenders, as applicable, by notice to the Borrower, the Administrative Agent (in the case of such notice by the Required Lenders) and the Lenders.

"Benchmark Unavailability Period" means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the LIBO Rate and solely to the extent that the LIBO Rate has not been replaced with a Benchmark Replacement, the period (x) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced the LIBO Rate for all purposes hereunder in accordance with Section 2.13 and (y) ending at the time that a Benchmark Replacement has replaced the LIBO Rate for all purposes hereunder pursuant to Section 2.13.

"Compounded SOFR" means the compounded average of SOFRs for the applicable Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which may include compounding in arrears with a lookback and/or suspension period as a mechanism to determine the interest amount payable prior to the end of each Interest Period) being established by the Administrative Agent in accordance with:

(1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR; provided that:

(2) if, and to the extent that, the Administrative Agent determines that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that the Administrative Agent determines in its reasonable discretion are substantially consistent with any evolving or then-prevailing market convention for determining compounded SOFR for U.S. dollar-denominated syndicated credit facilities at such time;

provided, further, that if the Administrative Agent decides that any such rate, methodology or convention determined in accordance with clause (1) or clause (2) is not administratively feasible for the Administrative Agent, then Compounded SOFR will be deemed unable to be determined for purposes of the definition of "Benchmark Replacement."

"Corresponding Tenor" with respect to a Benchmark Replacement means a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the applicable Interest Period with respect to the LIBO Rate.

"Early Opt-in Election" means the occurrence of:

(1) (i) a determination by the Administrative Agent or (ii) a notification by the Required Lenders to the Administrative Agent (with a copy to the Borrower) that the Required Lenders have determined that U.S. dollar-denominated syndicated credit facilities being executed at such time, or that include language similar to that contained in Section 2.13 are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace the LIBO Rate, and

(2) (i) the election by the Administrative Agent or (ii) the election by the Required Lenders to declare that an Early Opt-in Election has occurred and the provision, as applicable, by the Administrative Agent of written notice of such election to the Borrower and the Lenders or by the Required Lenders of written notice of such election to the Administrative Agent.

"Federal Reserve Bank of New York's Website" means the website of the NYFRB at http://www.newyorkfed.org, or any successor source.

"Relevant Governmental Body" means the Federal Reserve Board and/or the NYFRB, or a committee officially endorsed or convened by the Federal Reserve Board and/or the NYFRB or, in each case, any successor thereto.

"SOFR" with respect to any day means the secured overnight financing rate published for such day by the NYFRB, as the administrator of the benchmark (or a successor administrator), on the Federal Reserve Bank of New York's Website.

"SOFR-Based Rate" means SOFR, Compounded SOFR or Term SOFR.

"Term SOFR" means the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

"Unadjusted Benchmark Replacement" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment; provided that, if the Unadjusted Benchmark Replacement as so determined would be less than zero, the Unadjusted Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.

3.2 The following definitions in Section 1.01 of the Credit Agreement are restated as follows:

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the NYFRB Rate in effect on such day plus ½ of 1%, and (c) the Adjusted LIBO Rate for a one-month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%, provided that, for the purpose of this definition, the Adjusted LIBO Rate for any day shall be based on the LIBO Screen Rate (or if the LIBO Screen Rate is not available for such one month Interest Period, the Interpolated Rate) at approximately 11:00 a.m. London time on such day. Any change in the Alternate Base Rate due to a change in the Prime Rate, the NYFRB Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the NYFRB Rate or the Adjusted LIBO Rate, respectively. If the Alternate Base Rate is being used as an alternate rate of interest pursuant to Section 2.13 hereof (for the avoidance of doubt, only until any amendment has become effective pursuant to Section 2.13(b)), then the Alternate Base Rate shall be the greater of clause (a) and (b) above and shall be determined without reference to clause (c) above. For the avoidance of doubt, if the Alternate Base Rate as so determined would be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"Federal Funds Effective Rate" means, for any day, the rate calculated by the NYFRB based on such day's federal funds transactions by depositary institutions, as determined in such manner as shall be set forth on the Federal Reserve Bank of New York's Website from time to time, and published on the next succeeding Business Day by the NYFRB as the effective federal funds rate, provided that, if the Federal Funds Effective Rate as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"Overnight Bank Funding Rate" means, for any day, the rate comprised of both overnight federal funds and overnight Eurodollar borrowings by U.S.-managed banking offices of depository institutions (as such composite rate shall be determined by the NYFRB as set forth on the Federal Reserve Bank of New York's Website from time to time) and published on the next succeeding Business Day by the NYFRB as an overnight bank funding rate.

3.3 Section 1.05 of the Credit Agreement is restated as follows:

Section 1.05. Interest Rates; LIBOR Notification. The interest rate on Eurodollar Loans is determined by reference to the LIBO Rate, which is derived from the London interbank offered rate. The London interbank offered rate is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. In July 2017, the U.K. Financial Conduct Authority announced that, after the end of 2021, it would no longer persuade or compel contributing banks to make rate submissions to the ICE Benchmark Administration (together with any successor to the ICE Benchmark Administrator, the "IBA") for purposes of the IBA setting the London interbank offered rate. As a result, it is possible that commencing in 2022, the London interbank offered rate may no longer be available or may no longer be deemed an appropriate reference rate upon which to determine the interest rate on Eurodollar Loans. In light of this eventuality, public and private sector industry initiatives are currently underway to identify new or alternative reference rates to be used in place of the London interbank offered rate. Upon the occurrence of a Benchmark Transition Event or an Early Opt-In Election, Section 2.13(b) provides a mechanism for determining an alternative rate of interest. The Administrative Agent will promptly notify the Borrower, pursuant to Section 2.13(d), of any change to the reference rate upon which the interest rate on Eurodollar Loans is based. However, the Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the London interbank offered rate or other rates in the definition of "LIBO Rate" or with respect to any alternative or successor rate thereto, or replacement rate thereof (including, without limitation, (i) any such alternative, successor or replacement rate implemented pursuant to Section 2.13(b), whether upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, and (ii) the implementation of any Benchmark Replacement Conforming

Changes pursuant to Section 2.13(c)), including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate will be similar to, or produce the same value or economic equivalence of, the LIBO Rate or have the same volume or liquidity as did the London interbank offered rate prior to its discontinuance or unavailability.

3.4 Section 2.13 of the Credit Agreement is restated as follows:

Section 2.13. Alternate Rate of Interest. (a) If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(i) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable (including because the LIBO Screen Rate is not available or published on a current basis), for such Interest Period; provided that no Benchmark Transition Event shall have occurred at such time; or

(ii) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone, telecopy or electronic mail as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (A) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective and (B) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing; provided that if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

(b) Notwithstanding anything to the contrary herein or in any other Loan Document, upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, the Administrative Agent and the Borrower may amend this Agreement to replace the LIBO Rate with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. on the fifth (5th) Business Day after the Administrative Agent has posted such proposed amendment to all Lenders and the Borrower, so long as the Administrative Agent has not received, by such time, written notice of objection to such proposed amendment from Lenders comprising the Required Lenders; provided that, with respect to any proposed amendment containing any SOFR-Based Rate, the Lenders shall be entitled to object only to the Benchmark Replacement Adjustment contained therein. Any such amendment with respect to an Early Opt-in Election will become effective on the date that Lenders comprising the Required Lenders have delivered to the Administrative Agent written notice that such Required Lenders accept such amendment. No replacement of LIBO Rate with a Benchmark Replacement will occur prior to the applicable Benchmark Transition Start Date.

(c) In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(d) The Administrative Agent will promptly notify the Borrower and the Lenders of (i) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes and (iv) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or Lenders pursuant to this Section 2.13, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this Section 2.13.

(e) Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing.

3.5 All references in the Credit Agreement and the other Loan Documents to the "Borrower" or any pronoun understood in the context to mean Saga Communications shall be deemed to mean Saga Communications Florida.

3.6 The first page of Exhibit A to the Security Agreement (captioned "INFORMATION AND COLLATERAL LOCATIONS OF SAGA COMMUNICATIONS, INC.") is amended in its entirety to read as set forth on Exhibit A to this Agreement.

3.7 Exhibit H to the Security Agreement is amended in its entirety to read as set forth on Exhibit B to this Agreement.

ARTICLE IV. MISCELLANEOUS.

4.1. References in the Credit Agreement or in any other Loan Document to the Credit Agreement or any other Loan Document shall be deemed to be references to the Credit Agreement or such Loan Document as amended hereby and as further amended from time to time. Except as expressly amended hereby, the Loan Parties agree that the Credit Agreement and all other Loan Documents are ratified and confirmed, as amended hereby, and shall remain in full force and effect in accordance with their terms and that they have no set off, counterclaim, defense or other claim or dispute with respect to any of the foregoing. Each of the Loan Parties acknowledges and agrees that the Administrative Agent and the Lenders have fully performed all of their obligations under all Loan Documents or otherwise with respect to the Loan Parties, all actions taken by the Administrative Agent and the Lenders are reasonable and appropriate under the circumstances and within their rights under the Loan Documents and they are not aware of any currently existing claims or causes of action against the Administrative Agent or any Lender, any Subsidiary or Affiliate thereof or any of their successors or assigns, and waives any such claims or causes of action of which they are aware. The consent and amendments contained herein shall not be construed as a consent, waiver or amendment of any other provision of the Credit Agreement or the other Loan Documents or for any purpose except as expressly set forth herein.

4.2 Capitalized terms used but not defined herein shall have the meaning ascribed thereto in the Credit Agreement. This Agreement shall be binding upon the parties hereto and their successors and assigns. This Agreement may only be modified by writing signed by the parties hereto. This Agreement is a contract made under, and shall be governed by, and construed in accordance with, the laws of the State of

Michigan applicable to contracts made and to be performed entirely within such State without giving effect to choice of law principals of such State. This Agreement may be executed in any number of counterparts, and telecopied signatures shall be effective as originals.

4.3 Saga Communications Florida shall provide the Administrative Agent with filed copies of the documents described in Article 1, Section 2 of the Merger Agreement within two Business Days of receipt of the same by Saga Communications Florida.

[*The remainder of this page is left blank intentionally*]

IN WITNESS WHEREOF, the undersigned has caused this Agreement to be duly executed as of the day and year first above written.

SAGA COMMUNICATIONS, INC.,
a Delaware corporation

By: /s/ Samuel D. Bush
Name: Samuel D. Bush
Title: Chief Financial Officer

SAGA COMMUNICATIONS REINCORPORATION, INC., a Florida corporation

By: /s/ Samuel D. Bush
Name: Samuel D. Bush
Title: Chief Financial Officer

FRANKLIN COMMUNICATIONS, INC.
SAGA BROADCASTING, LLC
SAGA COMMUNICATIONS OF NEW ENGLAND, LLC
SAGA COMMUNICATIONS OF ARKANSAS, LLC
SAGA COMMUNICATIONS OF NORTH CAROLINA, LLC
TIDEWATER COMMUNICATIONS, LLC
SAGA COMMUNICATIONS OF ILLINOIS, LLC
SAGA COMMUNICATIONS OF SOUTH DAKOTA, LLC
LAKEFRONT COMMUNICATIONS, LLC
SAGA COMMUNICATIONS OF NEW HAMPSHIRE, LLC
SAGA COMMUNICATIONS OF CHARLOTTESVILLE, LLC
SAGA COMMUNICATIONS OF IOWA, LLC
SAGA QUAD STATES COMMUNICATIONS, LLC
SAGA COMMUNICATIONS OF TUCKESSEE, LLC
SAGA COMMUNICATIONS OF MILWAUKEE, LLC

By: /s/ Samuel D. Bush
Name: Samuel D. Bush
Title: Chief Financial Officer

Accepted and Agreed:

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent and a Lender

By: /s/ Cathy A. Smith
Name: Cathy A. Smith
Title: Authorized Agent

*Signature Page to Saga Assumption Agreement and Amendment of Loan Documents*

THE HUNTINGTON NATIONAL BANK,
as a Lender

By: /s/ Peter Stasevich
Name: Peter Stasevich
Title: Senior Vice President

CITIZENS BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Kevin Chont
Name: Kevin Chont
Title: Vice President

**<u>EXHIBIT A</u>**

**FIRST PAGE OF EXHIBIT A**
**TO THE SECURITY AGREEMENT**

See attached.

**EXHIBIT A**
(See Sections 3.2, 3.3, 3.4, 3.9 and 8.1 of Security Agreement)

INFORMATION AND COLLATERAL LOCATIONS OF SAGA COMMUNICATIONS REINCORPORATION, INC.

**I. Name of Grantor**: SAGA COMMUNICATIONS REINCORPORATION, INC. [1]

**II. State of Incorporation or Organization**: Florida

**III. Type of Entity**: Corporation

**IV. Organizational Number assigned by State of Incorporation or Organization**: P20000030595

**V. Federal Identification Number**: 38-3042953

**VI. Place of Business** (if it has only one) **or Chief Executive Office** (if more than one place of business) **and Mailing Address**:

73 Kercheval Ave. Grosse Pointe Farms, Michigan 48236

**VII. Locations of Collateral**:

(a) Properties Owned by the Grantor:[2]

| |
|---|
| 73 Kercheval Ave., Grosse Pointe Farms, Michigan, County: Wayne |
| 1186 Westway Drive, Sarasota, Florida, County: Sarasota |

(b) Properties Leased by the Grantor (Include Landlord's Name):
None.

( ) Public Warehouses or other Locations pursuant to Bailment or Consignment Arrangements (include name of Warehouse Operator or other Bailee or Consignee):
None.

1 Name to be changed to Saga Communications, Inc. concurrently with the consummation of the Merger as defined in the Assumption Agreement and Amendment of Loan Documents dated May __, 2020 between Borrowers, the other loan parties thereto, the Lenders and the Administrative Agent.
2 Properties to be owned by Grantor following the consummation of the Merger.

**EXHIBIT B**

**EXHIBIT H TO THE SECURITY AGREEMENT**

See attached.

**EXHIBIT H**
(See Section 3.1 of Security Agreement)

OFFICES IN WHICH FINANCING STATEMENTS HAVE BEEN FILED

1. All Asset UCC Filings

Delaware Department of State
Florida Department of State (for Saga Communications Reincorporation, Inc.[3] only)

2. Transmitting Utility Filings

Arkansas Secretary of State
Florida Department of State
Illinois Secretary of State
Iowa Secretary of State
Kentucky Secretary of State
Maine Secretary of State
Massachusetts Secretary of the Commonwealth
Michigan Department of State
Nebraska Secretary of State
New Hampshire Secretary of State
New York Department of State
North Carolina Secretary of State
Ohio Secretary of State
South Carolina Secretary of State
South Dakota Secretary of State
Tennessee Secretary of State
Vermont Secretary of State
Virginia State Corporation Commission
Washington Department of Licensing
Wisconsin Department of Financial Institution

[3] Name to be changed to Saga Communications, Inc. concurrently with the consummation of the Merger.

*Signature Page to Saga Assumption Agreement and Amendment of Loan Documents*

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## Section 3: EX-31.1 (EX-31.1)

**EXHIBIT 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)
AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Edward K. Christian, Chief Executive Officer of Saga Communications, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Saga Communications, Inc.;

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 circumst 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 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-1 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 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 assu 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 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 four 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 co 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 regist 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.

Date: August 7, 2020

/s/ Edward K. Christian
Edward K. Christian
Chief Executive Officer

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## Section 4: EX-31.2 (EX-31.2)

**EXHIBIT 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a)**
**AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Samuel D. Bush, Chief Financial Officer of Saga Communications, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Saga Communications, Inc.;

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 circumst 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 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-1 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 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 assu 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 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 four 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 co 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 registr 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.

Date: August 7, 2020

/s/ Samuel D. Bush
Samuel D. Bush
Chief Financial Officer

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## Section 5: EX-32 (EX-32)

**EXHIBIT 32**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**
**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 Saga Communications, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Edward K. Christian, Chief Executive Officer of the Company, and Samuel D. Bush, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our knowledge, 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.

Dated: August 7, 2020

/s/ Edward K. Christian
Edward K. Christian
Chief Executive Officer

Dated: August 7, 2020

/s/ Samuel D. Bush
Samuel D. Bush
Chief Financial Officer

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