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

**Form 10-K**

(Mark one)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended December 31, 2019**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period for to**

**Commission file number 1-11588**

# SAGA COMMUNICATIONS, INC.

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

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

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

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

| **Title of each class** | **Trading Symbol** | **Name of each exchange on which registered** |
|---|---|---|
| Class A Common Stock, $.01 par value | SGA | NASDAQ |

**Securities registered pursuant to Section 12(g) of the Act: None**

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

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

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 þ 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 þ No ☐

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

| Large accelerated filer ☐ | Accelerated filer þ | Non-accelerated filer ☐ | Smaller Reporting Company ☐ | Emerging growth company ☐ |
|---|---|---|---|---|

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

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

Aggregate market value of the Class A Common Stock and the Class B Common Stock (assuming conversion thereof into Class A Common Stock) held by nonaffiliates of the registrant, computed on the basis of the closing price of the Class A Common Stock on June 30, 2019 on the NASDAQ: $155,483,448.

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 March 4, 2020 was 5,043,067 and 953,842, respectively.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement for the 2020 Annual Meeting of Stockholders (to be filed with the Securities and Exchange Commission not later than 120 days after the end of the Company's fiscal year) are incorporated by reference in Part III hereof.

**Saga Communications, Inc.**
**2019 Form 10-K Annual Report**

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## Forward-Looking Statements

Statements contained in this Form 10-K 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,” “expects”, “anticipates,” “guidance,” 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 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, which are described in Item 1A of this report, include our financial leverage and debt service requirements, dependence on key personnel, dependence on key stations, global, U.S. and local economic conditions, our ability to successfully integrate acquired stations, regulatory requirements, new technologies, natural disasters, terrorist attacks, information technology and cybersecurity failures and data security breaches. 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.

**PART I**

## Item 1. *Business*

We are a broadcast company primarily engaged in acquiring, developing and operating broadcast properties. On September 1, 2017 we sold our Joplin, Missouri and Victoria, Texas television stations. The television stations that were sold constituted our entire television segment. The historical results of operations for the television stations are presented as discontinued operations for all periods presented (see Note 4). As a result of the sale of our television stations and those stations being reported as discontinued operations we only have one reportable segment at December 31, 2019, 2018 and 2017. Unless indicated otherwise, the information in the Notes to Consolidated Financial Statements relates to our continuing operations. As of February 29, 2020, we owned seventy-nine FM, thirty-four AM radio stations and seventy-seven metro signals serving twenty-seven markets, including Bellingham, Washington; Columbus, Ohio; Norfolk, Virginia; Milwaukee, Wisconsin; Manchester, New Hampshire; and Des Moines, Iowa.

The following table sets forth information about our radio stations and the markets they serve as of February 29, 2020:

| Station | Market (a) | 2019 Market Ranking By Radio Revenue (b) | 2019 Market Ranking By Radio Market (b) | Station Format | Target Demographics |
|---|---|---|---|---|---|
| FM: | | | | | |
| WKLH | Milwaukee, WI | 31 | 41 | Classic Rock | Adults 40-64 |
| WHQG | Milwaukee, WI | 31 | 41 | Rock | Men 18-49 |
| WJMR | Milwaukee, WI | 31 | 41 | Urban Adult Contemporary | Adults 25-54 |
| WNRG | Milwaukee, WI | 31 | 41 | Contemporary Hits | Adults 18-34 |
| WSNY | Columbus, OH | 34 | 36 | Adult Contemporary | Women 25-54 |
| WNND | Columbus, OH | 34 | 36 | Classic Hits | Adults 35-64 |
| WNNP | Columbus, OH | 34 | 36 | Classic Hits | Adults 35-64 |
| WLVQ | Columbus, OH | 34 | 36 | Classic Rock | Adults 40-64 |
| WVMX | Columbus, OH | 34 | 36 | Hot Adult Contemporary | Women 25-44 |
| WNOR | Norfolk, VA | 39 | 45 | Rock | Men 18-49 |
| WAFX | Norfolk, VA | 39 | 45 | Classic Rock | Adults 40-64 |
| KSTZ | Des Moines, IA | 67 | 70 | Hot Adult Contemporary | Women 25-44 |
| KSTZ-HD2 | Des Moines, IA | 67 | 70 | Country Legends | Adults 45-64 |
| KIOA | Des Moines, IA | 67 | 70 | Classic Hits | Adults 35-64 |
| KIOA-HD2 | Des Moines, IA | 67 | 70 | Contemporary Hits | Adults 18-34 |
| KAZR | Des Moines, IA | 67 | 70 | Rock | Men 18-49 |
| KAZR-HD2 | Des Moines, IA | 67 | 70 | Oldies | Adults 45+ |
| KOEZ | Des Moines, IA | 67 | 70 | Soft Adult Contemporary | Women 35-64 |
| WMGX | Portland, ME | 71 | 99 | Hot Adult Contemporary | Women 25-44 |
| WYNZ | Portland, ME | 71 | 99 | Classic Hits | Adults 35-64 |
| WPOR | Portland, ME | 71 | 99 | Contemporary Country | Adults 25-54 |
| WCLZ | Portland, ME | 71 | 99 | Adult Album Alternative | Adults 25-54 |
| WAVF | Charleston, SC | 83 | 78 | Adult Variety Hits | Adults 25-54 |
| WCKN | Charleston, SC | 83 | 78 | Contemporary Country | Adults 25-54 |
| WMXZ | Charleston, SC | 83 | 78 | Hot Adult Contemporary | Women 25-44 |
| WMXZ-HD2 | Charleston, SC | 83 | 78 | Urban Hits | Adults 18-34 |
| WXST | Charleston, SC | 83 | 78 | Urban Adult Contemporary | Adults 25-54 |
| WAQY | Springfield, MA | 101 | 100 | Classic Rock | Adults 40-64 |
| WLZX | Springfield, MA | 101 | 100 | Alternative Rock | Men 18-49 |
| WOGK | Ocala-Gainesville, FL | 115 | 86 | Contemporary Country | Adults 25-54 |
| WYND | Ocala-Gainesville, FL | 115 | 86 | Classic Rock | Adults 40-64 |
| WNDD | Ocala-Gainesville, FL | 115 | 86 | Classic Rock | Adults 40-64 |
| WNDN | Ocala-Gainesville, FL | 115 | 86 | Classic Rock | Adults 40-64 |

*(footnotes follow tables)*

| Station | Market (a) | 2019 Market Ranking By Radio Revenue (b) | 2019 Market Ranking By Radio Market (b) | Station Format | Target Demographics |
|---|---|---|---|---|---|
| WZID | Manchester, NH | 134 | 199 | Adult Contemporary | Women 25-54 |
| WMLL | Manchester, NH | 134 | 199 | Classic Hits | Adults 35-64 |
| WZID-HD2 | Manchester, NH | 134 | 199 | Contemporary Hits | Adults 18-34 |
| WZID-HD3 | Manchester, NH | 134 | 199 | Classic Country | Adults 45-64 |
| WOXL | Asheville, NC | 154 | 157 | Adult Contemporary | Women 25-54 |
| WTMT | Asheville, NC | 154 | 157 | Classic Rock | Adults 40-64 |
| WTMT-HD2 | Asheville, NC | 154 | 157 | Classic Hits | Adults 35-64 |
| WTMT-HD3 | Asheville, NC | 154 | 157 | Country Legends | Adults 45-64 |
| WOXL-HD2 | Asheville, NC | 154 | 157 | Adult Album Alternative | Adults 25-54 |
| WOXL-HD3 | Asheville, NC | 154 | 157 | Oldies | Adults 45+ |
| WSIG | Harrisonburg, VA | 170 | 248 | Classic Country | Adults 35-64 |
| WQPO | Harrisonburg, VA | 170 | 248 | Contemporary Hits | Women 18-34 |
| WQPO-HD2 | Harrisonburg, VA | 170 | 248 | Oldies | Adults 45+ |
| WQPD-HD3 | Harrisonburg, VA | 170 | 248 | Classic Rock | Adults 40-64 |
| WMQR | Harrisonburg, VA | 170 | 248 | Adult Contemporary | Women 25-44 |
| WWRE | Harrisonburg, VA | 170 | 248 | Classic Hits | Adults 35-64 |
| WNAX | Yankton, SD | 180 | 255 | Contemporary Country | Adults 25-54 |
| WNAX-HD2 | Yankton, SD | 180 | 255 | Country Legends | Adults 45-64 |
| KISM | Bellingham, WA | N/A | N/A | Classic Rock | Adults 40-64 |
| KAFE | Bellingham, WA | N/A | N/A | Adult Contemporary | Women 25-54 |
| WKVT | Brattleboro, VT | N/A | N/A | Classic Hits | Adults 35-64 |
| WRSY | Brattleboro, VT | N/A | N/A | Adult Album Alternative | Adults 25-54 |
| WQEL | Bucyrus, OH | N/A | N/A | Classic Hits | Adults 35-64 |
| WLRW | Champaign, IL | N/A | N/A | Hot Adult Contemporary | Women 25-44 |
| WREE | Champaign, IL | N/A | N/A | Classic Hits | Adults 35-64 |
| WYXY | Champaign, IL | N/A | N/A | Classic Country | Adults 45-64 |
| WIXY | Champaign, IL | N/A | N/A | Country | Adults 25-54 |
| WIXY-HD2 | Champaign, IL | N/A | N/A | Rock | Men 18-49 |
| WIXY-HD3 | Champaign, IL | N/A | N/A | Contemporary Hits | Adults 18-34 |
| WLRW-HD2 | Champaign, IL | N/A | N/A | Oldies | Adults 45-64 |
| WWWV | Charlottesville, VA | N/A | N/A | Classic Rock | Adults 40-64 |
| WQMZ | Charlottesville, VA | N/A | N/A | Adult Contemporary | Women 25-54 |
| WCNR | Charlottesville, VA | N/A | N/A | Adult Album Alternative | Adults 25-54 |
| WCVL | Charlottesville, VA | N/A | N/A | Contemporary Country | Adults 25-54 |
| WCVQ | Clarksville, TN — Hopkinsville, KY | N/A | N/A | Hot Adult Contemporary | Women 25-44 |
| WVVR | Clarksville, TN — Hopkinsville, KY | N/A | N/A | Contemporary Country | Adults 25-54 |
| WZZP | Clarksville, TN — Hopkinsville, KY | N/A | N/A | Rock | Men 18-49 |
| WRND | Clarksville, TN — Hopkinsville, KY | N/A | N/A | Classic Hits | Adults 35-64 |
| WCVQ-HD2 | Clarksville, TN — Hopkinsville, KY | N/A | N/A | Contemporary Christian | Adults 25-54 |
| WCVQ-HD3 | Clarksville, TN — Hopkinsville, KY | N/A | N/A | Country Legends | Adults 45-64 |
| WHAI | Greenfield, MA | N/A | N/A | Adult Contemporary | Women 25-54 |
| WPVQ | Greenfield, MA | N/A | N/A | Contemporary Country | Adults 25-54 |
| WLHH | Hilton Head, SC | N/A | N/A | Classic Hits | Adults 35-64 |

*(footnotes follow tables)*

| Station | Market (a) | 2019 Market Ranking By Radio Revenue (b) | 2019 Market Ranking By Radio Market (b) | Station Format | Target Demographics |
|---|---|---|---|---|---|
| WOEZ | Hilton Head, SC | N/A | N/A | Soft Adult Contemporary | Women 35-64 |
| WVSC | Hilton Head, SC | N/A | N/A | Adult Variety Hits | Adults 35-64 |
| WVSC-HD2 | Hilton Head, SC | N/A | N/A | Oldies | Adults 45-64 |
| WIII | Ithaca, NY | N/A | N/A | Classic Rock | Adults 40-64 |
| WQNY | Ithaca, NY | N/A | N/A | Contemporary Country | Adults 25-54 |
| WQNY-HD3 | Ithaca, NY | N/A | N/A | Alternative Rock | Men 18-34 |
| WYXL | Ithaca, NY | N/A | N/A | Adult Contemporary | Women 25-54 |
| WYXL-HD2 | Ithaca, NY | N/A | N/A | Adult Album Alternative | Adults 25-54 |
| WYXL-HD3 | Ithaca, NY | N/A | N/A | Sports | Men 25-64 |
| WFIZ | Ithaca, NY | N/A | N/A | Contemporary Hits | Adults 18-34 |
| WFIZ-HD2 | Ithaca, NY | N/A | N/A | Classic Hits | Adults 35-64 |
| KEGI | Jonesboro, AR | N/A | N/A | Classic Rock | Adults 40-64 |
| KDXY | Jonesboro, AR | N/A | N/A | Contemporary Country | Adults 25-54 |
| KJBX | Jonesboro, AR | N/A | N/A | Adult Contemporary | Women 25-54 |
| KJBX-HD2 | Jonesboro, AR | N/A | N/A | Country Legends | Adults 45-64 |
| KDXY-HD2 | Jonesboro, AR | N/A | N/A | Contemporary Hits | Adults 18-34 |
| KDXY-HD3 | Jonesboro, AR | N/A | N/A | Sports ESPN | Men 35-64 |
| WKNE | Keene, NH | N/A | N/A | Hot Adult Contemporary | Women 25-54 |
| WKNE-HD2 | Keene, NH | N/A | N/A | Soft Adult Contemporary | Women 25-54 |
| WKNE-HD3 | Keene, NH | N/A | N/A | Oldies | Adults 45-64 |
| WSNI | Keene, NH | N/A | N/A | Adult Contemporary | Women 25-44 |
| WSNI-HD2 | Keene, NH | N/A | N/A | Adult Album Alternative | Adults 25-54 |
| WINQ | Keene, NH | N/A | N/A | Contemporary Country | Adults 25-54 |
| WINQ-HD2 | Keene, NH | N/A | N/A | Classic Country | Adults 45-64 |
| KMIT | Mitchell, SD | N/A | N/A | Contemporary Country | Adults 25-54 |
| KMIT-HD2 | Mitchell, SD | N/A | N/A | Adult Contemporary | Women 25-54 |
| KMIT-HD3 | Mitchell, SD | N/A | N/A | Sports | Men 18-64 |
| KUQL | Mitchell, SD | N/A | N/A | Classic Hits | Adults 40-64 |
| WRSI | Northampton, MA | N/A | N/A | Adult Album Alternative | Adults 25-54 |
| WLZX-HD2 | Northampton, MA | N/A | N/A | Contemporary Hits | Adults 18-34 |
| WLZX-HD3 | Northampton, MA | N/A | N/A | Oldies | Adults 45-64 |
| KICD | Spencer, IA | N/A | N/A | Contemporary Country | Adults 25-54 |
| KMRR | Spencer, IA | N/A | N/A | Adult Contemporary | Women 25-54 |
| KMRR-HD2 | Spencer, IA | N/A | N/A | Oldies | Adults 45-64 |
| KMRR-HD3 | Spencer, IA | N/A | N/A | Soft Adult Contemporary | Female 35-64 |
| WYMG | Springfield, IL | N/A | N/A | Classic Rock | Adults 40-64 |
| WDBR | Springfield, IL | N/A | N/A | Contemporary Hits | Adults 18-34 |
| WQQL | Springfield, IL | N/A | N/A | Classic Hits | Adults 35-64 |
| WLFZ | Springfield, IL | N/A | N/A | Contemporary Country | Adults 25-54 |
| WDBR-HD2 | Springfield, IL | N/A | N/A | Country Legends | Adults 45-64 |
| WDBR-HD3 | Springfield, IL | N/A | N/A | Oldies | Adults 45-64 |

*(footnotes follow tables)*

| Station | Market (a) | 2019 Market Ranking By Radio Revenue (b) | 2019 Market Ranking By Radio Market (b) | Station Format | Target Demographics |
|---|---|---|---|---|---|
| AM: | | | | | |
| WJYI | Milwaukee, WI | 31 | 41 | Christian | Adults 25-54 |
| WJOI | Norfolk, VA | 39 | 45 | Adult Standards | Adults 45-64 |
| KRNT | Des Moines, IA | 67 | 70 | Sports | Men 18-64 |
| KPSZ | Des Moines, IA | 67 | 70 | Christian | Adults 25-54 |
| WGAN | Portland, ME | 71 | 99 | News/Talk | Adults 35-64 |
| WZAN | Portland, ME | 71 | 99 | Classic Country | Adults 45-64 |
| WBAE | Portland, ME | 71 | 99 | Soft Adult Contemporary | Women 35-64 |
| WGIN | Portland, ME | 71 | 99 | Soft Adult Contemporary | Women 35-64 |
| WSPO | Charleston, SC | 83 | 78 | Gospel | Adults 25-54 |
| WLZX | Springfield, MA | 101 | 100 | Alternative Rock | Men 18-49 |
| WFEA | Manchester, NH | 134 | 199 | News/Talk | Adults 35-64 |
| WISE | Asheville, NC | 154 | 157 | Sports/Talk | Men 18-64 |
| WYSE | Asheville, NC | 154 | 157 | Sports/Talk | Men 18-64 |
| WSVA | Harrisonburg, VA | 170 | 248 | News/Talk | Adults 35-64 |
| WHBG | Harrisonburg, VA | 170 | 248 | Sports ESPN | Men 18-64 |
| WNAX | Yankton, SD | 180 | 255 | News/Talk | Adults 35-64 |
| KGMI | Bellingham, WA | N/A | N/A | News/Talk | Adults 35-64 |
| KPUG | Bellingham, WA | N/A | N/A | Sports/Talk | Men 18-64 |
| KBAI | Bellingham, WA | N/A | N/A | Classic Hits | Adults 40-64 |
| WINQ | Brattleboro, VT | N/A | N/A | News/Talk | Adults 35-60 |
| WBCO | Bucyrus, OH | N/A | N/A | Classic Country | Adults 45-64 |
| WINA | Charlottesville, VA | N/A | N/A | News/Talk | Adults 35-64 |
| WVAX | Charlottesville, VA | N/A | N/A | Sports Talk | Men 18-64 |
| WOEZ | Clarksville, TN — Hopkinsville, KY | N/A | N/A | Soft Adult Contemporary | Women 35-64 |
| WKFN | Clarksville, TN — Hopkinsville, KY | N/A | N/A | Sports/Talk ESPN | Men 18-64 |
| WHMQ | Greenfield, MA | N/A | N/A | News/Talk | Adults 35-64 |
| WPVQ | Greenfield, MA | N/A | N/A | Classic Country | Adults 45-64 |
| WNYY | Ithaca, NY | N/A | N/A | Oldies | Adults 45-64 |
| WHCU | Ithaca, NY | N/A | N/A | News/Talk | Adults 35-64 |
| WKBK | Keene, NH | N/A | N/A | News/Talk | Adults 35-64 |
| WZBK | Keene, NH | N/A | N/A | Sports Talk | Men 18-64 |
| WHMP | Northampton, MA | N/A | N/A | News/Talk | Adults 35-64 |
| KICD | Spencer, IA | N/A | N/A | News/Talk | Adults 35-64 |
| WTAX | Springfield, IL | N/A | N/A | News/Talk | Adults 35-64 |

*(footnotes follow tables)*

(a) Actual city of license may differ from metropolitan market actually served.

(b) Derived from Investing in Radio 2019 Market Report.

**Strategy**

Our strategy is to operate top billing radio stations in mid-sized markets, which we define as markets ranked from 20 to 200 out of the markets summarized by Investing in Radio Market Report.

Programming and marketing are key components in our strategy to achieve top ratings in our radio operations. In many of our markets, the three or four most highly rated radio stations receive a disproportionately high share of the market's advertising revenues. As a result, a station's revenue is dependent upon its ability to maximize its number of listeners/viewers within an advertiser's given demographic parameters. In certain cases we use attributes other than specific market listener data for sales activities. In those markets where sufficient alternative data is available, we do not subscribe to an independent listener rating service.

The radio stations that we own and/or operate employ a variety of programming formats, including Classic Hits, Adult Hits, Top 40, Country, Country Legends, Mainstream/Hot/Soft Adult Contemporary, Pure Oldies, Classic Rock, and News/Talk. We regularly perform extensive market research, including music evaluations, focus groups and strategic vulnerability studies. Our stations also employ audience promotions to further develop and secure a loyal following.

The television stations that we owned and/or operated, prior to their sale, during 2017, were comprised of two CBS affiliates, one ABC affiliate, two Fox affiliates, one Univision affiliate, one NBC affiliate, one Telemundo affiliate and one Cozi TV affiliate. In addition to securing network programming, we carefully selected available syndicated programming to maximize viewership. We also developed local programming, including a strong local news franchise in each of our television markets.

We concentrate on the development of strong decentralized local management, which is responsible for the day-to-day operations of the stations we own and/or operate. We compensate local management based on the station's financial performance, as well as other performance factors that are deemed to affect the long-term ability of the stations to achieve financial performance objectives. Corporate management is responsible for long-range planning, establishing policies and procedures, resource allocation and monitoring the activities of the stations.

Under the Telecommunications Act of 1996 (the "Telecommunications Act"), we are permitted to own as many as eight radio stations in a single market. See "Federal Regulation of Radio and Television Broadcasting". We seek to acquire reasonably priced broadcast properties with significant growth potential that are located in markets with well-established and relatively stable economies. We often focus on local economies supported by a strong presence of state or federal government or one or more major universities. Future acquisitions will be subject to the availability of financing, the terms of our credit facility, and compliance with the Communications Act of 1934 (the "Communications Act") and Federal Communications Commission ("FCC") rules.

**Advertising Sales**

Our 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 broadcast each hour. The number of advertisements broadcast on our television stations were limited by certain network affiliation and syndication agreements and, with respect to children's programs, federal regulation. We determine the number of advertisements broadcast hourly that can maximize a station's available revenue dollars without jeopardizing listening/viewing levels. While there may be shifts from time to time in the number of advertisements broadcast during a particular time of the 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 pricing adjustments, which are made to ensure that the station efficiently utilizes available inventory.

Advertising rates charged by radio and television stations are based primarily on a station's ability to attract audiences in the demographic groups targeted by advertisers, the number of stations in the market competing for the same demographic group, the supply of and demand for radio and television advertising time, and other qualitative factors including rates charged by competing radio and television stations within a given market. Radio rates are generally highest during morning and afternoon drive-time hours, while television advertising rates are generally higher during prime time evening viewing periods. Most advertising contracts are short-term, generally running for only a few weeks. This allows broadcasters the ability to modify advertising rates as dictated by changes in station ownership within a market, changes in listener/viewer ratings and changes in the business climate within a particular market.

Approximately $116,474,000 or 88% of our gross revenue for the year ended December 31, 2019 (approximately $116,386,000 or 87% in fiscal 2018 and approximately $124,809,000 or 87% in fiscal 2017) was generated from the sale of local advertising for both continuing operations and discontinued operations. Additional revenue is generated from the sale of national advertising, network compensation payments, barter and other miscellaneous transactions. In all of our markets, we attempt to maintain a local sales force that is generally larger than our competitors. The principal goal in our sales efforts is to develop long-standing customer relationships through frequent direct contacts, which we believe represents a competitive advantage. We also typically provide incentives to our sales staff to seek out new opportunities resulting in the establishment of new client relationships, as well as new sources of revenue, not directly associated with the sale of broadcast time.

Each of our stations also engages independent national sales representatives to assist us in obtaining national advertising revenues. These representatives obtain advertising through national advertising agencies and receive a commission from us based on our net revenue from the advertising obtained. Total gross revenue resulting from national advertising for both continuing operations and discontinued operations in fiscal 2019 was approximately $15,914,000 or 12% of our gross revenue (approximately $18,110,000 or 13% in fiscal 2018 and approximately $18,151,000 or 13% in fiscal 2017).

**Competition**

Both radio and television broadcasting are highly competitive businesses. Our stations compete for listeners/viewers and advertising revenues directly with other radio and/or television stations, as well as other media, within their markets. Our radio stations (and prior to their sale, our television stations) compete for listeners/viewers primarily on the basis of program content and by employing on-air talent which appeals to a particular demographic group. By building a strong listener/viewer base comprised of a specific demographic group in each of our markets, we are able to attract advertisers seeking to reach these listeners/viewers.

Other media, including broadcast television and/or radio (as applicable), cable television, newspapers, magazines, direct mail, the Internet, coupons and billboard advertising, also compete with us for advertising revenues.

The radio and television broadcasting industries are also subject to competition from new media technologies, such as the delivery of audio programming by cable and satellite television systems, satellite radio systems, direct reception from satellites, and streaming of audio on the Internet.

**Seasonality**

Our revenue varies throughout the year. Advertising expenditures, our primary source of revenue, is generally lowest in the first quarter.

**Environmental Compliance**

As the owner, lessee or operator of various real properties and facilities, we are subject to various federal, state and local environmental laws and regulations. Historically, compliance with these laws and regulations has not had a material adverse effect on our business. There can be no assurance, however, that compliance with existing or new environmental laws and regulations will not require us to make significant expenditures of funds.

**Employees**

As of December 31, 2019, we had approximately 663 full-time employees and 339 part-time employees, none of whom are represented by unions. We believe that our relations with our employees are good.

We employ several high-profile personalities with large loyal audiences in their respective markets. We have entered into employment and non-competition agreements with our President and with most of our on-air personalities, as well as non-competition agreements with our commissioned sales representatives.

**Available Information**

You can find more information about us at our Internet website www.sagacommunications.com. Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to those reports are available free of charge on our Internet website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the "SEC").

**Federal Regulation of Radio Broadcasting**

***Introduction.*** The ownership, operation and sale of radio stations, including those licensed to us, are subject to the jurisdiction of the FCC, which acts under authority granted by the Communications Act. Among other things, the FCC assigns frequency bands for broadcasting; determines the particular frequencies, locations and operating power of stations; issues, renews, revokes and modifies station licenses; determines whether to approve changes in ownership or control of station licenses; regulates equipment used by stations; adopts and implements regulations and policies that directly or indirectly affect the ownership, operation and employment practices of stations; and has the power to impose penalties for violations of its rules or the Communications Act. For additional information on the impact of FCC regulations and the introduction of new technologies on our operations, see "Forward Looking Statements" and "Risk Factors" contained elsewhere herein.

The following is a brief summary of certain provisions of the Communications Act and of specific FCC regulations and policies. Reference should be made to the Communications Act, FCC rules and the public notices and rulings of the FCC for further information concerning the nature and extent of federal regulation of broadcast stations.

***License Renewal.*** Radio broadcasting licenses are granted for maximum terms of eight years, and are subject to renewal upon application to the FCC. Under its "two-step" renewal process, the FCC must grant a renewal application if it finds that during the preceding term the licensee has served the public interest, convenience and necessity, and there have been no serious violations of the Communications Act or the FCC's rules which, taken together, would constitute a pattern of abuse. If a renewal applicant fails to meet these standards, the FCC may either deny its application or grant the application on such terms and conditions as are appropriate, including renewal for less than the full 8-year term. In making the determination of whether to renew the license, the FCC may not consider whether the public interest would be served by the grant of a license to a person other than the renewal applicant. If the FCC, after notice and opportunity for a hearing, finds that the licensee has failed to meet the requirements for renewal and no mitigating factors justify the imposition of lesser sanctions, the FCC may issue an order denying the renewal application, and only thereafter may the FCC accept applications for a construction permit specifying the broadcasting facilities of the former licensee. Petitions may be filed to deny the renewal applications of our stations, but any such petitions must raise issues that would cause the FCC to deny a renewal application under the standards adopted in the "two-step" renewal process. All the Company's licenses have been renewed for their regular terms. In the future, we intend to timely file renewal applications, as required for the Company's stations. Radio station licenses generally expire along with the licenses of all other radio stations in a given state. The FCC accepts renewal applications for various groups of radio stations every two months, the current cycle having begun in June 2019. We have filed applications for renewal of license of our radio stations in Virginia, North Carolina, South Carolina and Florida, which applications have been routinely granted. Applications for renewal of license of our radio stations in Arkansas are pending. In January 2018, the FCC designated the renewal applications of two AM radio stations for hearing based on the stations' records of extended periods of silence during and following their respective license renewal terms. Under the Communications Act, if a broadcast station fails to transmit signals for any consecutive 12-month period, the FCC license expires at the end of that period, unless the FCC exercises its discretion to extend or reinstate the license "to promote equity and fairness." The FCC, to date, has rarely exercised such discretion. Further, the FCC has recently revoked the licenses of broadcast stations that failed to pay regulatory fees. The Company is current in the payment of regulatory fees to the FCC.

The following table sets forth the market and broadcast power of each of the broadcast stations that we own or operate with an attributable interest and the date on which each such station's FCC license expires:

| Station | Market (1) | Power (Watts) (2) | Expiration Date of FCC Authorization |
|---|---|---|---|
| FM: | | | |
| WOXL | Asheville, NC | 50,000 | December 1, 2027 |
| WTMT | Asheville, NC | 50,000 | December 1, 2027 |
| KISM | Bellingham, WA | 100,000 | February 1, 2022 |
| KAFE | Bellingham, WA | 100,000 | February 1, 2022 |
| WRSY | Brattleboro, VT | 3,000 | April 1, 2022 |
| WKVT | Brattleboro, VT | 6,000 | April 1, 2022 |
| WQEL | Bucyrus, OH | 3,000 | October 1, 2020 |
| WLRW | Champaign, IL | 50,000 | December 1, 2020 |
| WIXY | Champaign, IL | 25,000 | December 1, 2020 |
| WREE | Champaign, IL | 25,000 | December 1, 2020 |
| WYXY | Champaign, IL | 50,000 | December 1, 2020 |
| WAVF | Charleston, SC | 100,000 | December 1, 2027 |
| WCKN | Charleston, SC | 100,000 | December 1, 2027 |
| WMXZ | Charleston, SC | 50,000 | December 1, 2027 |
| WXST | Charleston, SC | 100,000 | December 1, 2027 |
| WWWV | Charlottesville, VA | 50,000 | October 1, 2027 |
| WQMZ | Charlottesville, VA | 6,000 | October 1, 2027 |
| WCNR | Charlottesville, VA | 6,000 | October 1, 2027 |
| WCVL | Charlottesville, VA | 6,000 | October 1, 2027 |
| WCVQ | Clarksville, TN/Hopkinsville, KY | 100,000 | August 1, 2020 |
| WZZP | Clarksville, TN/Hopkinsville, KY | 6,000 | August 1, 2020 |
| WVVR | Clarksville, TN/Hopkinsville, KY | 100,000 | August 1, 2020 |
| WRND | Clarksville, TN/Hopkinsville, KY | 6,000 | August 1, 2020 |
| WSNY | Columbus, OH | 50,000 | October 1, 2020 |
| WNNP | Columbus, OH | 6,000 | October 1, 2020 |
| WNND | Columbus, OH | 6,000 | October 1, 2020 |
| WVMX | Columbus, OH | 6,000 | October 1, 2020 |
| WLVQ | Columbus, OH | 50,000 | October 1, 2020 |
| KSTZ | Des Moines, IA | 100,000 | February 1, 2021 |
| KIOA | Des Moines, IA | 100,000 | February 1, 2021 |
| KAZR | Des Moines, IA | 100,000 | February 1, 2021 |
| KOEZ | Des Moines, IA | 100,000 | February 1, 2021 |
| WHAI | Greenfield, MA | 3,000 | April 1, 2022 |
| WPVQ | Greenfield, MA | 3,000 | April 1, 2022 |
| WMQR | Harrisonburg, VA | 25,000 | October 1, 2027 |
| WQPO | Harrisonburg, VA | 50,000 | October 1, 2027 |
| WSIG | Harrisonburg, VA | 25,000 | October 1, 2027 |
| WWRE | Harrisonburg, VA | 6,000 | October 1, 2027 |
| WOEZ | Hilton Head Island, SC | 25,000 | December 1, 2027 |
| WLHH | Hilton Head Island, SC | 25,000 | December 1, 2027 |
| WVSC | Hilton Head Island, SC | 25,000 | December 1, 2027 |
| WYXL | Ithaca, NY | 50,000 | June 1, 2022 |
| WQNY | Ithaca, NY | 50,000 | June 1, 2022 |
| WIII | Ithaca, NY | 50,000 | June 1, 2022 |
| WFIZ | Ithaca, NY | 6,000 | June 1, 2022 |

*(footnotes follow tables)*

| Station | Market (1) | Power (Watts) (2) | Expiration Date of FCC Authorization |
|---|---|---|---|
| KEGI | Jonesboro, AR | 50,000 | June 1, 2020 (4) |
| KDXY | Jonesboro, AR | 25,000 | June 1, 2020 (4) |
| KJBX | Jonesboro, AR | 25,000 | June 1, 2020 (4) |
| WKNE | Keene, NH | 50,000 | April 1, 2022 |
| WSNI | Keene, NH | 6,000 | April 1, 2022 |
| WINQ | Keene, NH | 6,000 | April 1, 2022 |
| WZID | Manchester, NH | 50,000 | April 1, 2022 |
| WMLL | Manchester, NH | 6,000 | April 1, 2022 |
| WKLH | Milwaukee, WI | 50,000 | December 1, 2020 |
| WHQG | Milwaukee, WI | 50,000 | December 1, 2020 |
| WNRG | Milwaukee, WI | 6,000 | December 1, 2020 |
| WJMR | Milwaukee, WI | 6,000 | December 1, 2020 |
| KMIT | Mitchell, SD | 100,000 | April 1, 2021 |
| KUQL | Mitchell, SD | 100,000 | April 1, 2021 |
| WNOR | Norfolk, VA | 50,000 | October 1, 2027 |
| WAFX | Norfolk, VA | 100,000 | October 1, 2027 |
| WOGK | Ocala, FL | 100,000 | February 1, 2028 |
| WYND | Ocala, FL | 6,000 | February 1, 2028 |
| WNDD | Ocala, FL | 6,000 | February 1, 2028 |
| WNDN | Ocala, FL | 6,000 | February 1, 2028 |
| WRSI | Northampton, MA | 3,000 | April 1, 2022 |
| WPOR | Portland, ME | 50,000 | April 1, 2022 |
| WCLZ | Portland, ME | 50,000 | April 1, 2022 |
| WMGX | Portland, ME | 50,000 | April 1, 2022 |
| WYNZ | Portland, ME | 25,000 | April 1, 2022 |
| KICD | Spencer, IA | 100,000 | February 1, 2021 |
| KMRR | Spencer, IA | 25,000 | February 1, 2021 |
| WLZX | Springfield, MA | 6,000 | April 1, 2022 |
| WAQY | Springfield, MA | 50,000 | April 1, 2022 |
| WYMG | Springfield, IL | 50,000 | December 1, 2020 |
| WLFZ | Springfield, IL | 50,000 | December 1, 2020 |
| WDBR | Springfield, IL | 50,000 | December 1, 2020 |
| WQQL | Springfield, IL | 25,000 | December 1, 2020 |
| WNAX | Yankton, SD | 100,000 | April 1, 2021 |
| AM: | | | |
| WISE | Asheville, NC | 5,000 | December 1, 2027 |
| WYSE | Asheville, NC | 5,000(3) | December 1, 2027 |
| KGMI | Bellingham, WA | 5,000 | February 1, 2022 |
| KPUG | Bellingham, WA | 10,000 | February 1, 2022 |
| KBAI | Bellingham, WA | 1,000 | February 1, 2022 |
| WINQ | Brattleboro, VT | 1,000 | April 1, 2022 |
| WBCO | Bucyrus, OH | 500(3) | October 1, 2020 |
| WSPO | Charleston, SC | 5,000 | December 1, 2027 |
| WINA | Charlottesville, VA | 5,000 | October 1, 2027 |
| WVAX | Charlottesville, VA | 1,000 | October 1, 2027 |
| WQEZ | Clarksville, TN/Hopkinsville, KY | 1,000(3) | August 1, 2020 |
| WKFN | Clarksville, TN | 4,000(3) | August 1, 2020 |
| KRNT | Des Moines, IA | 5,000 | February 1, 2021 |
| KPSZ | Des Moines, IA | 10,000 | February 1, 2021 |
| WHMQ | Greenfield, MA | 1,000 | April 1, 2022 |
| WPVQ | Greenfield, MA | 2,500(3) | April 1, 2022 |
| WSVA | Harrisonburg, VA | 5,000 | October 1, 2027 |
| WHBG | Harrisonburg, VA | 1,000(3) | October 1, 2027 |

*(footnotes follow tables)*

| Station | Market (1) | Power (Watts) (2) | Expiration Date of FCC Authorization |
|---|---|---|---|
| WHCU | Ithaca, NY | 5,000 | June 1, 2022 |
| WNYY | Ithaca, NY | 5,000 | June 1, 2022 |
| WKBK | Keene, NH | 5,000 | April 1, 2022 |
| WZBK | Keene, NH | 1,000 | April 1, 2022 |
| WFEA | Manchester, NH | 5,000 | April 1, 2022 |
| WJYI | Milwaukee, WI | 1,000 | December 1, 2020 |
| WJOI | Norfolk, VA | 1,000 | October 1, 2027 |
| WHMP | Northampton, MA | 1,000 | April 1, 2022 |
| WGAN | Portland, ME | 5,000 | April 1, 2022 |
| WZAN | Portland, ME | 5,000 | April 1, 2022 |
| WBAE | Portland, ME | 1,000 | April 1, 2022 |
| WGIN | Portland, ME | 1,000 | April 1, 2022 |
| KICD | Spencer, IA | 1,000 | February 1, 2021 |
| WLZX | Springfield, MA | 2,500(3) | April 1, 2022 |
| WTAX | Springfield, IL | 1,000 | December 1, 2020 |
| WNAX | Yankton, SD | 5,000 | April 1, 2021 |

(1) Some stations are licensed to a different community located within the market that they serve.

(2) Some stations are licensed to operate with a combination of effective radiated power ("ERP") and antenna height, which may be different from, but provide equivalent coverage to, the power shown. WHBG, WYSE, WISE, KPSZ, KPUG, KGMI, KBAI, WZBK, WBCO, WQEZ, WKFN, WPVQ(AM), WNYY, WHCU, WINQ(AM), WSVA and WLZX(AM) operate with lower power at night than the power shown.

(3) Operates daytime only or with greatly reduced power at night.

(4) An application for renewal of license was timely filed and is pending.

***Ownership Matters.*** The Communications Act prohibits the assignment of a broadcast license or the transfer of control of a broadcast licensee without the prior approval of the FCC. In determining whether to grant or renew a broadcast license, the FCC considers a number of factors pertaining to the licensee, including compliance with the Communications Act's limitations on alien ownership; compliance with various rules limiting common ownership of broadcast, cable and newspaper properties; and the "character" and other qualifications of the licensee and those persons holding "attributable or cognizable" interests therein.

Under the Communications Act (Section 310(b)), broadcast licenses may not be granted to any corporation having more than one-fifth of its issued and outstanding capital stock owned or voted by aliens (including non-U.S. corporations), foreign governments or their representatives (collectively, "Aliens"). The Communications Act also prohibits a corporation, without FCC waiver, from holding a broadcast license if that corporation is controlled, directly or indirectly, by another corporation in which more than 25% of the issued and outstanding capital stock is owned or voted by Aliens. The FCC has issued interpretations of existing law under which these restrictions in modified form apply to other forms of business organizations, including partnerships. We serve as a holding company for our various radio station subsidiaries (where we could not have more than 25% of our stock owned or voted by Aliens).

The FCC has adopted rules to extend to broadcast licensees the same rules and procedures that common carrier wireless licensees use to seek approval for foreign ownership, with broadcast-specific modifications.

The revised rules and procedures allow a broadcast licensee to request in a petition for declaratory ruling under Title 47 U.S.C. Section 310(b)(4):

(1) approval of up to and including 100 percent aggregate foreign ownership of its controlling U.S. parent;
(2) approval for a proposed, controlling foreign investor to increase its equity and/or voting interests in the U.S. parent up to and including 100 percent at some future time without filing a new petition—this applies where the foreign investor would acquire an initial controlling interest of less than 100 percent; and
(3) approval for a non-controlling foreign investor named in the petition to increase its equity and/or voting interests in the U.S. parent at some future time, up to and including a non-controlling 49.99 percent equity and/or voting interest.

The revised rules would require the Company to seek specific approval only of foreign individuals or entities with a greater than 5 percent ownership interest (or, in certain situations, an interest greater than 10 percent).

The revised rules allow broadcast licensees that have foreign ownership rulings to apply those rulings to all radio and television broadcast licenses then held or subsequently proposed to be acquired by the same licensee and its covered subsidiaries and affiliates, regardless of the broadcast service (e.g., AM, FM, or TV) or the geographic area in which the stations are located.

The revised methodology provides a framework for a publicly traded licensee or controlling U.S. parent to ascertain its foreign ownership using information that is "known or reasonably should be known" to the company in the ordinary course of business.

For publicly traded licensees and U.S. parent companies (like the Company), the revised rules formalize the current equitable practice of recognizing a licensee's good faith efforts to comply with Section 310(b) where the non-compliance was due solely to circumstances beyond the licensee's control that were not known or reasonably foreseeable to the licensee.

We are permitted to own an unlimited number of radio stations on a nationwide basis (subject to the local ownership restrictions described below).

Under the rules, the number of radio stations one party may own in a local Nielsen Audio-rated radio market is determined by the number of full-power commercial and noncommercial radio stations in the market as determined by Nielsen Audio and BIA/Kelsey. Radio markets that are not Nielsen Audio rated are determined by analysis of the broadcast coverage contours of the radio stations involved.

Under the Communications Act, and the FCC's "Local Ownership Rule," we are permitted to own radio stations (without regard to the audience shares of the stations) based upon the number of full-power radio stations in the relevant radio market as follows:

| **Number of Stations In Radio Market** | **Number of Stations We Can Own** |
|---|---|
| 14 or Fewer | Total of 5 stations, not more than 3 in the same service (AM or FM), except the Company cannot own more than 50% of the stations in the market. |
| 15-29 | Total of 6 stations, not more than 4 in the same service (AM or FM). |
| 30-44 | Total of 7 stations, not more than 4 in the same service (AM or FM). |
| 45 or More | Total of 8 stations, not more than 5 in the same service (AM or FM). |

In a decision of the United States Court of Appeals for the Third Circuit in *Prometheus Radio Project v. FCC*, 939 F.3d 567 (3d Cir. 2019) ("*Prometheus*"), the court vacated and remanded the Commission's *2010/2014 Quadrennial Review Order on Reconsideration*, 32 FCC Rcd 9802 (2017), which had modified the Commission's media ownership rules by: (1) eliminating the newspaper/broadcast cross-ownership and radio/television cross-ownership rules; (2) revising the local television ownership rule by eliminating the "eight voices" test and permitting applicants to seek the combination of two top-four ranked stations in a given market on a case-by-case basis; and (3) deeming joint sales agreements between television stations to be non-attributable. By vacating the *Order on Reconsideration*, the *Prometheus* decision abrogated these rule changes and reinstated the prior media ownership rules adopted in the *2010/2014 Quadrennial Review Order*, 31 FCC Rcd 9864 (2016). The court also vacated the Commission's definition of an "eligible entity," which had been adopted in the *2010/2014 Quadrennial Review Order*. The reinstated rules (1) prohibit the common ownership of a daily print newspaper and a full-power broadcast station (AM, FM or TV) if the station's service contour encompasses the newspaper's community of publication); (2) prohibit an entity from owning two or more television stations and one radio station in the same market, unless the market met certain size criteria; (3) reinstituted the so-called "Eight-Voices Test" and the "Top-Four Prohibition"; (4) disposed of a presumption for certain embedded markets (smaller markets, as defined by Nielsen Audio, that are included in a larger parent market) transactions; and (5) reinstated the attribution rule for television joint sales agreements. The disclosure requirement for shared service agreements involving commercial television stations was unchanged. The Court decision vacated a proposed "incubator" program to promote ownership diversity. In December 2018, the FCC adopted an NPRM to initiate the 2018 Quadrennial Review of its media ownership rules. The three rules subject to review are the Local Radio Ownership Rule, the Local Television Ownership Rule, and the dual network rule (which permits a television station to affiliate with an entity maintaining two or more broadcast television networks *unless* the two or more networks consist of two or more of the major networks (*i.e*., ABC, CBS, NBC and Fox) or one of these four networks and either the UPN or WB television network.) The FCC is seeking comment on whether, given the current state of the media marketplace, the FCC should retain, modify, or eliminate any of these rules. Whether *Prometheus* will affect this NPRM, *inter alia,* The Company cannot predict what, if any action, the FCC may take as a result of its review.

New rules to be promulgated under the Communications Act may permit us to own, operate, control or have a cognizable interest in additional radio broadcast stations if the FCC determines that such ownership, operation, control or cognizable interest will result in an increase in the number of radio stations in operation. No firm date has been established for initiation of this rule-making proceeding. New rules could restrict the Company's ability to acquire additional radio and television stations in some markets. The Court and FCC proceedings are ongoing and we cannot predict what action, if any, the Court or the FCC may take to further modify its rules. Due to changes in local radio markets, the ownership of some of our radio stations, in the future, could exceed the current ownership limits imposed by the Local Ownership Rule. Their current ownership structure is "grandfathered" by the FCC. Absent a waiver, it might not be possible to sell all of them as currently configured in "clusters" to a single purchaser. The statements herein are based solely on the FCC's multiple ownership rules in effect as of the date hereof and do not include any forward-looking statements concerning compliance with any future multiple ownership rules.

The FCC generally applies its ownership limits to "attributable" interests held by an individual, corporation, partnership or other association. In the case of corporations holding broadcast licenses, the interests of officers, directors and those who, directly or indirectly, have the right to vote 5% or more of the corporation's stock (or 20% or more of such stock in the case of certain passive investors that are holding stock for investment purposes only) are generally attributable, as are positions of an officer or director of a corporate parent of a broadcast licensee. Currently, one of our directors has an attributable interest or interests in companies applying for or licensed to operate broadcast stations other than us.

The FCC's ownership attribution rules (a) apply to limited liability companies and registered limited liability partnerships the same attribution rules that the FCC applies to limited partnerships; and (b) include an equity/debt plus ("EDP") rule that attributes the other media interests of an otherwise passive investor if the investor is (1) a "major-market program supplier" that supplies over 15% of a station's total weekly broadcast programming hours, or (2) a same-market media entity subject to the FCC's multiple ownership rules (including broadcasters, cable operators and newspapers) so that its interest in a licensee or other media entity in that market will be attributed if that interest, aggregating both debt and equity holdings, exceeds 33% of the total asset value (equity plus debt) of the licensee or media entity. We could be prohibited from acquiring a financial interest in stations in markets where application of the EDP rule would result in us having an attributable interest in the stations. In reconsidering its rules, the FCC also eliminated the "single majority shareholder exemption" which provides that minority voting shares in a corporation where one shareholder controls a majority of the voting stock are not attributable; however, the FCC "suspended" the elimination of this exemption until the FCC resolved issues concerning cable television ownership.

In addition to the FCC's multiple ownership rules, the Antitrust Division of the United States Department of Justice and the Federal Trade Commission and some state governments have the authority to examine proposed transactions for compliance with antitrust statutes and guidelines. The Antitrust Division has issued "civil investigative demands" and obtained consent decrees requiring the divestiture of stations in a particular market based on antitrust concerns.

***Programming and Operation.*** The Communications Act requires broadcasters to serve the "public interest." Licensees are required to present programming that is responsive to community problems, needs and interests and to maintain certain records demonstrating such responsiveness. Complaints from listeners concerning a station's programming often will be considered by the FCC when it evaluates renewal applications of a licensee, although such complaints may be filed at any time and generally may be considered by the FCC at any time. Stations also must follow various rules promulgated under the Communications Act that regulate, among other things, political advertising, sponsorship identification, the advertisement of contests and lotteries, obscene and indecent broadcasts, and technical operations, including limits on radio frequency radiation. The FCC now requires the owners of antenna supporting structures (towers) to register them with the FCC. As an owner of such towers, our subsidiaries are subject to the registration requirements. On January 13, 2020, the FCC released an Order confirming a Consent Decree whereby the owner of several antenna structures agreed to pay the government a civil penalty of $1,130,000 and develop a Compliance Plan requiring reports for two years as a result of (1) failing to conduct required daily inspections of the lighting systems at 10 tower, (2) failing to completely log lighting failures at 7 towers, and (3) failing to timely notify the FCC of its acquisition of 2 towers. In 2017, the FCC eliminated the broadcast main studio rule. The FCC retained the requirement that stations maintain a local or toll-free telephone number to ensure consumers have ready access to their local stations. The FCC's rules require cable operators, direct satellite TV providers, broadcast radio licensees, and satellite radio licensees to post public inspection files to the FCC's online database rather than maintaining them in a local public inspection file. The Company's radio stations post their public inspection files to the FCC's website. Posting these files to the FCC's online database renders the materials more widely accessible to the public. The FCC has warned licensees of possible enforcement action if these files are found not to be in compliance at the time of license renewal.

The Company is required to pay (1) FCC filing fees in connection with its applications and an (2) annual regulatory fee determined by the number and character of the radio stations the Company owns as of October 1 of each prior year.

***Equal Employment Opportunity Rules.*** Equal employment opportunity (EEO) rules and policies for broadcasters prohibit discrimination by broadcasters and multichannel video programming distributors. They also require broadcasters to provide notice of job vacancies and to undertake additional outreach measures, such as job fairs and scholarship programs. The rules mandate a "three prong" outreach program; i.e., Prong 1: widely disseminate information concerning each full-time (30 hours or more) job vacancy, except for vacancies filled in exigent circumstances; Prong 2: provide notice of each full-time job vacancy to recruitment organizations that have requested such notice; and Prong 3: complete two (for broadcast employment units with five to ten full-time employees or that are located in smaller markets) or four (for employment units with more than ten full-time employees located in larger markets) longer-term recruitment initiatives within a two-year period. These include, for example, job fairs, scholarship and internship programs, and other community events designed to inform the public as to employment opportunities in broadcasting. The rules mandate extensive record keeping and reporting requirements. In 2017, the FCC issued a Declaratory Ruling permitting broadcast stations to use the internet for job postings as third sole means of recruiting employees (so long as the postings reach all segments of the station's community. The EEO rules are enforced through review at renewal time, and through random audits and targeted investigations resulting from information received as to possible violations. The FCC has not yet decided on whether and how to apply the EEO rule to part-time positions. Failure to observe these or other rules and policies can result in the imposition of various sanctions, including monetary forfeitures, the grant of "short" (less than the full eight-year) renewal terms or, for particularly egregious violations, the denial of a license renewal application or the revocation of a license. In an NPRM released June 21, 2019 (MB Docket No. 19-177), the FCC is reviewing the EEO rules. In the NPRM, the FCC seeks comment on its track record on EEO enforcement, whether the agency should make improvements to EEO compliance and enforcement, and invites comment on its audit program. The Company cannot predict whether, or if changes may be made as a result of this NPRM.

***Time Brokerage Agreements.*** As is common in the industry, we have previously entered into what have commonly been referred to as Time Brokerage Agreements ("TBAs") which are sometimes termed "Local Marketing Agreements." Such arrangements are an extension of the concept of agreements under which a licensee of a station sells blocks of time on its station to an entity or entities which purchase the blocks of time and which sell their own commercial advertising announcements during the time periods in question. While these agreements may take varying forms, under a typical TBA, separately owned and licensed radio or television stations agree to enter into cooperative arrangements of varying sorts, subject to compliance with the requirements of antitrust laws and with the FCC's rules and policies. Under these types of arrangements, separately-owned stations agree to function cooperatively in terms of programming, advertising sales, and other matters, subject to the licensee of each station maintaining independent control over the financing, programming and station operations of its own station. One typical type of TBA is a programming agreement between two separately-owned radio or television stations serving a common service area, whereby the licensee of one station purchases substantial portions of the broadcast day on the other licensee's station, subject to ultimate editorial and other controls being exercised by the latter licensee, and sells advertising time during such program segments.

The FCC's rules provide that a station purchasing (brokering) time on another station serving the same market will be considered to have an attributable ownership interest in the brokered station for purposes of the FCC's multiple ownership rules. As a result, under the rules, a broadcast station will not be permitted to enter into a time brokerage agreement giving it the right to purchase more than 15% of the broadcast time, on a weekly basis, of another local station that it could not own under the local ownership rules of the FCC's multiple ownership rules. The FCC's rules also prohibit a broadcast licensee from simulcasting more than 25% of its programming on another station in the same broadcast service (i.e., AM-AM or FM-FM) whether it owns the stations or through a TBA arrangement, where the brokered and brokering stations serve substantially the same geographic area. The Company currently has no TBAs. In an NPRM released November 25, 2019 (MB Docket Nos. 17-105 and 19-310), the FCC is seeking comment on whether to modify or eliminate the radio simulcasting rule.

**Other FCC Requirements**.

***Low Power FM Radio and "Franken FM" Stations.*** There exists a "low power radio service" on the FM band ("LPFM") in which the FCC authorizes the construction and operation of noncommercial educational FM stations with up to 100 watts ERP with antenna height above average terrain ("HAAT") at up to 30 meters (100 feet). This combination is calculated to produce a service area radius of approximately 3.5 miles. The FCC's rules will not permit any broadcaster or other media entity subject to the FCC's ownership rules to control or hold an attributable interest in an LPFM station or enter into related operating agreements with an LPFM licensee. Thus, absent a waiver, we could not own or program an LPFM station. LPFM stations are allocated throughout the FM broadcast band, (i.e., 88.1 to 107.9 MHz), although they must operate with a noncommercial format. The FCC has established allocation rules that require FM stations to be separated by specified distances to other stations on the same frequency, and stations on frequencies on the first, second and third channels adjacent to the center frequency. The FCC has granted construction permits and licenses for LPFM stations. As required by the Local Community Radio Act of 2010, the FCC in 2012 modified its rules to maintain its existing minimum distance separation requirements for full-service FM stations, FM translator stations, and FM booster stations that broadcast radio reading services via an analog subcarrier frequency to avoid potential interference by LPFM stations; and when licensing new FM translator stations, FM booster stations, and LPFM stations, to ensure that: (i) licenses are available to FM translator stations, FM booster stations, and LPFM stations; (ii) such decisions are made based on the needs of the local community; and (iii) FM translator stations, FM booster stations, and LPFM stations remain equal in status and secondary to existing and modified full-service FM stations. By NPRM released July 30, 2019 (MB Dockets No. 17-105, 19-193), the FCC proposed to amend the rules for the LPFM service to (1) allow LPFM licensees expanded use of directional antennas and to use custom models; (2) eliminate TV6 protections entirely on July 13, 2021, and institute a waiver process in the interim; (3) allow LPFM stations to move to any rule-compliant location provided that the current and proposed service contours overlap; and (4) permit LPFM/FM booster cross-ownership subject to guidelines similar to those currently applicable to LPFM/FM translator cross-ownership. The Company cannot predict whether these proposals will become effective.

On January 5, 2012, the FCC released a Report to Congress on the impact that LPFM stations would have on full-service commercial FM stations. The FCC "found no statistically reliable evidence that low-power FM stations have a substantial or consistent economic impact on full-service commercial FM stations," and that "low-power FM stations generally do not have, and in the future are unlikely to have, a demonstrable economic impact on full-service commercial FM radio stations." Some LPFM stations that broadcast commercial announcements in violation of the law could have a negative economic impact on the Company's stations. Although rule-compliant LPFM stations compete for audience with the Company's full-power and FM translator stations, the Company cannot predict whether there will be future negative economic impact on its stations**.**

As part of the transition from analog to digital operations, the FCC sought comment in a 2014 NPRM on whether to allow LPTV stations (so-called "Franken FM" radio stations) on digital television channel 6 to continue to operate these analog FM radio-type services on an ancillary or supplementary basis. In December 2019, the FCC asked parties to update the record on this issue. No Franken FM stations operate in any radio markets where the Company operates radio stations.

***Digital Audio Radio Satellite Service and Internet Radio.*** In adopting its rules for the Digital Audio Radio Satellite Service ("DARS") in the 2310-2360 MHz frequency band, the FCC stated, "although healthy satellite DARS systems are likely to have some adverse impact on terrestrial radio audience size, revenues and profits, the record does not demonstrate that licensing satellite DARS would have such a strong adverse impact that it threatens the provision of local service." The FCC granted two nationwide licenses, one to XM Satellite Radio, which began broadcasting in May 2001, and a second to Sirius Satellite Radio, which began broadcasting in February 2002. The satellite radio systems provide multiple channels of audio programming in exchange for the payment of a subscription fee. The FCC approved the application of Sirius Satellite Radio Inc. and XM Satellite Radio Holdings Inc. to transfer control of the licenses and authorizations held by the two companies to one company, which is now known as Sirius XM Radio, Inc. Various companies have introduced devices that permit the reception of audio programming streamed over the Internet on home computers, on portable receivers, such as cell phones, in automobiles. And through so-called "smart speakers" like Amazon's Alexa service. A number of digital music providers have developed and are offering their product through the Internet. Terrestrial radio operators (including the Company) are also making their product available through the Internet. To date, the Company has not perceived negative economic impact from DARS or Internet-streamed audio on the Company's full-service stations and FM translators, possibly due, in part, to the possibility of confusion in the digital advertising market, but the Company cannot predict whether there will be future negative economic impact**.**

***In-Band On-Channel "Hybrid Digital" Radio.*** The FCC's rules permit radio stations to broadcast using in-band, on-channel (IBOC) as the technology that allows AM and FM stations to operate using the IBOC systems developed by iBiquity Digital Corporation. This technology has become commonly known as "hybrid digital" or HD radio. Stations broadcast the same main channel program material in both analog and digital modes. HD radio technology permits "hybrid" operations, the simultaneous transmission of analog and digital signals with a single AM and FM channel. HD radio technology can provide near CD-quality sound on FM channels and FM quality on AM channels. HD radio technology also permits the transmission of up to three additional program streams over the radio stations (which streams do not count as separate radio stations under the multiple ownership rules.) At the present time, we are configured to broadcast in HD radio on 51 stations.

***Use of FM Translators by AM Stations and Digital Program Streams.*** FM translator stations are relatively low power radio stations (maximum ERP: 250 Watts) that rebroadcast the programs of full-power AM and FM stations on a secondary basis, meaning they must terminate or modify their operation if they cause interference to a full-power station. The FCC permits AM stations to be rebroadcast on FM translator stations in order to improve reception of programs broadcast by AM stations. The Company intends to continue to use some of its existing FM translators in connection with some of its AM stations. The Company is using some of its existing FM translators to rebroadcast HD radio program streams generated by some of its FM stations, which is permitted by the FCC. In a 2015 Report and Order, *Revitalization of the AM Service*, the FCC announced an opportunity, restricted to AM licensees and permittees, to apply for and receive authorizations to relocate existing FM translator stations within 250 miles for the sole and limited purpose of enhancing their existing service to the public. To implement this policy, the FCC opened "filing windows," the last one closing October 31, 2016. Some of the Company's subsidiaries that are AM licensees, acquired FM translators during the filing window, and relocated them to their local markets to pair with some of the Company's AM broadcast stations. The FM translators so acquired must rebroadcast the related AM station for at least four years, not counting any periods of silence. The FCC later opened two windows for the filing of applications for construction permits for new FM translators, the final window closing January 31, 2018. In the filing windows, qualifying AM licensees could apply for one, and only one, new FM translator station, in the non-reserved FM band to be used solely to re-broadcast the licensee's AM signal to provide fill-in and/or nighttime service on a permanent basis. The Company filed applications in both windows and obtained some construction permits as a result. If the Company should decide that a subsidiary should sell or suspend operations of an AM station with such an FM construction permit or license, the subsidiary would also be required to sell or suspend operations of the FM translator. The FCC has adopted new rules regarding FM translator interference effective July 15, 2019 (1) allowing FM translators to resolve interference issues by changing channels to any available same-band frequency using a minor modification application; (2) standardizing the information that must be compiled and submitted by a station claiming interference from an FM translator, including a required minimum number of listener complaints; (3) establishing interference complaint resolution procedures; and (4) establishing an outer contour limit for the affected station within which interference complaints will be considered actionable while providing for a process to waive that limit in special circumstances.

***Hart-Scott-Rodino Antitrust Improvements Act of 1976.*** The Federal Trade Commission and the Department of Justice, the federal agencies responsible for enforcing the federal antitrust laws, may investigate certain acquisitions. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, an acquisition meeting certain size thresholds requires the parties to file Notification and Report Forms with the Federal Trade Commission and the Department of Justice and to observe specified waiting period requirements before consummating the acquisition. Any decision by the Federal Trade Commission or the Department of Justice to challenge a proposed acquisition could affect our ability to consummate the acquisition or to consummate it on the proposed terms. We cannot predict whether the FCC will adopt rules that would restrict our ability to acquire additional stations.

***Changes to Application and Assignment Procedures.*** The FCC has adopted rules that give Native American tribes a priority to obtain broadcast radio licenses in tribal communities. The rules provide an opportunity for tribes to establish new service specifically designed to offer programming that meets the needs of tribal citizens. In addition, the rules modified the FCC's radio application and assignment procedures, assisting qualified applicants to more rapidly introduce new radio service to the public. These modifications (1) Prohibit an AM applicant that obtains a construction permit through a dispositive Section 307(b) preference from downgrading the service level that led to the dispositive preference; (2) Require technical proposals for new or major change AM facilities filed with Form 175 (*i.e*., FCC "short-form" Auction) applications to meet certain minimum technical standards to be eligible for further auction processing; and (3) Give FCC operating bureaus authority to cap filing window applications. In 2011, the FCC released its Third Report and Order which limits eligibility for authorizations associated with allotments added to the FM Table of Allotments using the "Tribal Priority" to the tribes whom the Tribal Priority was intended to benefit. In October 2018, the FCC released a "Second Further Notice of Proposed Rulemaking" as part of its ongoing effort to assist AM broadcast stations in providing full-time service to their communities. The FCC is seeking comment on technical proposals to reduce nighttime interference afforded to wide-area "Class A" AM radio stations to enable more local AM stations to increase their nighttime service. The Company has no Class A AM radio stations, but has Class B, Class C and Class D AM radio stations, some of which might benefit if the FCC's changes its rules as proposed. In a NPRM released November 22, 2019 (MB Dockets 13-249 and 19-311), the FCC proposed to allow AM broadcasters to broadcast an all-digital signal using the HD Radio in-band on-channel (IBOC) mode known as "MA3," and sought comment on proposed operating standards for all-digital stations and the impact of such operations on existing analog stations and listeners.

The Company pays for the use of music broadcast on its stations by obtaining licenses from organizations called performing rights societies, *e.g.* Broadcast Music, Inc. (“BMI”), which, in turn pay composers, authors and publishers for their works. Another organization, Global Music Rights, has begun issuing licenses for the composers, authors and publishers that it represents. Federal law grants a performance right for sound recordings in favor of recording companies and performing artists for non-interactive digital transmissions and Internet radio. As a result, users of music, including the Company, are required to pay royalties for these uses through Sound Exchange, a non-profit performance rights organization. Periodically, bills have been introduced in Congress, that if passed, would have required the Company to pay additional fees to an organization called MusicFirst which would distribute the money to other entities. Efforts continue by certain organizations to persuade Congress to enact a law that would require such payments. Periodically, bills have been introduced in Congress that, if adopted, would require the Company to pay additional fees to one or more organizations that would distribute the money to performers or other entities. In late 2018, Congress passed the “Music Modernization Act” which was signed into law by the President. The law (1) improves compensation to songwriters and streamlining how their music is licensed; (2) enables legacy artists (who recorded music before 1972) to be paid royalties when their music is played on digital radio; and (3) provides a consistent legal process for studio professionals, including record producers and engineers to receive royalties for their contributions to music that they help to create. The law creates a blanket license for digital music providers to make permanent downloads, limited downloads, and interactive streams, creates a collective to administer the blanket license, and makes various improvements to royalty rate proceedings. This new law could impose an additional financial burden on the Company, but the extent of the burden would depend on how the fee payment requirement was structured. The Ask Musicians for Music (AM/FM) Act of 2019 was introduced on November 14, 2019 in both houses of Congress and would require broadcasters to obtain permission before transmitting content owned by another person. The Company cannot predict whether this legislation will be enacted into law, and if so, whether there would be adverse impact on the Company’s business.

On January 3, 2013, the FCC released the *Sixth Further Notice of Proposed Rulemaking* , which sought comment on the requirement that persons with attributable interests in broadcast licensees and other entities filing an FCC Ownership Report provide an “FCC Registration Number” (“FRN”) linked to their social security numbers. Questions had been raised about the security of the FCC’s Registration System where this data would be stored. On January 20, 2016, the FCC released its *Report and Order, Second Report and Order and Order on Reconsideration* that implemented a Restricted Use FRN (RUFRN) that individuals may use solely for the purpose of broadcast ownership report filings. The FCC stated its belief that the RUFRN would allow for sufficient unique identification of individuals listed on broadcast ownership reports without necessitating the disclosure to the FCC of individuals’ full Social Security Numbers (SSNs). The FCC eliminated the availability of the Special Use FRN (SUFRN) for broadcast station ownership reports, except in very limited circumstances. On January 4, 2017, the FCC’s Media Bureau issued an Order or Reconsideration denying petitions for reconsideration of the requirement. On February 2, 2017, the FCC set aside the Order on Reconsideration and returned the petitions for reconsideration to pending status to be considered by the full FCC. The FCC is also seeking comment on whether to expand the biennial ownership reporting requirement to include interests, entities and individuals that are not attributable because of (a) the single majority shareholder exemption and (b) the exemption for interests held in eligible entities pursuant to the higher EDP threshold. The Company has utilized the single majority shareholder exemption in reporting ownership interests in the Company. The Company cannot predict whether these proposals will be adopted, and if so, whether information provided by those persons with a reportable attributable interest in the Company will be secure.

***Proposed Changes.*** The FCC has under consideration, and may in the future consider and adopt, new laws, regulations and policies regarding a wide variety of matters that could, directly or indirectly, affect us and the operation and ownership of our broadcast properties. Application processing rules adopted by the FCC might require us to apply for facilities modifications to our standard broadcast stations in future “window” periods for filing applications or result in the stations being “locked in” with their present facilities. The FCC is authorized to use auctions for the allocation of radio broadcast spectrum frequencies for commercial use. The implementation of this law could require us to bid for the use of certain frequencies.

**Executive Officers**

Our current executive officers are:

| Name | Age | Position |
|---|---|---|
| Edward K. Christian | 75 | President, Chief Executive Officer and Chairman; Director |
| Samuel D. Bush | 62 | Senior Vice President, Treasurer and Chief Financial Officer |
| Marcia K. Lobaito | 71 | Senior Vice President, Corporate Secretary, and Director of Business Affairs |
| Catherine A. Bobinski | 60 | Senior Vice President/Finance, Chief Accounting Officer and Corporate Controller |
| Christopher S. Forgy | 59 | Senior Vice President of Operations |

Officers are elected annually by our Board of Directors and serve at the discretion of the Board. Set forth below is information with respect to our executive officers.

*Mr. Christian* has been President, Chief Executive Officer and Chairman since our inception in 1986.

*Mr. Bush* has been Senior Vice President since 2002 and Chief Financial Officer and Treasurer since September 1997. He was Vice President from 1997 to 2002. From 1988 to 1997 he held various positions with the Media Finance Group at AT&T Capital Corporation, including senior vice president.

*Ms. Lobaito* has been Senior Vice President since 2005, Director of Business Affairs and Corporate Secretary since our inception in 1986 and Vice President from 1996 to 2005. In January 2020, we issued a press release announcing that Ms. Lobaito had informed us that she will be retiring as Senior Vice President and Director of Business Affairs, effective March 13, 2020. At our request, Ms. Lobaito will continue to serve as Corporate Secretary.

*Ms. Bobinski* has been Senior Vice President/Finance since March 2012 and Chief Accounting Officer and Corporate Controller since September 1991. She was Vice President from March 1999 to March 2012. Ms. Bobinski is a certified public accountant.

*Mr. Forgy* has been Senior Vice President of Operations since May 2018. He was President/General Manager of our Columbus, Ohio market from 2010 to 2018 and was Director of Sales of our Columbus, Ohio market from 1995 to 2006. He has been with Saga for 20 years.

## Item 1A. *Risk Factors*

The more prominent risks and uncertainties inherent in our business are described in more detail below. However, these are not the only risks and uncertainties we face. Our business may face additional risks and uncertainties that are unknown to us at this time.

***Global Economic Conditions and Uncertainties May Continue to Affect our Business***

We derive revenues from the sale of advertising and expenditures by advertisers tend to be cyclical and are reflective of economic conditions. Periods of a slowing economy, recession or economic uncertainty may be accompanied by a decrease in advertising. The global economic downturn that began in 2008 caused a decline in advertising and marketing by our customers, which had an adverse effect on our revenue, profit margins and cash flows. Global economic conditions have been slow to recover and remain uncertain. There can be no assurance that any of the recent economic improvements will be broad based and sustainable, or that they will enhance conditions in markets relevant to us. If economic conditions do not continue to improve, economic uncertainty increases or economic conditions deteriorate again; global economic conditions may once again adversely impact our business. Due to the continued uncertain pace of economic growth, we cannot predict future revenue trends. Further, there can be no assurance that we will not experience future adverse effects that may be material to our cash flows, competitive position, financial condition, results of operations, or our ability to access capital.

The volatility in global financial markets may also limit our ability to access the capital markets at a time when we would like, or need, to do so, which could have an impact on our flexibility to react to changing economic and business conditions. Accordingly, if the economy does not fully recover or worsens, our business, results of operations and financial condition could be materially and adversely affected.

***We Have Substantial Indebtedness and Debt Service Requirements***

At December 31, 2019 our long-term debt was approximately $10,000,000. We have borrowed and expect to continue to borrow to finance acquisitions and for other corporate purposes. Because of our indebtedness, a portion of our cash flow from operations is required for debt service. Our leverage could make us vulnerable to an increase in interest rates, a downturn in our operating performance, or a decline in general economic conditions. The credit facility is subject to mandatory prepayment requirements, including but not limited to, certain sales of assets, certain insurance proceeds, certain debt issuances and certain sales of equity. Any outstanding balance under the credit facility will be due on the maturity date of June 27, 2023. We believe that cash flows from operations will be sufficient to meet our debt service requirements for interest and scheduled payments of principal under the 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. We cannot be sure that we would be able to affect any such transactions on favorable terms, if at all.

***The expected LIBOR phase-out may have unpredictable impacts on contractual mechanics in the credit markets or the broader financial markets, which could have an adverse effect on our results of operations.***

The U.K. Financial Conduct Authority, which regulates LIBOR, intends to cease encouraging or requiring banks to submit rates for the calculation of LIBOR after 2021. It is unclear whether LIBOR will cease to exist after that date, and there is currently no global consensus on what rate or rates will become acceptable alternatives. In the United States, the U.S. Federal Reserve Board-led industry group, the Alternative Reference Rates Committee, selected the Secured Overnight Financing Rate ("SOFR") as an alternative to LIBOR for U.S. dollar-denominated LIBOR-benchmarked obligations. SOFR is a broad measure of the cost of borrowing cash in the overnight U.S treasury repo market, and the Federal Reserve Bank of New York has published the daily rate since 2018. Nevertheless, because SOFR is a fully secured overnight rate and LIBOR is a forward-looking unsecured rate, SOFR is likely to be lower than LIBOR on most dates, and any spread adjustment applied by market participants to alleviate any mismatch during a transition period will be subject to methodology that remains undefined.

***Our Debt Covenants Restrict our Financial and Operational Flexibility***

Our credit facility contains a number of financial covenants 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. Our ability to meet these financial ratios can be affected by operating performance or other events beyond our control, and we cannot assure you that we will meet those ratios. Certain events of default under our credit facility could allow the lenders to declare all amounts outstanding to be immediately due and payable and, therefore, could have a material adverse effect on our business. 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.

***We Depend on Key Personnel***

Our business is partially dependent upon the performance of certain key individuals, particularly Edward K. Christian, our President and CEO. Although we have entered into employment and non-competition agreements with Mr. Christian, which terminate on March 31, 2025, and certain other key personnel, including on-air personalities, we cannot be sure that such key personnel will remain with us. We can give no assurance that all or any of these employees will remain with us or will retain their audiences. Many of our key employees are at-will employees who are under no legal obligation to remain with us. Our competitors may choose to extend offers to any of these individuals on terms which we may be unwilling to meet. In addition, any or all of our key employees may decide to leave for a variety of personal or other reasons beyond our control. Furthermore, the popularity and audience loyalty of our key on-air personalities is highly sensitive to rapidly changing public tastes. A loss of such popularity or audience loyalty is beyond our control and could limit our ability to generate revenues.

***We Depend on Key Stations***

Historically our top five markets when combined represented 39%, 41%, and 41% of our net operating revenue for the years ended December 31, 2019, 2018 and 2017, respectively. Accordingly, we may have greater exposure to adverse events or conditions that affect the economy in any of these markets, which could have a material adverse effect on our revenue, results of operations and financial condition.

***Local and National Economic Conditions May Affect our Advertising Revenue***

Our financial results are dependent primarily on our ability to generate advertising revenue through rates charged to advertisers. The advertising rates a station is able to charge are affected by many factors, including the general strength of the local and national economies. Generally, advertising declines during periods of economic recession or downturns in the economy. Our revenue has been and is likely to be adversely affected during such periods, whether they occur on a national level or in the geographic markets in which we operate. During such periods we may also be required to reduce our advertising rates in order to attract available advertisers. Such a decline in advertising rates could also have a material adverse effect on our revenue, results of operations and financial condition.

***Our Stations Must Compete for Advertising Revenues in Their Respective Markets***

Radio broadcasting is a highly competitive business. Our stations compete for listeners and advertising revenues within their respective markets directly with other radio stations, as well as with other media, such as broadcast radio (as applicable), cable television and/or radio, satellite television and/or satellite radio systems, newspapers, magazines, direct mail, the Internet, coupons and billboard advertising. Audience ratings and market shares are subject to change, and any change in a particular market could have a material adverse effect on the revenue of our stations located in that market. While we already compete in some of our markets with other stations with similar programming formats, if another radio station in a market were to convert its programming format to a format similar to one of our stations, if a new station were to adopt a comparable format or if an existing competitor were to strengthen its operations, our stations could experience a reduction in ratings and/or advertising revenue and could incur increased promotional and other expenses. Other radio broadcasting companies may enter into the markets in which we operate or may operate in the future. These companies may be larger and have more financial resources than we have. We cannot assure you that any of our stations will be able to maintain or increase their current audience ratings and advertising revenues.

***Our Success Depends on our Ability to Identify, Consummate and Integrate Acquired Stations***

As part of our strategy, we have pursued and may continue to pursue acquisitions of additional radio stations, subject to the terms of our credit facility. Broadcasting is a rapidly consolidating industry, with many companies seeking to consummate acquisitions and increase their market share. In this environment, we compete and will continue to compete with many other buyers for the acquisition of radio stations. Some of those competitors may be able to outbid us for acquisitions because they have greater financial resources. As a result of these and other factors, our ability to identify and consummate future acquisitions is uncertain.

Our consummation of all future acquisitions is subject to various conditions, including FCC and other regulatory approvals. The FCC must approve any transfer of control or assignment of broadcast licenses. Such acquisitions could be delayed by shutdowns of the U.S. Government. In addition, acquisitions may encounter intense scrutiny under federal and state antitrust laws. Our future acquisitions may be subject to notification under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and to a waiting period and possible review by the Department of Justice and the Federal Trade Commission. Any delays, injunctions, conditions or modifications by any of these federal agencies could have a negative effect on us and result in the abandonment of all or part of attractive acquisition opportunities. We cannot predict whether we will be successful in identifying future acquisition opportunities or what the consequences will be of any acquisitions.

Certain of our acquisitions may prove unprofitable and fail to generate anticipated cash flows. In addition, the success of any completed acquisition will depend on our ability to effectively integrate the acquired stations. The process of integrating acquired stations may involve numerous risks, including difficulties in the assimilation of operations, the diversion of management’s attention from other business concerns, risk of entering new markets, and the potential loss of key employees of the acquired stations.

***Future Impairment of our FCC Broadcasting Licenses Could Affect our Operating Results***

As of December 31, 2019, our FCC broadcasting licenses represented 37.8% of our total assets. We are required to test our FCC broadcasting licenses for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that our FCC broadcasting licenses might be impaired which may result in future impairment losses. For further discussion, see Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates included with this Form 10-K. On January 24, 2020, the President signed into law the “PIRATE” Act which authorizes the FCC to fine illegal broadcasters up to $2 million.

***Our Business is Subject to Extensive Federal Regulation***

The broadcasting industry is subject to extensive federal regulation which, among other things, requires approval by the FCC of transfers, assignments and renewals of broadcasting licenses, limits the number of broadcasting properties that may be acquired within a specific market, and regulates programming and operations. For a detailed description of the material regulations applicable to our business, see “Federal Regulation of Radio and Television Broadcasting” and “Other FCC Requirements” in Item 1 of this Form 10-K. Failure to comply with these regulations could, under certain circumstances and among other things, result in the denial or revocation of FCC licenses, shortened license renewal terms, monetary forfeitures or other penalties which would adversely affect our profitability. Changes in ownership requirements could limit our ability to own or acquire stations in certain markets.

***New Federal Regulations or Fees Could Affect our Broadcasting Operations***

There has been proposed legislation in the past and there could be again in the future that requires radio broadcasters to pay additional fees such as a spectrum fee for the use of the spectrum or a royalty fee to record labels and performing artists for use of their recorded music. Currently, we pay royalties to song composers, publishers, and performers indirectly through third parties. Any proposed legislation that is adopted into law could add an additional layer of royalties to be paid directly to the record labels and artists. While this proposed legislation did not become law, it has been the subject of considerable debate and activity by the broadcast industry and other parties affected by the legislation. It is currently unknown what impact any potential required royalty payments would have on our results of operations, cash flows or financial position.

***The FCC's Vigorous Enforcement of Indecency Rules Could Affect our Broadcasting Operations***

Federal law regulates the broadcast of obscene, indecent or profane material. The FCC has increased its enforcement efforts relating to the regulation of indecency violations, and Congress has increased the penalties for broadcasting obscene, indecent or profane programming, and these penalties may potentially subject broadcasters to license revocation, renewal or qualification proceedings in the event that they broadcast such material. The maximum forfeiture penalty for an indecency violation is $414,454 per incident and $3,825,726 for a continuing violation arising from a single act or failure to act. In March 2015, the FCC issued a Notice of Apparent Liability for the then maximum forfeiture amount of $325,000 against a television station for violation of the indecency laws. In addition, the FCC's heightened focus on the indecency regulations against the broadcast industry may encourage third parties to oppose our license renewal applications or applications for consent to acquire broadcast stations. Because the FCC may investigate indecency complaints prior to notifying a licensee of the existence of a complaint, a licensee may not have knowledge of a complaint unless and until the complaint results in the issuance of a formal FCC letter of inquiry or notice of apparent liability for forfeiture. We may in the future become subject to inquiries or proceedings related to our stations' broadcast of obscene, indecent or profane material. To the extent that any inquiries or other proceedings result in the imposition of fines, a settlement with the FCC, revocation of any of our station licenses or denials of license renewal applications, our result of operations and business could be materially adversely affected.

***New Technologies May Affect our Broadcasting Operations***

The FCC has and is considering ways to introduce new technologies to the broadcasting industry, including satellite and terrestrial delivery of digital audio broadcasting and the standardization of available technologies which significantly enhance the sound quality of AM broadcasters. We are unable to predict the effect such technologies may have on our broadcasting operations. The capital expenditures necessary to implement such technologies could be substantial.

***The Company is Controlled by our President, Chief Executive Officer and Chairman***

As of March 4, 2020, Edward K. Christian, our President, Chief Executive Officer and Chairman, holds approximately 65% of the combined voting power of our Common Stock (not including options to acquire Class B Common Stock and based on Class B shares generally entitled to ten votes per share). As a result, Mr. Christian generally is able to control the vote on most matters submitted to the vote of stockholders and, therefore, is able to direct our management and policies, except with respect to (i) the election of the two Class A directors, (ii) those matters where the shares of our Class B Common Stock are only entitled to one vote per share, and (iii) other matters requiring a class vote under the provisions of our certificate of incorporation, bylaws or applicable law. For a description of the voting rights of our Common Stock, see Note 12 of the Notes to Consolidated Financial Statements included with this Form 10-K. Without the approval of Mr. Christian, we will be unable to consummate transactions involving an actual or potential change of control, including transactions in which stockholders might otherwise receive a premium for their shares over then-current market prices.

***We May Experience Volatility in the Market Price of our Common Stock***

The market price of our common stock has fluctuated in the past and may continue to be volatile. In addition to stock market fluctuations due to economic or other factors, the volatility of our shares may be influenced by lower trading volume and concentrated ownership relative to many of our publicly-held competitors. Because several of our shareholders own significant portions of our outstanding shares, our stock is relatively less liquid and therefore more susceptible to price fluctuations than many other companies’ shares. If these shareholders were to sell all or a portion of their holdings of our common stock, then the market price of our common stock could be negatively affected. Investors should be aware that they could experience short-term volatility in our stock if such shareholders decide to sell all or a portion of their holdings of our common stock at once or within a short period of time.

***Information technology and cybersecurity failures or data security breaches could harm our business***

Any internal technology error or failure impacting systems hosted internally or externally, or any large-scale external interruption in technology infrastructure we depend on, such as power, telecommunications or the Internet, may disrupt our technology network. Any individual, sustained or repeated failure of technology could impact our customer service and result in increased costs or reduced revenues. Our technology systems and related data also may be vulnerable to a variety of sources of interruption due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. While we have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly to prevent a business disruption and its adverse financial and consequences to our business' reputation.

In addition, as a part of our ordinary business operations, we may collect and store sensitive data, including personal information of our clients, listeners and employees. The secure operation of the networks and systems on which this type of information is stored, processed and maintained is critical to our business operations and strategy. Any compromise of our technology systems resulting from attacks by hackers or breaches due to employee error or malfeasance could result in the loss, disclosure, misappropriation of or access to clients’, listeners’, employees’ or business partners’ information. Any such loss, disclosure, misappropriation or access could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disrupt operations and damage our reputation, any or all of which could adversely affect our business.

**Item 1B. *Unresolved Staff Comments***

None.

**Item 2. *Properties***

Our corporate headquarters is located in Grosse Pointe Farms, Michigan. The types of properties required to support each of our stations include offices, studios, and transmitter and antenna sites. A station's studios are generally housed with its offices in business districts. The transmitter sites and antenna sites are generally located so as to provide maximum market coverage for our stations' broadcast signals.

As of December 31, 2019, the studios and offices of 25 of our 28 operating locations, including our corporate headquarters in Michigan, are located in facilities we own. The remaining studios and offices are located in leased facilities with lease terms that expire in 2.5 years to 5 years. We own or lease our transmitter and antenna sites, with lease terms that expire in 6 months to 71 years. We do not anticipate any difficulties in renewing those leases that expire within the next five years or in leasing other space, if required.

No one property is material to our overall operations. We believe that our properties are in good condition and suitable for our operations.

We own substantially all of the equipment used in our broadcasting business.

**Item 3. *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 may arise out of or with respect to these matters, will not materially affect the Company's financial statements.

**Item 4. *Mine Safety Disclosures***

Not applicable.

## PART II

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

Our Class A Common Stock trades on the NASDAQ Global Market of the NASDAQ Stock Market LLC under the ticker symbol SGA. There is no public trading market for our Class B Common Stock.

The closing price for our Class A Common Stock on March 4, 2020 as reported by the NASDAQ was $27.41. As of March 4, 2020, there were approximately 170 holders of record of our Class A Common Stock, and one holder of our Class B Common Stock.

**Dividends**

During 2019, our Board of Directors declared four quarterly cash dividends totaling $1.20 per share on its Classes A and B shares. These dividends totaling approximately $7.1 million were accrued or paid during 2019. See Note 1 of the financial statements for specific details on the dividends.

During 2018, our Board of Directors declared four quarterly cash dividends and a special cash dividend totaling $1.45 per share on its Classes A and B shares. These dividends totaling approximately $8.6 million were accrued or paid during 2018. See Note 1 of the financial statements for specific details on the dividends.

During 2017, our Board of Directors declared four quarterly cash dividends and a special cash dividend totaling $2.00 per share on its Classes A and B shares. These dividends totaling approximately $11.8 million were accrued or paid during 2017. See Note 1 of the financial statements for specific details on the dividends.

**Securities Authorized for Issuance Under Equity Compensation Plan Information**

The following table sets forth as of December 31, 2019, the number of securities outstanding under our equity compensation plans, the weighted average exercise price of such securities and the number of securities available for grant under these plans:

| Plan Category | (a) Number of Shares to be Issued Upon Exercise of Outstanding Options Warrants, and Rights | (b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | (c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Column (a)) |
|---|---|---|---|
| Equity Compensation Plans Approved by Stockholders: | | | |
| Employees' 401(k) Savings and Investment Plan | — | $ — | 520,665 |
| 2005 Incentive Compensation Plan | 128,224(1) | $ 0.00(2) | 326,650 |
| Equity Compensation Plans Not Approved by Stockholders: | | | |
| None | — | | — |
| Total | 128,224 | | 847,315 |

(1) All 128,224 shares are restricted stock.

(2) Weighted-Average Exercise Price of Outstanding Options is $0.00 as they are all restricted stock.

**Recent Sales of Unregistered Securities**

Not applicable.

**Issuer Purchases of Equity Securities**

The following table summarizes our repurchases of our Class A Common Stock during the three months ended December 31, 2019. Shares repurchased during the quarter were from the retention of shares for the payment of withholding taxes related to the vesting of restricted stock.

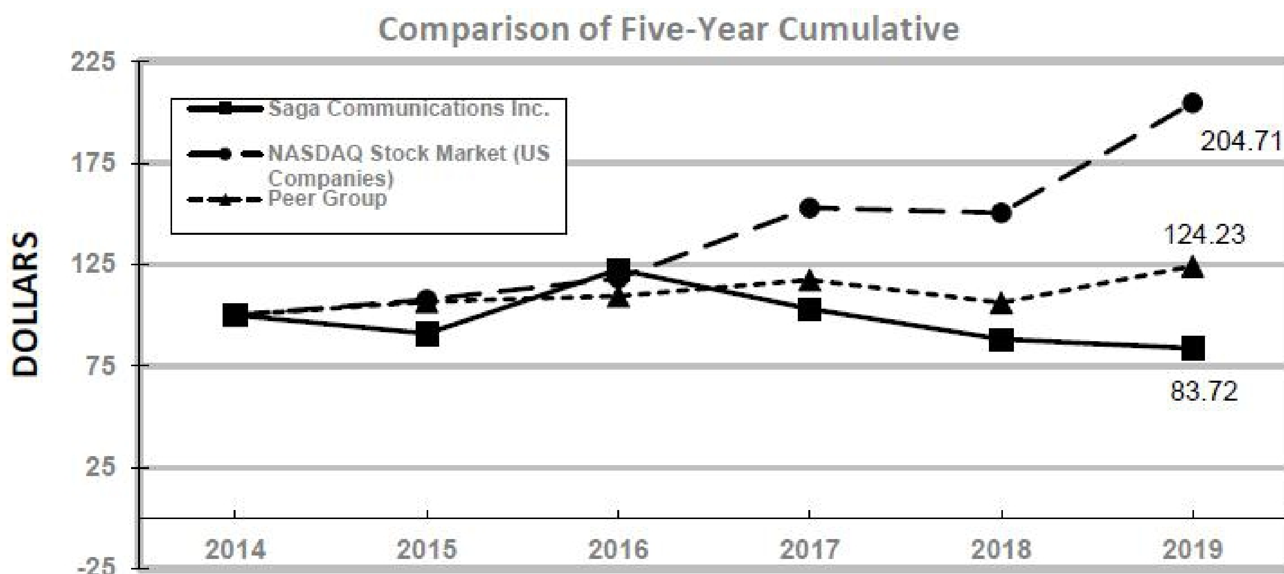
| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Program | Approximate Dollar Value of Shares that May Yet be Purchased Under the Program(a) |
|---|---|---|---|---|
| October 1 – October 31, 2019 | 138 | $ 29.840 | — | $ 19,799,944 |
| November 1 – November 30, 2019 | 18,676 | $ 30.290 | — | $ 19,234,248 |
| December 1 – December 31, 2019 | — | $ — | — | $ 19,234,248 |
| Total | 18,814 | $ 30.287 | — | $ 19,234,248 |

(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.

**Performance Graph**

**COMMON STOCK PERFORMANCE**

Set forth below is a line graph comparing the cumulative total stockholder return for the years ended December 31, 2015, 2016, 2017, 2018 and 2019 of our Class A Common Stock against the cumulative total return of our Index the NASDAQ Stock Market (US Companies) and a Peer Group selected by us consisting of the following radio broadcast companies: Beasley Broadcast Group, Inc., Cumulus Media Inc., Emmis Communications Corp., Entercom Communications Corp., Entravision Communications Corp., iHeart Communications, Inc., The Nielsen Company, Radio One Inc., Saga Communications, Inc., Salem Communications Corp., Sirius XM Radio Inc., Spanish Broadcasting System, Inc., and Townsquare Media, Inc. The graph and table assume that $100 was invested on December 31, 2014, in each of our Class A Common Stock, the NASDAQ Stock Market (US Companies) and the Peer Group and that all dividends were reinvested. *The information contained in this graph shall not be deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act or the Exchange Act.*




Legend

| Symbol | Total Return For: | 12/14 | 12/15 | 12/16 | 12/17 | 12/18 | 12/19 |
|---|---|---|---|---|---|---|---|
| ■ | Saga Communications Inc. | 100.00 | 90.93 | 122.57 | 103.08 | 88.08 | 83.72 |
| ● | CRSP Nasdaq Stock Market US | 100.00 | 107.71 | 118.26 | 152.91 | 150.41 | 204.71 |
| ▲ | Peer Group | 100.00 | 106.77 | 109.50 | 117.51 | 106.26 | 124.23 |

The comparisons in the above table are required by the SEC. This table is not intended to forecast or to be indicative of any future return of our Class A Common Stock.

**Item 6.** ***Selected Financial Data***

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2019 (1) | 2018 | 2017 (3)(4) | 2016 (3)(5) | 2015 (3)(6) |
| | (In thousands except per share amounts) | | | | |
| OPERATING DATA: | | | | | |
| Net Operating Revenue | $ 123,072 | $ 124,829 | $ 118,149 | $ 118,955 | $ 111,792 |
| Station Operating Expense | 92,692 | 93,727 | 87,759 | 86,799 | 83,188 |
| Corporate General and Administrative | 11,460 | 11,359 | 11,657 | 10,980 | 10,091 |
| Other Operating (Income) Expense, net | 112 | 61 | 55 | (1,351) | 509 |
| Impairment of Intangible Assets | — | — | 1,449 | — | 874 |
| Operating Income From Continuing Operations | $ 18,808 | $ 19,682 | $ 17,229 | $ 22,527 | $ 17,130 |
| Interest Expense | $ 735 | $ 946 | $ 903 | $ 744 | $ 855 |
| Net Income: | | | | | |
| From Continuing Operations | $ 13,279 | $ 13,690 | $ 22,246 | $ 12,910 | $ 9,146 |
| From Discontinued Operations | — | — | 32,471 | 5,276 | 4,268 |
| Net Income | $ 13,279 | $ 13,690 | $ 54,717 | $ 18,186 | $ 13,414 |
| Basic Earnings (Loss) Per Share: | | | | | |
| From Continuing Operations | $ 2.23 | $ 2.30 | $ 3.77 | $ 2.20 | $ 1.58 |
| From Discontinued Operations | — | — | 5.50 | 0.90 | 0.73 |
| Earnings Per Share | $ 2.23 | $ 2.30 | $ 9.27 | $ 3.10 | $ 2.31 |
| Weighted Average Common Shares | 5,834 | 5,829 | 5,803 | 5,761 | 5,706 |
| Diluted Earnings (Loss) Per Share: | | | | | |
| From Continuing Operations | $ 2.23 | $ 2.30 | $ 3.77 | $ 2.19 | $ 1.56 |
| From Discontinued Operations | — | — | 5.50 | 0.90 | 0.73 |
| Earnings Per Share | $ 2.23 | $ 2.30 | $ 9.27 | $ 3.09 | $ 2.29 |
| Weighted Average Common and Common Equivalent Shares | 5,834 | 5,829 | 5,807 | 5,771 | 5,740 |
| Cash Dividends Declared Per Common Share | $ 1.20 | 1.45 | 2.00 | 1.30 | 1.10 |

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 (2) | 2017 (3)(4) | 2016 (3)(5) | 2015 (3)(6) |
| | (In thousands) | | | | |
| BALANCE SHEET DATA: | | | | | |
| Working Capital | $ 49,219 | $ 45,430 | $ 55,269 | $ 36,727 | $ 32,450 |
| Net Property and Equipment | $ 58,711 | $ 59,103 | $ 56,235 | $ 49,174 | $ 50,277 |
| Net Intangible and Other Assets | $ 126,963 | $ 120,779 | $ 116,360 | $ 118,052 | $ 106,399 |
| Total Assets | $ 252,394 | $ 248,477 | $ 248,769 | $ 219,998 | $ 203,464 |
| Long-term Debt Including Current Portion | $ 10,000 | $ 20,000 | $ 25,000 | $ 35,287 | $ 35,287 |
| Stockholders' Equity | $ 192,352 | $ 184,999 | $ 179,465 | $ 134,982 | $ 122,816 |

(1) Reflects the results of WOGK-FM, WNDT-FM, WNDD-FM, and WNDN-FM acquired on December 31, 2018.

(2) Reflects the assets and liabilities of WOGK-FM, WNDT-FM, WNDD-FM, and WNDN-FM acquired on December 31, 2018.

(3) On September 1, 2017, the Company sold the Joplin, Missouri and Victoria, Texas television stations. The historical results of operations for the television stations are presented in the discontinued operations for all periods presented.

(4) Reflects the results of WCVL-FM operated under the terms of an LMA from February 1, 2015 until acquired on April 18, 2017. Reflects the results of WCKN-FM, WMXF-FM, WXST-FM, WAVF-FM, WSPO-AM, W261-DG, W257BQ, WVSC-FM, WLHH-FM, WOEX-FM, W256CB, W293BZ acquired on September 1, 2017.

(5) Reflects the results of WLVQ-FM operated under the terms of an LMA from November 16, 2015 until acquired in February 2016.

(6) Reflects the results of WSVA-AM, WHBG-AM, WQPO-FM, WWRE-FM, and WMQR-FM acquired in August 2015 and WSIG-FM acquired in September 2015. Reflects the results of WLVQ-FM operated under the terms of an LMA effective November 2015. In December 2015, the Company disposed of the Illinois Radio Network.

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

The following discussion should be read in conjunction with Item 1. Business, Item 6. Selected Financial Data and the consolidated financial statements and notes thereto of Saga Communications, Inc. and its subsidiaries contained elsewhere herein. The following discussion is presented on both a consolidated and segment basis. Corporate general and administrative expenses, interest expense, write-off debt issuance costs, other (income) expense, and income tax provision are managed on a consolidated basis and are reflected only in our discussion of consolidated results.

On September 1, 2017 the Company sold its Joplin, Missouri and Victoria, Texas television stations. The historical results of operations for the television stations are presented in the discontinued operations for all periods presented (see Note 4). As a result of the Company’s television stations being reported as discontinued operations the Company only has one reportable segment at December 31, 2019, 2018 and 2017. Unless indicated otherwise, the information in the Notes to Consolidated Financial Statements relates to the Company’s continuing operations. 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.

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.

### Continuing Operations - Radio Stations

Our radio station’s 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.

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 years ended December 31, 2019, 2018 and 2017, approximately 88%, 87% and 88%, 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. Political revenue significantly decreased in 2019 and 2017 due to the decreased number of national, state, and local elections in most of our markets as compared to 2018.

Our net operating revenue, station operating expense and operating income vary 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 broadcast primarily 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 are 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 by 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 the 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 years ended December 31, 2019, 2018 and 2017, our Columbus, Ohio; Des Moines, Iowa; Manchester, New Hampshire; Milwaukee, Wisconsin and Norfolk, Virginia markets, when combined, represented approximately 39%, 41%, and 41%, respectively, of our consolidated net operating revenue. An adverse change in any of these radio markets or 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 Years Ended December 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| Market: | | | |
| Columbus, Ohio | 11% | 11% | 11% |
| Des Moines, Iowa | 6% | 7% | 7% |
| Manchester, New Hampshire | 5% | 5% | 5% |
| Milwaukee, Wisconsin | 11% | 12% | 12% |
| Norfolk, Virginia | 6% | 6% | 6% |

During the years ended December 31, 2019, 2018 and 2017, the radio stations in our five largest markets when combined, represented approximately 45%, 48% and 48%, respectively, of our consolidated station operating income. 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 Years Ended December 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| Market: | | | |
| Columbus, Ohio | 15% | 16% | 15% |
| Des Moines, Iowa | 6% | 6% | 7% |
| Manchester, New Hampshire | 6% | 6% | 6% |
| Milwaukee, Wisconsin | 12% | 14% | 14% |
| Norfolk, Virginia | 6% | 6% | 6% |

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

**Discontinued Operations - Television Stations**

We sold our television stations on September 1, 2017. All historical results of operations for the television stations are reported in the discontinued operations for all periods presented.

Our television station's primary source of revenue was from the sale of advertising for broadcast on our stations. The number of advertisements available for broadcast on our television stations were limited by network affiliation and syndicated programming agreements and, with respect to children's programs, federal regulation. Our television stations' local market managers determined the number of advertisements to be broadcast in locally produced programs only, which were primarily news programming and occasionally local sports or information shows.

Our net operating revenue, station operating expense and operating income vary from market to market based upon the market's rank or size, which was based upon population, available television advertising revenue in that particular market, and the popularity of programming being broadcast.

Our financial results were dependent on a number of factors, the most significant of which was our ability to generate advertising revenue through rates charged to advertisers. The rates a station was able to charge were, in large part, based on a station's ability to attract audiences in the demographic groups targeted by its advertisers, as measured principally by periodic reports by independent national rating services. 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 through locally produced news, sports and weather and as a result of syndication and network affiliation agreements, local market competition, the ability of television broadcasting to reach a mass appeal market compared to other advertising media, and signal strength including cable/satellite coverage, and government regulation and policies.

Our stations strived to maximize revenue by constantly adjusting prices for our commercial spots based upon local market conditions, advertising demands and ratings. While there may have been 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 station generally did not vary significantly from year to year. Any change in our revenue, with the exception of those instances where stations were acquired or sold, was generally the result of pricing adjustments, which were made to ensure that the station efficiently utilized available inventory.

Because audience ratings in the local market are crucial to a station's financial success, we endeavored to develop strong viewer loyalty by providing locally produced news, weather and sports programming. We believe that this emphasis on the local market provided us with the viewer loyalty we were trying to achieve.

Most of our revenue was generated from local advertising, which was sold primarily by each television markets' sales staff. For the 8 months ended August 31, 2017 approximately 83%, of our television segment's gross revenue was from local advertising. To generate national advertising sales, we engaged independent advertising sales representatives that specialize in national sales for each of our television 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. Political revenue significantly decreased in 2017 due to the increased number of national, state, and local elections in most of our markets as compared to the previous year.

The primary operating expenses involved in owning and operating television stations were employee salaries, sales commissions, programming expenses, including news production and the cost of acquiring certain syndicated programming, depreciation, and advertising and promotion expenses.

## Results of Operations

The following tables summarize our results of operations for the three years ended December 31, 2019, 2018 and 2017.

### Consolidated Results of Operations

| | Years Ended December 31, | | | 2019 vs. 2018 | | 2018 vs. 2017 | |
|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | $ Increase (Decrease) | % Increase (Decrease) | $ Increase (Decrease) | % Increase (Decrease) |
| | (In thousands, except %'s and per share information) | | | | | | |
| Net operating revenue | $ 123,072 | $ 124,829 | $ 118,149 | $ (1,757) | (1.4)% | $ 6,680 | 5.7% |
| Station operating expense | 92,692 | 93,727 | 87,759 | (1,035) | (1.1)% | 5,968 | 6.8% |
| Corporate G&A | 11,460 | 11,359 | 11,657 | 101 | 0.9% | (298) | (2.6)% |
| Other operating expense (income), net | 112 | 61 | 55 | 51 | N/M | 6 | N/M |
| Impairment of intangible assets | — | — | 1,449 | — | — | (1,449) | N/M |
| Operating income from continuing operations | 18,808 | 19,682 | 17,229 | (874) | (4.4)% | 2,453 | 14.2% |
| Interest expense | 735 | 946 | 903 | (211) | (22.3)% | 43 | 4.8% |
| Interest (income) | (610) | (631) | — | 21 | (3.3)% | (631) | N/M |
| Other (income) expense | (16) | (23) | — | 7 | N/M | (23) | N/M |
| Income from continuing operations before taxes | 18,699 | 19,390 | 16,326 | (691) | (3.6)% | 3,064 | 18.8% |
| Income tax expense (benefit) | 5,420 | 5,700 | (5,920) | (280) | (4.9)% | 11,620 | N/M |
| Income from continuing operations, net of tax | 13,279 | 13,690 | 22,246 | (411) | (3.0)% | (8,556) | (38.5)% |
| Income from discontinued operations, net of tax | — | — | 32,471 | — | — | (32,471) | N/M |
| Net income | $ 13,279 | $ 13,690 | $ 54,717 | $ (411) | (3.0)% | $ (41,027) | N/M |
| Earnings per share: | | | | | | | |
| From continuing operations | $ 2.23 | $ 2.30 | $ 3.77 | $ (0.07) | (3.0)% | $ (1.47) | 39.0% |
| From discontinued operations | — | — | 5.50 | — | — | (5.50) | N/M |
| Earnings per share (diluted) | $ 2.23 | $ 2.30 | $ 9.27 | $ (0.07) | (3.0)% | $ (6.97) | N/M |

## Results of Discontinued Operations

| | Years Ended December 31, | | | 2019 vs. 2018 | | 2018 vs. 2017 | |
|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2017(1) | $ Increase (Decrease) | % Increase (Decrease) | $ Increase (Decrease) | % Increase (Decrease) |
| | (In thousands, except %'s and per share information) | | | | | | |
| Net operating revenue | $ — | $ — | $ 14,238 | $ — | — | $ (14,238) | N/M |
| Station operating expense | — | — | 9,757 | — | — | (9,757) | N/M |
| Other operating expense (income) | — | — | 31 | — | — | (31) | N/M |
| Operating income from discontinued operations | — | — | 4,450 | — | — | (4,450) | N/M |
| Interest expense | — | — | 21 | — | — | (21) | N/M |
| Other income | — | — | — | — | — | — | — |
| Income before income taxes from discontinued operations | — | — | 4,429 | — | — | (4,429) | N/M |
| Pretax gain on the disposal of discontinued operations | — | — | 50,842 | — | — | (50,842) | N/M |
| Total pretax gain on discontinued operations | — | — | 55,271 | — | — | (55,271) | N/M |
| Income tax expense | — | — | 22,800 | — | — | (22,800) | N/M |
| Income from discontinued operations | $ — | $ — | $ 32,471 | $ — | — | $ (32,471) | N/M |

(1) Results of operations for the Television stations are reflected through August 31, 2017. The effective date of the sale was September 1, 2017.

N/M = Not Meaningful

**Year Ended December 31, 2019 Compared to Year Ended December 31, 2018**

For the year ended December 31, 2019, consolidated net operating revenue was $123,072,000 compared with $124,829,000 for the year ended December 31, 2018, a decrease of $1,757,000 or 1.4%. We had an increase of approximately $4,210,000 that was attributable to stations that we did not own or operate for the entire comparable period, and a decrease of $5,967,000 generated by stations we owned or operated for the comparable period in 2018 (“same station”). The decrease in same station revenue was primarily the result of decreases in gross local revenue of $3,373,000, gross political revenue of $1,987,000 and gross national revenue of $1,321,000 from 2018 partially offset by an increase in gross non-spot revenue of $649,000 and a decrease in agency commissions of $645,000. The decrease in gross local revenue is due to decreases in our Brattleboro, Vermont; Champaign, Illinois; Charlottesville, Virginia; and Des Moines, Iowa markets. The decrease in gross political revenue was due to a lower number of national, state and local elections in our Bellingham, Washington; Columbus, Ohio; and Milwaukee, Wisconsin markets. The decrease in gross national revenue is due to decreases in our Champaign, Illinois; Charleston, South Carolina; Milwaukee, Wisconsin and Norfolk, Virginia markets. The increase in gross non-spot revenue is due to increases in our Champaign, Illinois; Columbus, Ohio; and Ithaca, New York markets. The decrease in agency commissions was due to lower local agency revenue.

Station operating expense was $92,692,000 for the year ended December 31, 2019, compared with $93,727,000 for the year ended December 31, 2018, a decrease of $1,035,000 or 1.1%. We had an increase of approximately $3,653,000 that was attributable to stations that we did not own or operate for the entire comparable period, and a decrease of approximately $4,688,000 generated by stations we owned or operated for the comparable period in 2018. The decrease is primarily attributable to a decrease in healthcare costs of $1,358,000, a decrease compensation related costs of $1,121,000, a decrease in local commission expense of $758,000, a decrease in amortization expenses of $402,000 related to intangible assets, a decrease of $267,000 in national rep commissions, a decrease in trade expense of $266,000 and a decrease of $201,000 in music license fees.

Operating income for the year ended December 31, 2019 was $18,808,000 compared to $19,682,000 for the year ended December 31, 2018, a decrease of $874,000 or 4.4%. The decrease was a result of the decrease in net operating revenue partially offset by the decrease in station operating expense, described above, an increase in our corporate general and administrative expenses of $101,000 or less than 1%, and an increase in other operating expense of $51,000 from 2018.

We generated net income of $13,279,000 ($2.23 per share on a fully diluted basis) during the year ended December 31, 2019, compared to $13,690,000 ($2.30 per share on a fully diluted basis) for the year ended December 31, 2018, a decrease of $411,000 or 3%. The decrease in net income is due to the decrease of operating income, described above, a decrease in interest income of $21,000, and a decrease in other income of $7,000 offset by a decrease in income taxes of $280,000 and a decrease in interest expense of $211,000. The decrease in interest expense is due to the decrease in our debt outstanding partially offset by an increase in our interest rates.

**Year Ended December 31, 2018 Compared to Year Ended December 31, 2017**

For the year ended December 31, 2018, consolidated net operating revenue was $124,829,000 compared with $118,149,000 for the year ended December 31, 2017, an increase of $6,680,000 or 5.7%. We had an increase of approximately $5,440,000 that was attributable to stations that we did not own or operate for the entire comparable period, and an increase of $1,240,000 generated by stations we owned or operated for the comparable period in 2017 ("same station"). The increase in same station revenue was primarily the result of increases in gross national revenue of $1,321,000, gross political revenue of $1,279,000, and gross non-spot revenue of $458,000 from 2017 partially offset by a decrease in gross local revenue of $1,811,000. The increase in gross national revenue is due to increases in our Champaign, Illinois; Manchester, New Hampshire; Milwaukee, Wisconsin and Norfolk, Virginia markets. The increase in gross political revenue was due to a higher number of national, state and local elections in most of our markets. The increase in gross non-spot revenue is due to increases in our Ithaca, New York and Yankton, South Dakota markets. The decrease in gross local revenue was due to decreases in our Champaign, Illinois; Des Moines, Iowa; Harrisonburg, Virginia; Jonesboro, Arkansas; Northampton, Massachusetts and Springfield, Massachusetts markets.

Station operating expense was $93,727,000 for the year ended December 31, 2018, compared with $87,759,000 for the year ended December 31, 2017, an increase of $5,968,000 or 6.8%. We had an increase of approximately $5,326,000 that was attributable to stations that we did not own or operate for the entire comparable period, and an increase of approximately $642,000 generated by stations we owned or operated for the comparable period in 2017. The increase is primarily attributable to an increase in healthcare costs of $365,000 and an increase in music licensing fees of $283,000 related to a credit we received in the third quarter of 2017 resulting from SESAC arbitration.

Operating income for the year ended December 31, 2018 was $19,682,000 compared to $17,229,000 for the year ended December 31, 2017, an increase of $2,453,000 or 14.2%. The increase was a result of the increase in net operating revenue partially offset by the increase in station operating expense, described above, a decrease in our corporate general and administrative expenses of $298,000 or 2.6%, an increase in other operating expense of $6,000 from 2017 and an impairment charge of $1,449,000 in 2017. The decrease in corporate expenses is due to a decrease in key man life insurance of $220,000, and a decrease of $100,000 in compensation costs.

Income from continuing operations, net of tax for the year ended December 31, 2018 was $13,690,000 compared to $22,246,000 for the year ended December 31, 2017, a decrease of $8,556,000 or 38.5%. The decrease in income from continuing operations, net of tax is primarily due to the income tax benefit of approximately $11.5 million in 2017 due to a decrease in the deferred tax rate for federal income tax from 35% to 21% as a result of the Tax Cuts and Jobs Act, partially offset by the increase in operating income in 2018, described above, an increase in interest expense of $43,000 due to an increase in our interest rates, an increase in interest income of $631,000 and an increase in other income of $23,000. See Note 7 of the financial statements for more information on the impact of the Tax Cuts and Jobs Act. The increase in interest income is attributable to an increase in interest and dividend income earned on cash and cash equivalents. The increase in other income is due to insurance proceeds resulting from damage to the roof of our building in our Bellingham, Washington market.

We generated net income of $13,690,000 ($2.30 per share on a fully diluted basis) during the year ended December 31, 2018, compared to $54,717,000 ($9.27 per share on a fully diluted basis) for the year ended December 31, 2017, a decrease of $41,027,000. This is a direct result of the decrease in income from continuing operations, net of tax of $8,556,000 and a decrease in income from discontinued operations, net of tax of $32,471,000 due to the sale of the television stations in September 2017 and the related gain recognized on the sale.

**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. In connection with the execution of the Credit Facility, the credit agreement in place at June 30, 2015 (the “Old Credit Agreement”) was terminated, and all outstanding amounts were paid in full. The Credit Facility consists of a $100 million five-year revolving facility (the “Revolving Credit Facility”) and initially matured on August 18, 2020. On June 27, 2018, we entered into a Second Amendment to our Credit Facility, 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.

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.

Interest rates under the Credit Facility are payable, at our option, at alternatives equal to LIBOR (1.75% at December 31, 2019), 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. Letter of credit issued under the Credit Facility will be subject to a participation fee (which is equal to the interest rates 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 December 31, 2019) 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 $5,000,000 from funds generated by operations to voluntarily pay down a portion of our Revolving Credit Facility.

On February 4, 2019, we used $5,000,000 from funds generated by operations to voluntarily pay down a portion of our Revolving Credit Facility and it is presented in current portion of long-term debt in our balance sheet at December 31, 2018.

On September 4, 2018, we used $5,000,000 from funds generated by operations to voluntarily pay down a portion of our Revolving Credit Facility.

We had approximately $60 million of unused borrowing capacity under the Revolving Credit Facility at December 31, 2019.

***Sources and Uses of Cash***

During the years ended December 31, 2019, 2018 and 2017, we had net cash flows from operating activities from continuing operations of $25,335,000, $25,559,000 and $23,912,000, respectively. We believe that cash flow from operations will be sufficient to meet quarterly debt service requirements for interest and scheduled payments of principal under the 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 December 31, 2019, we have repurchased 2.1 million shares of our Class A Common Stock for $56.5 million. During the year ended December 31, 2019, approximately 21,000 shares were repurchased for $606,000 under our stock buy-back program and 19,000 shares were retained for payment of withholding taxes for $566,000 related to the vesting of restricted stock.

Our capital expenditures, exclusive of acquisitions, for the year ended December 31, 2019 were $5,732,000 ($5,922,000 in 2018). We anticipate capital expenditures in 2020 to be approximately $5.0 million to $5.5 million, which we expect to finance through funds generated from operations.

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 using funds generated from operations. 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.

On October 29, 2018, the Company entered into an agreement to purchase WOGK-FM, WNDT-FM, WNDD-FM and WNDN-FM, from Ocala Broadcasting Corporation. The Company closed this transaction effective December 31, 2018 using funds generated from operations of $9.84 million, which included the purchase price of $9.3 million, the purchase of $566 thousand in accounts receivable by certain closing adjustments and transactional costs of approximately $25 thousand, of which $553 thousand was paid in January 2019.

On May 9, 2017 we entered into a definitive agreement to sell our Joplin, Missouri and Victoria, Texas television stations for approximately $66.6 million, subject to certain adjustments, to Evening Telegram Company d/b/a Morgan Murphy Media (the “Television Sale”). The Television Sale was completed on September 1, 2017 and the Company received net proceeds of $69.5 million which included the sales price of $66.6 million, the sales of accounts receivable of approximately $3.4 million, offset by certain closing adjustments and transactional costs of $500 thousand. The Company recognized a pretax gain of $50.8 million as a result of the Television Sale in the third quarter of 2017. The gain net of tax for the Television Sale was $29.9 million. Effective September 1, 2017, the Company used $24.2 million of the proceeds from the Television Sale to finance the acquisition of radio stations in South Carolina (as described in Note 10). On October 5, 2017 and November 3, 2017, the Company used $5,287,000 and $5,000,000, respectively of the proceeds from the Television Sale to pay down a portion of its Revolving Credit Facility (as defined and described in Note 5).

On May 9, 2017, the Company entered into an Asset Purchase Agreement with Apex Media Corporation and Pearce Development, LLC f/k/a Apex Real Property, LLC to purchase, for approximately $23 million (subject to certain purchase price adjustments) plus the right to air certain radio commercials, substantially all the assets related to the operation of the following radio stations principally serving the South Carolina area: WCKN (FM), WMXF(FM), WXST(FM), WAVF(FM), WSPO(AM), W261DG, W257BQ, WVSC(FM), WLHH(FM), WOEZ(FM), W256CB, W293BZ. The Company closed this transaction effective September 1, 2017, simultaneously with the closing of the Television Sale using funds generated from the Television Sale.

On January 16, 2017, we entered into an asset purchase agreement to purchase an FM radio station (WCVL) from WUVA, Incorporated, serving the Charlottesville, Virginia market for approximately $1,650,000. Simultaneously, we entered into a TBA to begin operating the station on February 1, 2017. We completed this acquisition on April 18, 2017. This acquisition was financed through funds generated from operations.

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, will be 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 and funded by cash on the Company's balance sheet.

On June 7, 2019, the Company used $5,000,000 from funds generated by operations to voluntarily pay down a portion of its Revolving Credit Facility.

On February 4, 2019, the Company used $5,000,000 from funds generated by operations to voluntarily pay down a portion of its Revolving Credit Facility and it is presented in current portion of long-term debt in our balance sheet at December 31, 2018.

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, 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**

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. The following table reflects a summary of our contractual cash obligations and other commercial commitments as of December 31, 2019:

| | Payments Due By Period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations:** | **Total** | **Less Than 1 Year** | **1 to 3 Years** | **4 to 5 Years** | **More Than 5 Years** |
| | | | **(In thousands)** | | |
| Long-Term Debt Obligations(1) | $ 10,000 | $ — | $ — | $ 10,000 | $ — |
| Interest Payments on Long-Term Debt(2) | 1,404 | 403 | 805 | 196 | — |
| Operating Leases | 8,193 | 1,689 | 3,091 | 1,909 | 1,504 |
| Purchase Obligations(3) | 33,137 | 13,750 | 11,340 | 6,611 | 1,436 |
| Other Long-Term Liabilities | — | — | — | — | — |
| Total Contractual Cash Obligations | $ 52,734 | $ 15,842 | $ 15,236 | $ 18,716 | $ 2,940 |

(1) Under our Credit Facility, the maturity on outstanding debt of $10 million could be accelerated if we do not maintain certain covenants. (See Note 5 of the Notes to Consolidated Financial Statements).

(2) Interest payments on the long-term debt are based on scheduled debt maturities and the interest rates are held constant over the remaining terms.

(3) Includes $21,721,000 in obligations under employment agreements and contracts with on-air personalities, other employees, and our President, CEO, and Chairman, Edward K. Christian.

We anticipate that the above contractual cash obligations will be financed through funds generated from operations or additional borrowings under our 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, including estimates related to the following:

**Revenue Recognition:** Revenue from the sale of commercial broadcast time to advertisers is recognized when commercials are broadcast. Revenue is reported net of advertising agency commissions. Agency commissions, when applicable, are based on a stated percentage applied to gross billing. All revenue is recognized in accordance with the Securities and Exchange Commission's ("SEC") Staff Accounting Bulletin ("SAB") No. 104, Topic 13, *Revenue Recognition Revised and Updated* and the Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*.

**Carrying Value of Accounts Receivable and Related Allowance for Doubtful Accounts:** We evaluate the collectability of our accounts receivable based on a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us (e.g., bankruptcy filings, credit history, etc.), we record a specific reserve for bad debts against amounts due to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize reserves for bad debts based on past loss history and the length of time the receivables are past due, ranging from 50% for amounts 90 days outstanding to 100% for amounts over 120 days outstanding. If our evaluations of the collectability of our accounts receivable differ from actual results, additional bad debt expense and allowances may be required. Our historical estimates have been a reliable method to estimate future allowances and our reserves have averaged approximately 2-4% of our outstanding receivables. The effect of an increase in our allowance of 1% of our outstanding receivables as of December 31, 2019, from 3.7% to 4.7% or from $671,000 to $845,000 would result in a decrease in net income of $128,000, net of taxes for the year ended December 31, 2019.

**Purchase Accounting:** We account for our acquisitions under the purchase method of accounting. The total cost of acquisitions is allocated to the underlying net assets, based on their respective estimated fair values as of the acquisition date. The excess of consideration paid over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair values of the net assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items.

**Broadcast Licenses and Goodwill:** As of December 31, 2019, we have recorded approximately $95,311,000 in broadcast licenses and $18,963,000 in goodwill, which represents 45.3% 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.

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

During the fourth quarter of 2017, we recognized a $1,449,000 impairment charge for broadcast licenses primarily due to a decline in available market revenue, market revenue share, profit margins and estimated long-term growth rates in our Springfield, Illinois market. There were no impairment indicators for goodwill. Please refer to Note 3 — 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 fourth quarter annual impairment test.

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 December 31, 2019, we would have recorded an additional broadcast license impairment of approximately $1.8 million; had the fair values of each of our broadcasting licenses been lower by 20% as of December 31, 2019, we would have recorded an additional broadcast license impairment of approximately $6.1 million; and had the fair value of our broadcasting licenses been lower by 30% as of December 31, 2019, we would have recorded an additional broadcast license impairment of approximately $12.4 million.

**Stock Based Compensation:** We use a Black-Scholes valuation model to estimate the fair value of stock option awards. Under the fair value method, stock based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the vesting period. Determining the fair value of share-based awards at grant date requires assumptions and judgments about expected volatility and forfeiture rates, among other factors. If actual results differ significantly from these assumptions, then stock based compensation expense may differ materially in the future from that previously recorded.

The fair value of restricted stock awards is determined based on the closing market price of the Company's Class A Common Stock on the grant date and is adjusted at each reporting date based on the amount of shares ultimately expected to vest. We had no stock options outstanding at December 31, 2019 or 2018.

**Litigation and Contingencies:** On an ongoing basis, we evaluate our exposure related to litigation and contingencies and record a liability when available information indicates that a liability is probable and estimable. We also disclose significant matters that are reasonably possible to result in a loss or are probable but not estimable.

**Market Risk and Risk Management Policies**

Our earnings are affected by changes in short-term interest rates as a result of our long-term debt arrangements. If market interest rates averaged 1% more in 2019 than they did during 2019, our interest expense would increase, and income before taxes would decrease by $126,000. These amounts are determined by considering the impact of the hypothetical interest rates on our borrowing cost. This analysis does not consider the effects of the reduced level of overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, management would likely take actions to further mitigate its exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our financial structure.

**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.

**Recent Accounting Pronouncements**

Recent accounting pronouncements are described in Note 1 to the accompanying financial statements.

**Item 7A.** ***Quantitative and Qualitative Disclosures About Market Risk.***

Information appearing under the caption "Market Risk and Risk Management Policies" in Item 7 is hereby incorporated by reference.

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

The financial statements attached hereto are filed as part of this annual report.

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

None.

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

**Evaluation of Disclosure Controls and Procedures**

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 (the "Exchange Act"). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures over financial reporting were effective to ensure that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act to be recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework as set forth in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

Based on our evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2019. Our internal control over financial reporting as of December 31, 2019 has been audited by UHY LLP, an independent registered public accounting firm, as stated in its report which appears below.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors Saga Communications, Inc.

**Opinion on Internal Control over Financial Reporting**

We have audited Saga Communications, Inc.'s (the Company's) internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Saga Communications, Inc. as of December 31, 2019 and 2018, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2019 and the related notes and financial statement schedule, and our report dated March 13, 2020 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

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

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

/s/ UHY LLP
Farmington Hills, Michigan
March 13, 2020

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

None.

**PART III**

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

The information required by this item is incorporated by reference to the information contained in our Proxy Statement for the 2020 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the Company's fiscal year. See also Item 1. Business — Executive Officers.

**Item 11.** ***Executive Compensation***

The information required by this item is incorporated by reference to the information contained in our Proxy Statement for the 2020 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the Company's fiscal year.

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

The information required by this item is incorporated by reference to the information contained in our Proxy Statement for the 2020 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the Company's fiscal year. In addition, the information contained in the "Securities Authorized for Issuance Under Equity Compensation Plan Information" subheading under Item 5 of this report is incorporated by reference herein.

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

The information required by this item is incorporated by reference to the information contained in our Proxy Statement for the 2020 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the Company's fiscal year.

**Item 14.** ***Principal Accountant Fees and Services***

The information required by this item is incorporated by reference to the information contained in our Proxy Statement for the 2020 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the Company's fiscal year.

## PART IV

**Item 15.** ***Exhibits and Financial Statement Schedules***

**(a)** ***1. Financial Statements***

The following consolidated financial statements attached hereto are filed as part of this annual report: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Consolidated Financial Statements:

— Consolidated Balance Sheets as of December 31, 2019 and 2018 50

— Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017 51

— Consolidated Statements of Stockholders' Equity for the years ended December 31, 2019, 2018 and 2017 52

— Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017 53

Notes to Consolidated Financial Statements 54


***2. Financial Statement Schedules***

Schedule II Valuation and Qualifying Accounts is disclosed in Note 1 to the Consolidated Financial Statements attached hereto and filed as part of this annual report. All other schedules for which provision are made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

***3. Exhibits***

The Exhibits filed in response to Item 601 of Regulation S-K are listed in the Exhibit Index, which is incorporated herein by reference.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Saga Communications, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Saga Communications, Inc. (the “Company”) as of December 31, 2019 and 2018, and the related consolidated statements of income, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement Schedule II, Valuation and Qualifying Accounts listed in the index at item 15(a)(2) (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Saga Communications, Inc. at December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 13, 2020 expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ UHY LLP

We have served as the Company’s auditor since 2015.

Farmington Hills, Michigan
March 13, 2020

**Saga Communications, Inc.**

**Consolidated Balance Sheets**
**(In thousands, except par value)**

| | December 31, | |
|---|---|---|
| | **2019** | **2018** |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 44,034 | $ 44,729 |
| Accounts receivable, less allowance of $671 ($759 in 2018) | 18,962 | 19,984 |
| Prepaid expenses and other current assets | 2,478 | 2,556 |
| Barter transactions | 1,246 | 1,326 |
| Total current assets | 66,720 | 68,595 |
| Net property and equipment | 58,711 | 59,103 |
| Other assets: | | |
| Broadcast licenses, net | 95,311 | 95,250 |
| Goodwill | 18,963 | 18,839 |
| Other intangibles, right of use assets, deferred costs and investments, net of accumulated amortization of $14,711 ($13,682 in 2018) | 12,689 | 6,690 |
| | $ 252,394 | $ 248,477 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | $ 2,117 | $ 2,613 |
| Accrued expenses: | | |
| Payroll and payroll taxes | 7,439 | 7,899 |
| Dividend payable | 1,797 | 3,274 |
| Other | 4,996 | 3,072 |
| Barter transactions | 1,152 | 1,307 |
| Current portion of long-term debt | — | 5,000 |
| Total current liabilities | 17,501 | 23,165 |
| Deferred income taxes | 25,152 | 23,732 |
| Long-term debt | 10,000 | 15,000 |
| Other liabilities | 7,389 | 1,581 |
| Total liabilities | 60,042 | 63,478 |
| Commitments and contingencies | — | — |
| Stockholders' equity: | | |
| Preferred stock, 1,500 shares authorized, none issued and outstanding Common stock: | — | — |
| Class A common stock, $.01 par value, 35,000 shares authorized, 6,771 issued (6,732 in 2018) | 68 | 67 |
| Class B common stock, $.01 par value, 3,500 shares authorized, 954 issued and outstanding (923 in 2018) | 9 | 9 |
| Additional paid-in capital | 66,811 | 64,795 |
| Retained earnings | 162,822 | 156,689 |
| Treasury stock (1,735 shares in 2019 and 1,703 in 2018, at cost) | (37,358) | (36,561) |
| Total stockholders' equity | 192,352 | 184,999 |
| | $ 252,394 | $ 248,477 |

See accompanying notes.

**Saga Communications, Inc.**

**Consolidated Statements of Income**

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (In thousands, except per share data) | | |
| Net operating revenue | $ 123,072 | $ 124,829 | $ 118,149 |
| Operating expenses: | | | |
| Station operating expense | 92,692 | 93,727 | 87,759 |
| Corporate general and administrative | 11,460 | 11,359 | 11,657 |
| Other operating expense, net | 112 | 61 | 55 |
| Impairment of intangible assets | — | — | 1,449 |
| | 104,264 | 105,147 | 100,920 |
| Operating income from continuing operations | 18,808 | 19,682 | 17,229 |
| Other (income) expenses: | | | |
| Interest expense | 735 | 946 | 903 |
| Interest income | (610) | (631) | — |
| Other income | (16) | (23) | — |
| Income from continuing operations before income taxes | 18,699 | 19,390 | 16,326 |
| Income tax provision: | | | |
| Current | 4,000 | 3,040 | 2,290 |
| Deferred | 1,420 | 2,660 | (8,210) |
| | 5,420 | 5,700 | (5,920) |
| Income from continuing operations, net of tax | 13,279 | 13,690 | 22,246 |
| Income from discontinued operations, net of tax | — | — | 32,471 |
| Net income | $ 13,279 | $ 13,690 | $ 54,717 |
| | | | |
| Basic earnings per share: | | | |
| From continuing operations | $ 2.23 | $ 2.30 | $ 3.77 |
| From discontinued operations | — | — | 5.50 |
| Basic earnings per share | $ 2.23 | $ 2.30 | $ 9.27 |
| Weighted average common shares | 5,834 | 5,829 | 5,803 |
| | | | |
| Diluted earnings per share: | | | |
| From continuing operations | $ 2.23 | $ 2.30 | $ 3.77 |
| From discontinued operations | — | — | 5.50 |
| Diluted earnings per share | $ 2.23 | $ 2.30 | $ 9.27 |
| Weighted average common and common equivalent shares | 5,834 | 5,829 | 5,807 |
| Dividends declared per share | $ 1.20 | $ 1.45 | $ 2.00 |

See accompanying notes.

## Saga Communications, Inc.

## Consolidated Statements of Stockholders' Equity
## Years ended December 31, 2019, 2018 and 2017

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-In Capital | Retained Earnings | Treasury Stock | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | |
| | (In thousands) | | | | | | | |
| Balance at January 1, 2017 | 6,638 | $ 66 | 878 | $ 8 | $ 59,557 | $ 108,733 | $ (33,382) | $ 134,982 |
| Net income | | | | | | 54,717 | | 54,717 |
| Conversion of shares from Class B to Class A | 17 | — | (17) | — | — | — | — | — |
| Issuance of restricted stock | 19 | — | 29 | 1 | (1) | — | — | — |
| Forfeiture of restricted stock | (1) | — | | — | — | — | — | — |
| Net proceeds from exercised options | 21 | 1 | 8 | — | 826 | — | (826) | 1 |
| Dividends declared per common share | — | — | — | — | — | (11,842) | — | (11,842) |
| Compensation expense related to restricted stock awards | — | — | — | — | 2,279 | — | — | 2,279 |
| Purchase of shares held in treasury | — | — | — | — | — | — | (946) | (946) |
| 401(k) plan contribution | — | — | — | — | 14 | — | 260 | 274 |
| Balance at December 31, 2017 | 6,694 | $ 67 | 898 | $ 9 | $ 62,675 | $ 151,608 | $ (34,894) | $ 179,465 |
| Net income | | | | | | 13,690 | | 13,690 |
| Conversion of shares from Class B to Class A | 12 | — | (12) | — | — | — | — | — |
| Issuance of restricted stock | 27 | — | 37 | — | — | — | — | — |
| Forfeiture of restricted stock | (1) | — | — | — | — | — | — | — |
| Dividends declared per common share | — | — | — | — | — | (8,609) | — | (8,609) |
| Compensation expense related to restricted stock awards | — | — | — | — | 2,201 | — | — | 2,201 |
| Purchase of shares held in treasury | — | — | — | — | — | — | (2,000) | (2,000) |
| 401(k) plan contribution | — | — | — | — | (81) | — | 333 | 252 |
| Balance at December 31, 2018 | 6,732 | $ 67 | 923 | $ 9 | $ 64,795 | $ 156,689 | $ (36,561) | $ 184,999 |
| Net income | | | | | | 13,279 | | 13,279 |
| Conversion of shares from Class B to Class A | 13 | — | (13) | — | — | — | — | — |
| Issuance of restricted stock | 29 | 1 | 44 | — | — | — | — | 1 |
| Forfeiture of restricted stock | (3) | — | — | — | — | — | — | — |
| Dividends declared per common share | — | — | — | — | — | (7,146) | — | (7,146) |
| Compensation expense related to restricted stock awards | — | — | — | — | 2,129 | — | — | 2,129 |
| Purchase of shares held in treasury | — | — | — | — | — | — | (1,172) | (1,172) |
| 401(k) plan contribution | — | — | — | — | (113) | — | 375 | 262 |
| Balance at December 31, 2019 | 6,771 | $ 68 | 954 | $ 9 | $ 66,811 | $ 162,822 | $ (37,358) | $ 192,352 |

See accompanying notes.

**Saga Communications, Inc.**

**Consolidated Statements of Cash Flows**

| | Years Ended December 31, | | |
|---|---|---|---|
| | **2019** | **2018** | **2017** |
| | | (In thousands) | |
| Cash flows from operating activities: | | | |
| Net income | $ 13,279 | $ 13,690 | $ 54,717 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Income from discontinued operations | — | — | (32,471) |
| Depreciation and amortization | 6,945 | 6,786 | 6,251 |
| Deferred income taxes | 1,420 | 2,660 | (8,210) |
| Impairment of intangible assets | — | — | 1,449 |
| Amortization of deferred costs | 103 | 51 | 53 |
| Compensation expense related to restricted stock awards | 2,129 | 2,201 | 2,279 |
| Loss on sale of assets | 112 | 61 | 55 |
| (Gain) on insurance claims | (16) | (23) | — |
| Barter revenue, net | (190) | 107 | (251) |
| Deferred and other compensation | (634) | 62 | (337) |
| Changes in assets and liabilities: | | | |
| Increase in receivables and prepaid expenses | (5,780) | (157) | (434) |
| Increase in accounts payable, accrued expenses, and other liabilities | 7,967 | 121 | 811 |
| Total adjustments | 12,056 | 11,869 | (30,805) |
| Net cash provided by continuing operating activities | 25,335 | 25,559 | 23,912 |
| Net cash provided by (used in) discontinued operating activities | — | — | (18,538) |
| Net cash provided by operating activities | 25,335 | 25,559 | 5,374 |
| Cash flows from investing activities: | | | |
| Acquisition of property and equipment | (5,732) | (5,922) | (6,246) |
| Proceeds from sale and disposal of assets | 270 | 318 | 419 |
| Acquisition of broadcast properties | (763) | (9,289) | (25,856) |
| Other investing activities | (10) | 17 | (5) |
| Net cash used in continuing investing activities | (6,235) | (14,876) | (31,688) |
| Net cash received provided by discontinued operations investing activities | — | — | 69,193 |
| Net cash (used in) received from investing activities | (6,235) | (14,876) | 37,505 |
| Cash flows from financing activities: | | | |
| Payments on long-term debt | (10,000) | (5,000) | (10,287) |
| Cash dividends paid | (8,623) | (11,864) | (5,313) |
| Payments for debt issuance costs | — | (120) | — |
| Purchase of shares held in treasury | (1,172) | (2,000) | (946) |
| Net cash used in financing activities | (19,795) | (18,984) | (16,546) |
| Net (decrease) increase in cash and cash equivalents | (695) | (8,301) | 26,333 |
| Cash and cash equivalents, beginning of year | 44,729 | 53,030 | 26,697 |
| Cash and cash equivalents, end of year | $ 44,034 | $ 44,729 | $ 53,030 |

See accompanying notes.

**Saga Communications, Inc.**

**Notes to Consolidated Financial Statements**

## 1. Summary of Significant Accounting Policies

### Nature of Business

Saga Communications, Inc. is a broadcasting company whose business is devoted to acquiring, developing and operating broadcast properties. As of December 31, 2019, we owned or operated seventy-nine FM, thirty-four AM radio stations and seventy-seven metro signals, serving twenty-seven markets throughout the United States. On September 1, 2017 the Company sold its Joplin, Missouri and Victoria, Texas television stations. The historical results of operations for the television stations are presented in the discontinued operations for all periods presented (see Note 4). As a result of the Company's television stations being reported as discontinued operations the Company only has one reportable segment at December 31, 2019, 2018 and 2017. Unless indicated otherwise, the information in the Notes to Consolidated Financial Statements relates to the Company's continuing operations.

### Principles of Consolidation

The consolidated financial statements include the accounts of Saga Communications, Inc. and our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

### Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. While we do not believe that the ultimate settlement of any amounts reported will materially affect our financial position or results of future operations, actual results may differ from estimates provided.

### Concentration of Risk

Certain cash deposits with financial institutions may at times exceed FDIC insurance limits.

Our top five markets when combined represented 39%, 41% and 41% of our net operating revenue for the years ended December 31, 2019, 2018 and 2017, respectively.

We sell advertising to local and national companies throughout the United States. We perform ongoing credit evaluations of our customers and generally do not require collateral. We maintain an allowance for doubtful accounts at a level which we believe is sufficient to cover potential credit losses.

### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and time deposits with original maturities of three months or less. We did not have any time deposits at December 31, 2019 and 2018.

### 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 December 31, 2019.

### Allowance for Doubtful Accounts

A provision for doubtful accounts is recorded based on our judgment of the collectability of receivables. Amounts are written off when determined to be fully uncollectible. Delinquent accounts are based on contractual terms. The activity in the allowance for doubtful accounts during the years ended December 31, 2019, 2018 and 2017 was as follows:

| Year Ended | Balance at Beginning of Period | Charged to Costs and Expenses | Allowance From Acquisitions | Write Off of Uncollectible Accounts, Net of Recoveries | Balance at End of Period |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| December 31, 2019 | $ 759 | $ 578 | $ — | $ (666) | $ 671 |
| December 31, 2018 | $ 727 | $ 444 | $ 25 | $ (437) | $ 759 |
| December 31, 2017 | $ 518 | $ 333 | $ 181 | $ (305) | $ 727 |

### Barter Transactions

Our radio and television stations trade air time for goods and services used principally for promotional, sales and other business activities. An asset and a liability are recorded at the fair market value of goods or services received. Barter revenue is recorded when commercials are broadcast, and barter expense is recorded when goods or services received are used.

### Property and Equipment

Property and equipment are carried at cost. Expenditures for maintenance and repairs are expensed as incurred. When property and equipment is sold or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts and the gain or loss realized on disposition is reflected in earnings. Depreciation is provided using the straight-line method based on the estimated useful life of the assets. We review our property and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows the assets are expected to generate. If the assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the assets exceeds its fair market value. We did not record any impairment of property and equipment during 2019, 2018 and 2017.

Property and equipment consisted of the following:

| | Estimated Useful Life | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| | | (In thousands) | |
| Land and land improvements | — | $ 14,693 | $ 14,402 |
| Buildings | 31.5 years | 37,984 | 35,812 |
| Towers and antennae | 7-15 years | 24,762 | 25,959 |
| Equipment | 3-15 years | 54,321 | 53,752 |
| Furniture, fixtures and leasehold improvements | 7-20 years | 7,169 | 6,740 |
| Vehicles | 5 years | 3,474 | 3,555 |
| | | 142,403 | 140,220 |
| Accumulated depreciation | | (83,692) | (81,117) |
| Net property and equipment | | $ 58,711 | $ 59,103 |

Depreciation expense for continuing operations for the years ended December 31, 2019, 2018 and 2017 was $5,916,000, $5,692,000 and $5,391,000, respectively. Depreciation expense for discontinued operations for the years ended December 31, 2019, 2018 and 2017 was $0, $0 and $445,000, respectively.

**Intangible Assets**

Intangible assets deemed to have indefinite useful lives, which include broadcast licenses and goodwill, are not amortized and are subject to impairment tests which are conducted as of October 1 of each year, or more frequently if impairment indicators arise.

We have 113 broadcast licenses serving 27 markets, which require renewal over the period of 2020-2028. In determining that the Company's broadcast licenses qualified as indefinite-lived intangible assets, management considered a variety of factors including our broadcast licenses may be renewed indefinitely at little cost; our broadcast licenses are essential to our business and we intend to renew our licenses indefinitely; we have never been denied the renewal of an FCC broadcast license nor do we believe that there will be any compelling challenge to the renewal of our broadcast licenses; and we do not believe that the technology used in broadcasting will be replaced by another technology in the foreseeable future.

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

**Deferred Costs**

The costs related to the issuance of debt are capitalized and amortized to interest expense over the life of the debt. As a result of the Second Amendment in 2018, the we 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. During the years ended December 31, 2019, 2018 and 2017, we recognized interest expense related to the amortization of debt issuance costs of $103,000, $51,000 and $53,000, respectively.

At December 31, 2019 and 2018 the net book value of debt issuance costs related to our line of credit was $104,000, and $207,000, respectively, and was presented in other intangibles, deferred costs and investments in our Consolidated Balance Sheets.

**Leases**

We determine whether a contract is or contains a lease at inception. The lease liabilities and right-of-use assets are recorded on the balance sheet for all leases with an expected term of at least one year, based on the present value of the lease payments using (1) the rate implicit in the lease or (2) our incremental borrowing rate ("IBR"). Our IBR is defined as the rate of interest we would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. We follow the accounting guidance for leases, which includes the recognition of lease expense for leases on a straight-line basis over the lease term. See Note 13 – Commitments and Contingencies for more information on Leases.

**Treasury Stock**

In March 2013, our board of directors authorized an increase in the amount committed to our Stock Buy-Back Program (the "Buy-Back Program") from $60 million to $75.8 million. The Buy-Back Program allows us to repurchase our Class A Common Stock. As of December 31, 2019, we had remaining authorization of $19.2 million for future repurchases of our Class A Common Stock.

Repurchases of shares of our Common Stock are recorded as Treasury stock and result in a reduction of Stockholders' equity. During 2019, 2018 and 2017, we acquired 39,505 shares at an average price of $29.68 per share, 53,713 shares at an average price of $37.24 per share and 37,141 shares at an average price of $47.72 per share, respectively.

**Revenue Recognition**

Revenue from the sale of commercial broadcast time to advertisers is recognized when commercials are broadcast. Revenue is reported net of advertising agency commissions. Agency commissions, when applicable are based on a stated percentage applied to gross billing. All revenue is recognized in accordance with the Securities and Exchange Commission's ("SEC") Staff Accounting Bulletin ("SAB") No. 104, Topic 13, *Revenue Recognition Revised and Updated* and The Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*.

**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 its own commercial advertising announcements during the time periods specified. Revenue and expenses related to TBAs/LMAs are included in the accompanying Consolidated Statements of Income. Assets and liabilities related to the TBAs/LMAs are included in the accompanying Consolidated Balance Sheets.

**Advertising and Promotion Costs**

Advertising and promotion costs are expensed as incurred. Such costs related to our continuing operations amounted to $2,442,000, $2,438,000 and $2,441,000 for the years ended December 31, 2019, 2018 and 2017, respectively. Advertising and promotion costs related to our discontinued operations amounted to $0, $0 and $240,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

**Income Taxes**

The provision for income taxes is calculated using the asset and liability method, under which deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets is primarily dependent upon the generation of future taxable income. 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.

**Dividends**

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 and funded by cash on the Company's balance sheet.

On November 28, 2018, the Company's Board of Directors declared a quarterly cash dividend of $0.30 per share and a special cash dividend of $0.25 per share on its Classes A and B shares. This dividend totaling approximately $3.3 million was paid on January 4, 2019 to shareholders of record on December 10, 2018 and funded by cash on the Company's balance sheet.

On August 14, 2018, 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 September 14, 2018 to shareholders of record on August 31, 2018 and funded by cash on the Company's balance sheet.

On May 15, 2018, 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 June 22, 2018 to shareholders of record on May 31, 2018 and funded by cash on the Company's balance sheet.

On February 28, 2018, the Company's Board of Directors declared a regular quarterly 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 30, 2018 to shareholders of record on March 12, 2018 and funded by cash on the Company's balance sheet.

On December 7, 2017, the Company's Board of Directors declared a quarterly cash dividend of $0.30 per share and a special cash dividend of $0.80 per share on its Classes A and B shares. This dividend totaling approximately $6.5 million was paid on January 5, 2018 to shareholders of record on December 18, 2017 and funded by cash on the Company's balance sheet.

On September 13, 2017, 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 13, 2017 to shareholders of record on September 25, 2017 and funded by cash on the Company's balance sheet.

On May 3, 2017, 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 June 9, 2017 to shareholders of record on May 22, 2017 and funded by cash on the Company's balance sheet.

On March 3, 2017, the Company's Board of Directors declared a regular quarterly 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 April 14, 2017 to shareholders of record on March 28, 2017 and funded by cash on the Company's balance sheet.

**Stock-Based Compensation**

Stock-based compensation cost for stock option awards is estimated on the date of grant using a Black-Scholes valuation model and is expensed on a straight-line method over the vesting period of the options. Stock-based compensation expense is recognized net of estimated forfeitures. The fair value of restricted stock awards is determined based on the closing market price of our Class A Common Stock on the grant date and is adjusted at each reporting date based on the amount of shares ultimately expected to vest. See Note 8 — Stock-Based Compensation for further details regarding the expense calculated under the fair value based method.

**Earnings Per Share**

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. We have participating securities related to restricted stock units, granted under our 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.

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

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (In thousands, except per share data) | | |
| Numerator: | | | |
| Income from continuing operations | $ 13,279 | $ 13,690 | $ 22,246 |
| Less: Income allocated to unvested participating securities | 292 | 256 | 370 |
| Income from continuing operations available to common stockholders | $ 12,987 | $ 13,434 | $ 21,876 |
| Income from discontinued operations | $ — | $ — | $ 32,471 |
| Less: Income allocated to unvested participating securities | — | — | 541 |
| Income from discontinued operations available to common stockholders | $ — | $ — | $ 31,930 |
| Net income available to common stockholders | $ 12,987 | $ 13,434 | $ 53,806 |
| Denominator: | | | |
| Denominator for basic earnings per share-weighted average shares | 5,834 | 5,829 | 5,803 |
| Effect of dilutive securities: | | | |
| Stock options | — | — | 4 |
| Denominator for diluted earnings per share — adjusted weighted-average shares and assumed conversions | 5,834 | 5,829 | 5,807 |
| Basic earnings per share: | | | |
| From continuing operations | $ 2.23 | $ 2.30 | $ 3.77 |
| From discontinued operations | — | — | 5.50 |
| Basic earnings per share | $ 2.23 | $ 2.30 | $ 9.27 |
| Diluted earnings per share | | | |
| From continuing operations | $ 2.23 | $ 2.30 | $ 3.77 |
| From discontinued operations | — | — | 5.50 |
| Diluted earnings per share | $ 2.23 | $ 2.30 | $ 9.27 |

There were no stock options outstanding that had an antidilutive effect on our earnings per share calculation for the years ended December 31, 2019, 2018, and 2017, respectively. The actual effect of these shares, if any, on the diluted earnings per share calculation will vary significantly depending on fluctuations in the stock price.

**Recent Accounting Pronouncements**

***Recently Adopted Accounting Pronouncements***

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *"Leases (Topic 842)"* ("ASU 2016-02") which requires that all leases with a term of more than one year, covering leased assets such as real estate, broadcasting towers and equipment, be reflected on the balance sheet as assets and liabilities for the rights and obligations created by these leases. ASU 2016-02 is effective for fiscal years and interim periods beginning after December 15, 2018. In 2018, the FASB issued several updates to address certain practical expedients, codification improvements, and targeted improvements to the original guidance. This standard and all updates (the "new lease standard") were adopted on January 1, 2019. We adopted the new lease standard using the modified retrospective method. Prior year financial statements were not recast under the new standard and, therefore, have not been reflected as such on our December 31, 2018 balance sheet. We elected the package of transition practical expedients, which allowed us to carryforward our historical assessment of (1) whether contracts are or contain leases, (2) lease classification, and (3) initial direct costs. We elected to not separate lease and non-lease components, for all leases. We also elected to make the accounting policy election for short-term leases resulting in lease payments being recorded as an expense on a straight-line basis over the lease term. As a result of the adoption of the new lease standard we recorded right of use assets and lease liabilities of approximately $6.7 million on January 1, 2019 on our condensed consolidated balance sheet. The adoption of the new lease standard had no impact on retained earnings and had no impact on the statement of cash flows. See Note 13 "Commitments and Contingencies" for additional information about this adoption.

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

In December 2019, the FASB issued ASU No. 2019-02, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" ("ASU 2019-12"), 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.

In January 2017, the FASB issued ASU 2017-04, "*Intangibles – Goodwill and Other (Topic 355)"* ("ASU 2017-04") which removes step 2 from the goodwill impairment test. Under the new guidance, if a reporting unit's carrying amount exceeds it 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. We are currently evaluating the impact of adopting this standard on our consolidated financial statements but do not expect there to be a material impact on those statements.

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. ASU 2016-13 is effective for fiscal years and interim periods beginning after December 15, 2019. We are currently evaluating the impact that this standard will have on our consolidated financial statements and do not expect a material impact on our financial statements.

## 2. Revenue

***Adoption of the new revenue standard***

We adopted Topic 606 on January 1, 2018, using the modified retrospective method with no impact on our financial statements. The cumulative effect of initially adopting the Topic 606 guidance had no impact on the opening balance of retained earnings as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606 revenue standard, while prior periods amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

***Disaggregation of Revenue***

The following table presents revenues disaggregated by revenue source:

| | Twelve Months Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (in thousands) | | |
| **Types of Revenue** | | | |
| Broadcast Advertising Revenue, net | $ 112,278 | $ 114,929 | $ 109,175 |
| Digital Advertising Revenue | 3,783 | 3,900 | 3,610 |
| Other Revenue | 7,011 | 6,000 | 5,364 |
| Net Revenue | $ 123,072 | $ 124,829 | $ 118,149 |

***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 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.

***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 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 Consolidated Financial Statements and are immaterial.

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

As the majority of our 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 contracts which have original expected durations of one year or less.

**3. Broadcast Licenses, 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 or television 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 in each of its reporting units (reportable segment) for impairment annually, or more frequently if certain circumstances are present. If the carrying amount of goodwill in a reporting unit is greater than the implied value of goodwill determined by completing a hypothetical purchase price allocation using estimated fair value of the reporting unit, the carrying amount of goodwill in that reporting unit is reduced to its implied value.

We utilize independent appraisals in testing FCC licenses for impairment when indicators of impairment are present.

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.

**Broadcast Licenses**

We have recorded the changes to broadcast licenses for the years ended December 31, 2019 and 2018 as follows:

| | Total (in thousands) |
|---|---|
| Balance at January 1, 2018 | $ 93,259 |
| Acquisitions | 1,991 |
| Balance at December 31, 2018 | $ 95,250 |
| Acquisitions | 61 |
| Balance at December 31, 2019 | $ 95,311 |

*2019 Impairment Test*

We completed our annual impairment test of broadcast licenses during the fourth quarter of 2019 and determined that the fair value of the broadcast licenses was greater than the carrying value recorded for each of our markets and, accordingly, no impairment was recorded.

The following table reflects certain key estimates and assumptions used in the impairment test in the fourth quarter of 2019, 2018 and 2017. The ranges for operating profit margin and market long-term revenue growth rates vary by market. In general, when comparing between 2019, 2018 and 2017: (1) the market specific operating profit margin range remained relatively consistent; (2) the market long-term revenue growth rates were relatively consistent; (3) the discount rate remained relatively consistent; and (4) current year revenues were 0.7% lower than previously projected for 2019.

| | Fourth Quarter 2019 | Fourth Quarter 2018 | Fourth Quarter 2017 |
|---|---|---|---|
| Discount rates | 12.2% - 12.2% | 12.0% - 12.0% | 12.4% - 12.5% |
| Operating profit margin ranges | 19.0% - 36.4% | 19.0% - 36.4% | 19.0% - 36.4% |
| Market long-term revenue growth rates | 0.0% - 2.9% | 0.5% - 2.9% | 1.1% - 3.5 % |

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.

*2018 Impairment Test*

During the fourth quarter of 2018, we completed our annual impairment test of broadcast licenses and determined that the fair value of the broadcast licenses was greater than the carrying value recorded for each of our markets and, accordingly, no impairment was recorded.

*2017 Impairment Test*

We completed our annual impairment test of broadcast licenses during the fourth quarter of 2017 and determined that the fair value of the broadcast licenses were less than the amount reflected in the balance sheet for one of the Company's radio markets, Springfield, Illinois, and recorded non-cash impairment charge of $1,449,000 to reduce the carrying value of these assets to the estimated fair market value. The reasons for the impairment to the broadcasting licenses recognized in the fourth quarter of 2017 were primarily due to declines in available market revenue, market revenue share, profit margins and estimated long-term growth rates in our Springfield, Illinois market.

**Goodwill**

During the fourth quarter of 2019, we performed our annual impairment test of goodwill in accordance with ASC 350 and determined under the first step that the fair value was in excess of its carrying value accordingly, no impairment was recorded.

We have recorded the changes to goodwill for each of the years ended December 31, 2019 and 2018 as follows:

| | Total (in thousands) |
|---|---|
| Balance at January 1, 2018 | $ 15,558 |
| Acquisitions | 3,281 |
| Balance at December 31, 2018 | $ 18,839 |
| Acquisitions | 124 |
| Balance at December 31, 2019 | $ 18,963 |

**Other Intangible Assets**

We have recorded amortizable intangible assets at December 31, 2019 as follows:

| | Gross Carrying Amount | Accumulated Amortization | Net Amount |
|---|---|---|---|
| | | (In thousands) | |
| Non-competition agreements | $ 3,861 | $ 3,861 | $ — |
| Favorable lease agreements | 5,965 | 5,539 | 426 |
| Customer relationships | 4,660 | 3,584 | 1,076 |
| Other intangibles | 1,834 | 1,727 | 107 |
| Total amortizable intangible assets | $ 16,320 | $ 14,711 | $ 1,609 |

We have recorded amortizable intangible assets at December 31, 2018 as follows:

| | Gross Carrying Amount | Accumulated Amortization | Net Amount |
|---|---|---|---|
| | | (In thousands) | |
| Non-competition agreements | $ 3,861 | $ 3,861 | $ — |
| Favorable lease agreements | 5,965 | 5,504 | 461 |
| Customer relationships | 4,660 | 2,634 | 2,026 |
| Other intangibles | 1,943 | 1,683 | 260 |
| Total amortizable intangible assets | $ 16,429 | $ 13,682 | $ 2,747 |

Aggregate amortization expense for these intangible assets for the years ended December 31, 2019, 2018 and 2017, was $1,029,000, $1,094,000 and $860,000, respectively. Our estimated annual amortization expense for the years ending December 31, 2020, 2021, 2022, 2023 and 2024 is $813,000, $387,000, $39,000, $35,000 and $33,000, respectively.

## 4. Discontinued Operations

On May 9, 2017 we entered into a definitive agreement to sell our Joplin, Missouri and Victoria, Texas television stations ("Television Sale") for approximately $66.6 million, subject to certain adjustments, to Evening Telegram Company d/b/a Morgan Murphy Media. The Television Sale was completed on September 1, 2017 and we received net proceeds of $69.5 million which included the sales price of $66.6 million, the sale of accounts receivable of approximately $3.4 million, offset by certain closing adjustments and transactional costs of $500 thousand. We recognized a pretax gain of $50.8 million as a result of the Television Sale in the third quarter of 2017. The gain net of tax for the Television Sale was $29.9 million. Effective September 1, 2017, we used $24.2 million of the proceeds from the Television Sale to finance the acquisition of radio stations in South Carolina, which included the purchase price of $23 million, the purchase of $1.3 million in accounts receivable offset by certain closing adjustments and transactional costs of approximately $50,000 (as described in Note 10). On October 5, 2017 and November 3, 2017, we used $5,287,000 and $5,000,000 respectively of the proceeds from the Television Sale to pay down a portion of its Revolving Credit Facility (as defined and described in Note 5).

In accordance with authoritative guidance we have reported the results of operations of the Joplin, Missouri and Victoria, Texas television stations as discontinued operations in the accompanying consolidated financial statements. For all previously reported periods, certain amounts in the consolidated financial statements have been reclassified. All of the assets and liabilities of the Joplin, Missouri and Victoria, Texas television stations have been classified as discontinued operations and the net results of operations have been reclassified from continuing operations to discontinued operations. These were previously included in our television segment.

The following table shows the components of the results from discontinued operations associated with the Television Sale as reflected in the Company's Consolidated Statements of Operations (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 [4] |
| Net operating revenue | $ — | $ — | $ 14,238 |
| Station operating expense [1] | — | — | 9,757 |
| Other operating (income) expense | — | — | 31 |
| Operating income | — | — | 4,450 |
| Interest expense [2] | — | — | 21 |
| Income before income taxes | — | — | 4,429 |
| Pretax gain on the disposal of discontinued operations | — | — | 50,842 |
| Total pretax gain on discontinued operations | — | — | 55,271 |
| Income tax expense [3] | — | — | 22,800 |
| Income from discontinued operations, net of tax | $ — | $ — | $ 32,471 |

(1) No depreciation expense was recorded by the Company beginning May 9, 2017, the date the Television segment assets' were held for sale.

(2) Interest expense related to the Surtsey debt that is guaranteed by the Television stations. Our affiliate repaid this loan when the television stations were sold on September 1, 2017.

(3) The effective tax rate on pretax income from discontinued operations was approximately 41%.

(4) Results of operations for the Television stations are reflected through August 31, 2017. The effective date of the sale was September 1, 2017.

The following table represents the components of the results from discontinued operations associated with the Television Sale as reflected in the Company's Consolidated Statements of Cash Flows (in thousands):

| | December 31, 2019 | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| **Cash paid during the period** | | | |
| Interest | $ — | $ — | $ 21 |
| Income taxes | — | — | 23,260 |
| **Significant operating non-cash items** | | | |
| Depreciation and amortization (1) | $ — | $ — | $ 445 |
| Broadcast program rights amortization | — | — | 418 |
| Barter revenue, net | — | — | 18 |
| Acquisition of property and equipment | — | — | — |
| Loss (gain) on sale of assets | — | — | 31 |
| Pretax gain on television sale | — | — | 50,842 |
| **Significant investing items** | | | |
| Acquisition of property and equipment | $ — | $ — | $ 335 |
| Proceeds from sale and disposal of assets | — | — | — |
| Net proceeds from sale of television stations (2) | — | — | 69,528 |
| Proceeds from insurance claim | — | — | — |

(1) No depreciation expense was recorded by the Company beginning May 9, 2017, the date the Television segment assets' were held for sale.

(2) Net proceeds from the sale of the television stations reflect the sales price of $66.6 million, the sale of accounts receivable of approximately $3.4 million, offset by certain closing adjustments and transactional costs of approximately $500 thousand.

## 5. Long-Term Debt

Long-term debt consisted of the following:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| | (In thousands) | |
| Credit Facility: | | |
| Revolving Credit Facility | $ 10,000 | $ 20,000 |
| Amounts payable within one year | — | (5,000) |
| | $ 10,000 | $ 15,000 |

Future maturities of long-term debt are as follows:

| Year Ending December 31, | Amount |
|---|---|
| | (In thousands) |
| 2020 | $ — |
| 2021 | — |
| 2022 | — |
| 2023 | 10,000 |
| 2024 | — |
| Thereafter | — |
| | $ 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. In connection with the execution of the Credit Facility, the credit agreement in place at June 30, 2015 (the "Old Credit Agreement") was terminated, and all outstanding amounts were paid in full. The Credit Facility consists of a $100 million five-year revolving facility (the "Revolving Credit Facility") and initially matured on August 18, 2020. On June 27, 2018, we entered into a Second Amendment to our Credit Facility, 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.

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, we 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.

Interest rates under the Credit Facility are payable, at our option, at alternatives equal to LIBOR (1.75% at December 31, 2019), 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. Letter of credit issued under the Credit Facility will be subject to a participation fee (which is equal to the interest rates 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 December 31, 2019) 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 $5,000,000 from funds generated by operations to voluntarily pay down a portion of our Revolving Credit Facility.

On February 4, 2019, we used $5,000,000 from funds generated by operations to voluntarily pay down a portion of our Revolving Credit Facility and it is presented in current portion of long-term debt in our balance sheet at December 31, 2018.

On September 4, 2018, we used $5,000,000 from funds generated by operations to voluntarily pay down a portion of our Revolving Credit Facility.

We had approximately $60 million of unused borrowing capacity under the Revolving Credit Facility at December 31, 2019.

## 6. Supplemental Cash Flow Information

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (In thousands) | | |
| Cash paid during the period for: | | | |
| Interest | $ 635 | $ 884 | $ 850 |
| Income taxes | $ 3,893 | $ 2,864 | $ 2,420 |
| Non-cash transactions: | | | |
| Barter revenue | $ 3,560 | $ 3,570 | $ 3,618 |
| Barter expense | $ 3,370 | $ 3,677 | $ 3,367 |
| Purchase of treasury shares in connection with exercise of stock options | $ — | $ — | $ 826 |
| Acquisition of property and equipment | $ 28 | $ 11 | $ 8 |
| Use of treasury shares for 401(k) match | $ 262 | $ 252 | $ 274 |

## 7. Income Taxes

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code, including, but not limited to, the following that impact us: (1) reducing the U.S. federal corporate income tax rate from 35 percent to 21 percent; (2) eliminating the corporate alternative minimum tax (“AMT”) and changing how existing AMT credits can be realized; (3) creating a new limitation on deductible interest expense; (4) repealing the domestic production activities deduction; (5) limiting the deductibility of certain executive compensation; and (6) limiting certain other deductions.

The SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides for a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting relating to the Tax Act under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company’s accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in its financial statements. If a company cannot determine a provisional estimate to be included in its financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

As a result of our initial analysis of the impact of the Tax Act, we recorded a provisional amount of net tax benefit of $11.5 million in 2017 related to the remeasurement of our deferred tax balance and other effects. We completed our accounting for the income tax effects of the Tax Act in 2018, and no material adjustments were required to the provisional amounts initially recorded.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows:

| | December 31, | |
|---|---|---|
| | 2019 | 2018 |
| | (In thousands) | |
| Deferred tax liabilities: | | |
| Property and equipment | $ 5,181 | $ 5,145 |
| Intangible assets | 20,765 | 19,324 |
| Prepaid expenses | 376 | 350 |
| Total deferred tax liabilities | 26,322 | 24,819 |
| Deferred tax assets: | | |
| Allowance for doubtful accounts | 64 | 118 |
| Compensation | 1,011 | 906 |
| Other accrued liabilities | 95 | 63 |
| | 1,170 | 1,087 |
| Less: valuation allowance | — | — |
| Total net deferred tax assets | 1,170 | 1,087 |
| Net deferred tax liabilities | $ 25,152 | $ 23,732 |
| Current portion of deferred tax assets | $ 388 | $ 303 |
| Non-current portion of deferred tax liabilities | (25,540) | (24,035) |
| Net deferred tax liabilities | $ (25,152) | $ (23,732) |

Deferred tax assets are required to be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. At December 31, 2019 and December 31, 2018, we do not have a valuation allowance for net deferred tax assets.

At December 31, 2019 and 2018, net deferred tax liabilities include a deferred tax asset of $ 1,170,000 and $1,087,000, respectively, relating to deferred compensation, stock-based compensation expense, accrued compensation, the allowance for doubtful accounts, and other accrued expenses.

The significant components of the provision for income taxes are as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (In thousands) | | |
| Current: | | | |
| Federal | $ 2,900 | $ 2,205 | $ 2,545 |
| State | 1,100 | 835 | (255) |
| Total current | 4,000 | 3,040 | 2,290 |
| Total deferred | 1,420 | 2,660 | (8,210) |
| Total Income Tax Provision | $ 5,420 | $ 5,700 | $ (5,920) |

In addition, we recognized a tax expense (benefit) of $0, $0, and ($100,000), as a result of stock option exercises for the difference between compensation expense for financial statement and income tax purposes for the years ended December 31, 2019, 2018 and 2017, respectively.

The reconciliation of income tax at the U.S. federal statutory tax rates to income tax expense (benefit) is as follows:

| | Years Ended December 31, | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| | (In thousands) | | |
| Tax expense at U.S. statutory rates | $ 3,976 | $ 4,017 | $ 5,716 |
| State tax expense (benefit), net of federal benefit | 1,079 | 1,134 | (769) |
| Other, net | 365 | 549 | 633 |
| Federal tax reform - deferred tax rate change | — | — | (11,500) |
| | $ 5,420 | $ 5,700 | $ (5,920) |

The 2019 and 2018 effective tax rates exceed the federal statutory rate primarily due to state income taxes. The 2017 effective tax rate differs from the federal statutory rate primarily due to the impacts of the Tax Act and state income tax benefit on 2017's earnings.

The Company files income taxes in the U.S. federal jurisdiction, and in various state and local jurisdictions. The Company is no longer subject to U.S. federal examinations by the Internal Revenue Service (IRS) for years prior to 2016. During the first quarter of 2015, the IRS commenced an examination of the Company's 2013 U.S. federal income tax return which was completed in the first quarter of 2016 and resulted in no changes to the return. The Company is subject to examination for income and non-income tax filings in various states.

As of December 31, 2019, and 2018 there were no accrued balances recorded related to uncertain tax positions.

We classify income tax-related interest and penalties that are related to income tax liabilities as a component of income tax expense. For the years ended December 31, 2019, 2018 and 2017, we had $2,100, $31,000, and $0, respectively, tax-related interest and penalties and had $0 accrued at December 31, 2019 and 2018.

## 8. 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 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

Our stock-based compensation expense is measured and recognized for all stock-based awards to employees using the estimated fair value of the award. Compensation expense is recognized over the period during which an employee is required to provide service in exchange for the award. For these awards, we have recognized compensation expense using a straight-line amortization method. Accounting guidance requires that stock-based compensation expense be based on awards that are ultimately expected to vest; therefore stock-based compensation has been adjusted for estimated forfeitures. When estimating forfeitures, we consider voluntary termination behaviors as well as trends of actual option forfeitures.

All stock options were fully vested and expensed at December 31, 2012, therefore there was no compensation expense related to stock options for the years ended December 31, 2019, 2018 and 2017. We calculated the fair value of each option award on the date of grant using the Black-Scholes option pricing model. The estimated expected volatility, expected term of options and estimated annual forfeiture rate were determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the time of grant.

The following summarizes the stock option transactions for the Second Restated 2005 Plan, and the 2003 Plan for the year ended December 31:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at January 1, 2017 | 29,035 | $ 28.47 | 0.4 | $ 633,834 |
| Granted | — | — | | |
| Exercised | (29,035) | 28.47 | | |
| Forfeited/canceled/expired | — | — | | |
| Outstanding at December 31, 2017 | — | $ — | — | $ — |
| Granted | — | — | | |
| Exercised | — | — | | |
| Forfeited/canceled/expired | — | — | | |
| Outstanding at December 31, 2018 | — | $ — | — | $ — |
| Granted | — | — | | |
| Exercised | — | — | | |
| Forfeited/canceled/expired | — | — | | |
| Outstanding at December 31, 2019 | — | $ — | — | $ — |
| Vested and Exercisable at December 31, 2019 | — | $ — | — | $ — |

The total intrinsic value of stock options exercised during the years ended December 31, 2019, 2018 and 2017 was $0, $0, and $664,321, respectively. Cash received from stock options exercised during the years ended December 31, 2019, 2018 and 2017 was $0, $0 and $354, respectively.

There were no options granted during 2019, 2018 and 2017 and there were no stock options outstanding as of December 31, 2019.

The following summarizes the restricted stock transactions for the year ended December 31:

| | Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Outstanding at January 1, 2017 | 103,262 | $ 43.73 |
| Granted | 48,780 | 44.20 |
| Vested | (54,598) | 42.13 |
| Forfeited/canceled/expired | (805) | 46.23 |
| Outstanding at December 31, 2017 | 96,639 | $ 44.85 |
| Granted | 63,811 | 37.37 |
| Vested | (49,493) | 43.98 |
| Forfeited/canceled/expired | (1,781) | 45.39 |
| Outstanding at December 31, 2018 | 109,176 | $ 40.87 |
| Granted | 72,985 | 31.18 |
| Vested | (51,021) | 42.66 |
| Forfeited/canceled/expired | (2,916) | 40.30 |
| Non-vested and outstanding at December 31, 2019 | 128,224 | $ 34.66 |
| Weighted average remaining contractual life (in years) | 2.2 | |

The weighted average grant date fair value of restricted stock that vested during 2019, 2018 and 2017 was $2,276,000, $2,385,000 and $2,300,000, respectively. The net value of unrecognized compensation cost related to unvested restricted stock awards aggregated $4,195,000, $4,166,000 and $4,063,000 at December 31, 2019, 2018 and 2017, respectively.

For the years ended December 31, 2019, 2018 and 2017 we had $2,129,000, $2,201,000 and $2,279,000, respectively, of total compensation expense related to restricted stock-based arrangements. The expense is included in corporate general and administrative expenses in our results of operations. The associated tax benefit recognized for the years ended December 31, 2019, 2018 and 2017 was $227,000, $251,000 and $912,000, respectively.

## 9. Employee Benefit Plans

### 401(k) Plan

We have a defined contribution pension plan ("401(k) Plan") that covers substantially all employees. Employees can elect to have a portion of their wages withheld and contributed to the plan. The 401(k) Plan also allows us to make a discretionary contribution. Total administrative expense under the 401(k) Plan was $2,400, $1,100 and $1,700 in 2019, 2018 and 2017, respectively. The Company's discretionary contribution to the plan was approximately $250,000, $265,000 and $255,000 for the years ended December 31, 2019, 2018 and 2017, respectively.

**Deferred Compensation Plan**

In 1999 we established a Nonqualified Deferred Compensation Plan which allows officers and certain management employees to annually elect to defer a portion of their compensation, on a pre-tax basis, until their retirement. The retirement benefit to be provided is based on the amount of compensation deferred and any earnings thereon. Deferred compensation expense for the years ended December 31, 2019, 2018 and 2017 was $135,000, $149,000 and $211,000, respectively. We invest in company-owned life insurance policies to assist in funding these programs. The cash surrender values of these policies are in a rabbi trust and are recorded as our assets.

**Split Dollar Officer Life Insurance**

We provide split dollar insurance benefits to certain executive officers and records an asset equal to the cumulative premiums paid on the related policies, as we will fully recover these premiums under the terms of the plan. We retain a collateral assignment of the cash surrender values and policy death benefits payable to insure recovery of these premiums.

## 10. 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 acquisition 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.

***2019 Acquisitions***

On January 9, 2019, we 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 our existing stations.

***2018 Acquisitions***

On October 29, 2018, we entered into an agreement to purchase WOGK-FM, WNDT-FM, WNDD-FM and WNDN-FM, from Ocala Broadcasting Corporation, LLC for an aggregate purchase price of $9.3 million, subject to certain purchase price adjustments. We closed this transaction effective December 31, 2018 using funds generated from operations of $9.84 million, which included the purchase price of $9.3 million, the purchase of $566 thousand in accounts receivable by certain closing adjustments and transactional costs of approximately $25 thousand, of which $553 thousand was paid in January 2019. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Ocala, Florida market as well as synergies and growth opportunities expected through the combination with our existing stations.

***Condensed Consolidated Balance Sheet of 2019 and 2018 Acquisitions:***

The following condensed balance sheets represent the estimated fair value assigned to the related assets and liabilities of the 2019 and 2018 acquisitions at their respective acquisition dates.

**Condensed Consolidated Balance Sheet of 2019 and 2018 Acquisitions**

| | Acquisitions in | |
|---|---|---|
| | **2019** | **2018** |
| | **(In thousands)** | |
| Assets Acquired: | | |
| Current assets | $ — | $ 559 |
| Property and equipment | 25 | 3,007 |
| Other assets: | | |
| Broadcast licenses | 61 | 1,991 |
| Goodwill | 124 | 3,281 |
| Other intangibles, deferred costs and investments | — | 1,123 |
| Total other assets | 185 | 6,395 |
| Total assets acquired | 210 | 9,961 |
| Liabilities Assumed: | | |
| Current liabilities | — | 120 |
| Total liabilities assumed | — | 120 |
| Net assets acquired | $ 210 | $ 9,841 |

***Pro Forma Results of Operations for Acquisitions (Unaudited)***

The following unaudited pro forma results of our operations for the years ended December 31, 2019 and 2018 assume the 2019 and 2018 acquisitions occurred as of January 1, 2018. The translators are start-up stations and therefore, have no pro forma revenue and expenses. The pro forma results give effect to certain adjustments, including depreciation, amortization of intangible assets, increased interest expense on acquisition debt and related income tax effects. The pro forma results have been prepared for comparative purposes only and do not purport to indicate the results of operations which would actually have occurred had the combinations been in effect on the dates indicated or which may occur in the future.

| | Years Ended December 31, | |
|---|---|---|
| | **2019** | **2018** |
| | **(In thousands, except per share data)** | |
| Pro forma Consolidated Results of Operations | | |
| Net operating revenue | $ 123,072 | $ 129,228 |
| Station operating expense | 92,692 | 97,314 |
| Corporate general and administrative | 11,460 | 11,359 |
| Other operating expenses | 112 | 61 |
| Operating income | 18,808 | 20,494 |
| Interest expense | 735 | 946 |
| Interest income | (610) | (631) |
| Other income | (16) | (23) |
| Income before income tax expense | 18,699 | 20,202 |
| Income tax expense (benefit) expense | 5,420 | 5,944 |
| Net income | $ 13,279 | $ 14,258 |
| | | |
| Basic earnings per share | $ 2.23 | $ 2.40 |
| Diluted earnings per share | $ 2.23 | $ 2.40 |

## 11. Related Party Transactions

### Principal Stockholder Employment Agreement

In June 2011, we entered into a new employment agreement with Edward K. Christian, Chairman, President and CEO, which became effective as of June 1, 2011, and replaces and supersedes his prior employment agreement. We entered into amendments to the agreement on February 12, 2016 (the "First Amendment") and February 26, 2019 (the "Second Amendment"). The First Amendment extended the term of the employment agreement to March 31, 2021. The First Amendment also states that on each anniversary of the effective date of the employment agreement, the Compensation committee shall determine in its discretion the amount of any annual increases (which shall not be less than the greater of 4 % or a defined cost of living increase). Mr. Christian may defer any or all of his annual salary. The Second Amendment extends the term of the employment agreement from March 31, 2021 to March 31, 2025 and also makes certain clarifying modifications to the employment agreement.

Under the agreement, Mr. Christian is eligible for discretionary and performance bonuses, stock options and/or stock grants in amounts determined by the Compensation Committee and will continue to participate in our benefit plan. We will maintain insurance policies, will furnish an automobile, will pay for an executive medical plan and will maintain an office for Mr. Christian at its principal executive offices and in Sarasota County, Florida. The First Amendment adds that we are authorized to pay for Mr. Christian's tax preparation services on an annual basis and that this amount will be subject to income tax as additional compensation. The agreement provides certain payments to Mr. Christian in the event of his disability, death or a change in control. Upon a change in control, Mr. Christian may terminate his employment. The agreement also provides generally that, upon a change in control, we will pay Mr. Christian an amount equal to 2.99 times the average of his total annual salary and bonuses for each of the three immediately preceding periods of twelve consecutive months, plus an additional amount for tax liabilities, related to the payment. For the three years ended December 31, 2019 Mr. Christian's average annual compensation, as defined by the employment agreement, was approximately $1,889,000.

In addition, if Mr. Christian's employment is terminated for any reason, other than for cause, we will continue to provide health insurance and medical reimbursement and maintain existing life insurance policies for a period of ten years, and the current split dollar life insurance policy shall be transferred to Mr. Christian and his wife, and we shall reimburse Mr. Christian for any tax consequences of such transfer. The agreement contains a covenant not to compete restricting Mr. Christian from competing with us in any of our markets if he voluntarily terminates his employment with us or is terminated for cause, for a three year period thereafter. The first amendment also entitles Mr. Christian to receive severance pay equal to 100% of his then base salary for 24 months payable in equal monthly installments and after the date upon which notice of termination is given, any unvested or time-vested stock options previously granted to Mr. Christian by us shall become immediately one hundred percent (100%) vested to the extent permitted by law.

On December 5, 2017, Mr. Christian agreed to defer approximately $100,000 of his 2018 salary which was paid 100% on January 4, 2019. On December 14, 2018, Mr. Christian agreed to defer approximately $100,000 of his 2019 salary to be paid 100% on January 3, 2020. On December 6, 2019, Mr. Christian agreed to defer approximately $100,000 of his 2020 salary to be paid 100% on January 15, 2021.

### Change in Control Agreements

In December 2007, Samuel D. Bush, Senior Vice President and Chief Financial Officer, Marcia K. Lobaito, Senior Vice President, Corporate Secretary and Director of Business Affairs, and Catherine Bobinski, Senior Vice President/Finance, Chief Accounting Officer and Corporate Controller, entered into Change in Control Agreements. In September 2018, Christopher S. Forgy, Senior Vice President of Operations entered into a Change in Control Agreement. A change in control is defined to mean the occurrence of (a) any person or group becoming the beneficial owner, directly or indirectly, of more than 30% of the combined voting power of the Company's then outstanding securities and Mr. Christian ceasing to be Chairman and CEO of the Company; (b) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which results in the voting securities of the Company outstanding immediately prior thereto continuing to represent more than 50% of the combined voting securities of the Company or such surviving entity; or (c) the approval of the stockholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of its assets.

If there is a change in control, the Company shall pay a lump sum payment within 45 days thereof of 1.5 times the average of the executive's last three full calendar years of such executive's base salary and any annual cash bonus paid. In the event that such payment constitutes a "parachute payment" within the meaning of Section 280G subject to an excise tax imposed by Section 4999 of the Internal Revenue Code, the Company shall pay the executive an additional amount so that the executive will receive the entire amount of the lump sum payment before deduction for federal, state and local income tax and payroll tax. In the event of a change in control (other than the approval of plan of liquidation), the Company or the surviving entity may require as a condition to receipt of payment that the executive continue in employment for a period of up to six months after consummation of the change in control. During such six months, executive will continue to earn his pre-existing salary and benefits. In such case, the executive shall be paid the lump sum payment upon completion of the continued employment. If, however, the executive fails to remain employed during this period of continued employment for any reason other than (a) termination without cause by the Company or the surviving entity, (b) death, (c) disability or (d) breach of the agreement by the Company or the surviving entity, then executive shall not be paid the lump sum payment. In addition, if the executive's employment is terminated by the Company without cause within six months prior to the consummation of a change in control, then the executive shall be paid the lump sum payment within 45 days of such change in control.

**Transactions with Affiliate and Other Related Party Transactions**

Until the Television Sale (discussed in Note 4) Surtsey Media, LLC ("Surtsey Media") owned the assets of television station KVCT in Victoria, Texas. Surtsey Media is a multi-media company 100%-owned by the daughter of Mr. Christian, our President, Chief Executive Officer and Chairman. We operated KVCT under a Time Brokerage Agreement ("TBA") with Surtsey Media which we entered into in May 1999. Under the FCC's ownership rules, we were prohibited from owning or having an attributable or cognizable interest in this station. In January 2012, the TBA was amended. Pursuant to the amendment, (i) the term was extended nine years commencing from June 1, 2013, with rights to extend for two additional eight year terms, (ii) we paid Surtsey Media an extension fee of $27,950 upon execution of the amendment, (iii) the monthly fees, payable to Surtsey Media were increased for each extension period, and (iv) we had an exclusive option, while the TBA was in effect, to purchase all of the assets of station KVCT, subject to certain conditions, based on a formula. Under the amended TBA, prior to the Television Sale, during 2017, we paid Surtsey Media fees of approximately $3,800 per month, plus accounting fees and reimbursement of expenses actually incurred in operating the station. The TBA was terminated at the time of the completion of the Television Sale of September 1, 2017.

In March 2003, we entered into an agreement of understanding with Surtsey Media whereby we had guaranteed up to $1,250,000 of the debt incurred, in Surtsey Media closing the acquisition of a construction permit for KFJX-TV station in Pittsburg, Kansas, a full power Fox affiliate serving Joplin, Missouri. In consideration for the guarantee, Surtsey Media entered into various agreements with us relating to the station, including a Shared Services Agreement, Technical Services Agreement, and Agreement for the Sale of Commercial Time and Broker Agreement (the "Station Agreements"). The station went on the air for the first time on October 18, 2003. Under the FCC's ownership rules we were prohibited from owning or having an attributable or cognizable interest in this station. In January 2012, the Station Agreements were amended. Pursuant to the amendment, (i) the Broker Agreement and the Technical Services Agreement were terminated, (ii) the terms of the continuing Station Agreements were extended nine years commencing from June 1, 2013 , with rights to extend for two additional eight year terms, (iii) we paid Surtsey Media $37,050 upon execution of the amendment, (iv) the monthly fees payable to Surtsey Media were increased for each extension period, and (v) we had an exclusive option, while the Agreement for the Sale of Commercial Time and Shared Services Agreement were in effect, to purchase all of the assets of Station KFJX subject to certain conditions, based on a formula, together with a payment of $1.2 million. Under the amended Station Agreements, prior to the Television Sale, during 2017 we paid fees of approximately $5,200, per month, plus accounting fees and reimbursement of expenses actually incurred in operating the station. We generally prepaid Surtsey quarterly for its estimated expenses. As part of completion of the Television Sale, the debt we guaranteed was paid in full and the amended Station Agreements were terminated.

Surtsey Productions, Inc., the parent company of Surtsey Media, leased office space in a building owned by us, and paid us rent of $3,000 during the first eight months of the year ended December 31, 2017 prior to the Television Sale.

Saga Quad States, our fully owned subsidiary, completed the acquisition from Apex Media Corporation, a South Carolina corporation ("AMC"), and Pearce Development, LLC f/k/a Apex Real Property, LLC, a South Carolina limited liability company ("ARP" and together with AMC, "Seller"), of substantially all of Seller's assets related to the operation of certain radio and translator stations, upon the satisfaction of certain closing conditions described in the Asset Purchase Agreement dated May 9, 2017 (the "Apex Agreement") by and among Seller, Saga Quad States, and, solely in his role as guarantor under the Apex Agreement, G. Dean Pearce, as further described in the Form 8-K filed by Saga on May 10, 2017. Mr. Pearce is President of AMC and ARP, and currently serves on the Board of Directors of Saga. The purchase price under the Apex Agreement was $23,000,000, subject to certain purchase price adjustments, payable in cash. The purchase price was determined through arm's-length negotiations, and was approved by the Saga Board, and Finance and Audit Committee, in accordance with the requirements of Saga's Corporate Governance Guidelines for the review of related party transactions. In connection with this agreement, we received 500 hours of service from New Pointe Systems, a subsidiary of Pearce Development and have agreed to provide 1,000, 30 second, spots of airtime to Pearce Development. As of December 31, 2019, we have used the hours of service from New Pointe Systems, and we have approximately 1,000, 30 second spots left to provide to Pearce Development. During 2019, 2018 and 2017, we also paid approximately $4,400, $4,100 and $3,300 rent per month, respectively to Pearce Development for our Hilton Head studio and office space beginning September 1, 2017.

Effective June 19, 2019, we employed Eric Christian, son of Edward K. Christian, our President, CEO and Chairman, as our Director of Solution Architecture. The Audit Committee approved the employment of Mr. Christian.

## 12. Common Stock

*Dividends.* Stockholders are entitled to receive such dividends as may be declared by our Board of Directors out of funds legally available for such purpose. However, no dividend may be declared or paid in cash or property on any share of any class of Common Stock unless simultaneously the same dividend is declared or paid on each share of the other class of common stock. In the case of any stock dividend, holders of Class A Common Stock are entitled to receive the same percentage dividend (payable in shares of Class A Common Stock) as the holders of Class B Common Stock receive (payable in shares of Class B Common Stock).

*Voting Rights.* Holders of shares of Common Stock vote as a single class on all matters submitted to a vote of the stockholders, with each share of Class A Common Stock entitled to one vote and each share of Class B Common Stock entitled to ten votes, except (i) in the election for directors, (ii) with respect to any “going private” transaction between the Company and the principal stockholder, and (iii) as otherwise provided by law.

In the election of directors, the holders of Class A Common Stock, voting as a separate class, are entitled to elect twenty-five percent, or two, of our directors. The holders of the Common Stock, voting as a single class with each share of Class A Common Stock entitled to one vote and each share of Class B Common Stock entitled to ten votes, are entitled to elect the remaining directors. The Board of Directors consisted of seven members at December 31, 2019. Holders of Common Stock are not entitled to cumulative voting in the election of directors.

The holders of the Common Stock vote as a single class with respect to any proposed “going private” transaction with the principal stockholder or an affiliate of the principal stockholder, with each share of each class of Common Stock entitled to one vote per share.

Under Delaware law, the affirmative vote of the holders of a majority of the outstanding shares of any class of common stock is required to approve, among other things, a change in the designations, preferences and limitations of the shares of such class of common stock.

*Liquidation Rights.* Upon our liquidation, dissolution, or winding-up, the holders of Class A Common Stock are entitled to share ratably with the holders of Class B Common Stock in accordance with the number of shares held in all assets available for distribution after payment in full of creditors.

In any merger, consolidation, or business combination, the consideration to be received per share by the holders of Class A Common Stock and Class B Common Stock must be identical for each class of stock, except that in any such transaction in which shares of common stock are to be distributed, such shares may differ as to voting rights to the extent that voting rights now differ among the Class A Common Stock and the Class B Common Stock.

*Other Provisions.* Each share of Class B Common Stock is convertible, at the option of its holder, into one share of Class A Common Stock at any time. One share of Class B Common Stock converts automatically into one share of Class A Common Stock upon its sale or other transfer to a party unaffiliated with the principal stockholder or, in the event of a transfer to an affiliated party, upon the death of the transferor.

## 13. Commitments and Contingencies

### 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 December 31, 2019, 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 $6.9 million and $7.0 million at December 31, 2019, respectively. Payments on lease liabilities during the year ended December 31, 2019 totaled $1,682,000.

Lease expense includes cost for leases with terms in excess of one year. For the years ended December 31, 2019, 2018 and 2017, our total lease expense was $1,801,000, $1,603,000 and $1,558,000, 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 December 31, 2019 (in thousands):

| **Years Ending December 31,** | |
|---|---|
| 2020 | $ 1,689 |
| 2021 | 1,635 |
| 2022 | 1,456 |
| 2023 | 1,122 |
| 2024 | 787 |
| Thereafter | 1,504 |
| Total lease payments *(a)* | 8,193 |
| Less: Interest *(b)* | 1,196 |
| Present value of lease liabilities *(c)* | $ 6,997 |

*(a) 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 commenced at December 31, 2019.*

*(b) 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 commencement date.*

*(c) 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 December 31, 2019.*

**Performance Fees**

We incur fees from performing rights organizations (“PRO”) to license our public performance of the musical works contained in each PRO’s repertory. The Radio Music Licensing Committee, of which we are a represented participant, (1) entered into an industry-wide settlement with American Society of Composers, Authors and Publishers that was effective January 1, 2017 for a five-year term; (2) is currently seeking reasonable industry-wide fees from Broadcast Music, Inc. effective January 1, 2017; (3) reached an agreement with the Society of European Stage Authors and Composers that is retroactive to January 1, 2016; and (4) filed in November 2016 a motion in the U.S. District Court in Pennsylvania against Global Music Rights (“GMR”) arguing that GMR is a monopoly demanding monopoly prices and asking the Court to subject GMR to an antitrust consent decree. In January 2017, we obtained an interim license from GMR for fees effective January 1, 2017 to avoid any infringement claims by GMR for using GMR’s repertory without a license.

**Contingencies**

In 2003, in connection with our acquisition of one FM radio station, WJZK-FM serving the Columbus, Ohio market, we entered into an agreement whereby we would pay the seller up to an additional $1,000,000 if we obtain approval from the FCC for a city of license change.

## 14. Fair Value Measurements

As defined in ASC Topic 820, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs in which there is little or no market data available, which requires management to develop its own assumptions in pricing the asset or liability.

Our assets and liabilities disclosed at fair value are summarized below ($000's omitted):

| Financial Instrument | Fair Value Hierarchy | Fair Value December 31, 2019 | Fair Value December 31, 2018 |
|---|---|---|---|
| Cash and cash equivalents | Level 1 | $ 44,034 | $ 44,729 |
| Revolving Credit Facility | Level 2 | 10,000 | 20,000 |

Our financial instruments are comprised of cash and cash equivalents, and long-term debt. The carrying value of cash and cash equivalents approximate fair value due to their short maturities. The fair value of cash and cash equivalents is derived from quoted market prices and are considered a level 1. Interest on the Credit Facility is at a variable rate, and as such the debt obligation outstanding approximates fair value and is considered a level 2.

### Non-Recurring Fair Value Measurements

We have certain assets that are measured at fair value on a non-recurring basis under the circumstances and events described in Note 3 — Broadcast Licenses, Goodwill and Other Intangibles, and are adjusted to fair value only when the carrying values are more than the fair values.

During the fourth quarter of 2019, we reviewed the fair value of the assets that are measured at fair value on a non-recurring basis and concluded that these assets were not impaired as the fair value of these assets equaled or exceeded their carrying values.

During the fourth quarter of 2018, we reviewed the fair value of the assets that are measured at fair value on a non-recurring basis and concluded that these assets were not impaired as the fair value of these assets equaled or exceeded their carrying values.

During the fourth quarter of 2017, as a result of our annual impairment test, we wrote down broadcast licenses with a carrying value of $3,649,000 to their fair value of $2,200,000, resulting in a non-cash impairment charge of $1,449,000, which is included in net income for the year ended December 31, 2017. The categorization of the framework used to price the assets is considered a level 3, due to the subjective nature of the unobservable inputs used to determine the fair value. (See Note 2 for the disclosure of certain key assumptions used to develop the unobservable inputs.)

## 15. Quarterly Results of Operations (Unaudited)

| | March 31, | | June 30, | | September 30, | | December 31, | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | (In thousands, except per share data) | | | | | | | |
| Net operating revenue | $ 27,816 | $ 28,009 | $ 32,191 | $ 32,234 | $ 31,274 | $ 31,648 | $ 31,791 | $ 32,938 |
| Station operating expenses | 23,163 | 23,397 | 22,879 | 23,140 | 23,600 | 23,429 | 23,050 | 23,761 |
| Corporate G&A | 2,685 | 2,544 | 2,706 | 2,848 | 2,788 | 2,813 | 3,281 | 3,154 |
| Other operating expense (income), net | 3 | (251) | (2) | 213 | 85 | 85 | 26 | 14 |
| Operating income | 1,965 | 2,319 | 6,608 | 6,033 | 4,801 | 5,321 | 5,434 | 6,009 |
| Other (income) expenses: | | | | | | | | |
| Interest expense | 208 | 219 | 184 | 255 | 180 | 243 | 163 | 229 |
| Interest (income) | (163) | (89) | (160) | (188) | (162) | (167) | (125) | (187) |
| Other (income) expense | — | — | — | — | (11) | (25) | (5) | 2 |
| Income before income taxes | 1,920 | 2,189 | 6,584 | 5,966 | 4,794 | 5,270 | 5,401 | 5,965 |
| Income tax provision | 550 | 660 | 1,850 | 1,795 | 1,460 | 1,575 | 1,560 | 1,670 |
| Net income | $ 1,370 | $ 1,529 | $ 4,734 | $ 4,171 | $ 3,334 | $ 3,695 | $ 3,841 | $ 4,295 |
| Basic earnings per share | $ 0.23 | $ 0.26 | $ 0.80 | $ 0.70 | $ 0.56 | $ 0.62 | $ 0.64 | $ 0.72 |
| Weighted average common shares | 5,841 | 5,842 | 5,844 | 5,834 | 5,834 | 5,822 | 5,817 | 5,820 |
| Diluted earnings per share | $ 0.23 | $ 0.26 | $ 0.80 | $ 0.70 | $ 0.56 | $ 0.62 | $ 0.64 | $ 0.72 |
| Weighted average common and common equivalent shares | 5,841 | 5,842 | 5,844 | 5,834 | 5,834 | 5,822 | 5,817 | 5,820 |

### 16. 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.

### 17. Subsequent Events

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, will be paid on April 10, 2020 to shareholders of record on March 16, 2020.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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, on March 13, 2020.

SAGA COMMUNICATIONS, INC.

By: /s/ Edward K. Christian
Edward K. Christian
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 13, 2020.

| Signatures | |
|---|---|
| /s/ Edward K. Christian<br>Edward K. Christian | President, Chief Executive Officer and Chairman of the Board |
| /s/ Samuel D. Bush<br>Samuel D. Bush | Senior Vice President, Chief Financial Officer and Treasurer |
| /s/ Catherine A. Bobinski<br>Catherine A. Bobinski | Senior Vice President/Finance, Chief Accounting Officer and Corporate Controller |
| /s/ Clarke R. Brown, Jr.<br>Clarke R. Brown, Jr. | Director |
| /s/ Timothy J. Clarke<br>Timothy J. Clarke | Director |
| /s/ Roy F. Coppedge III<br>Roy F. Coppedge | Director |
| /s/ G. Dean Pearce<br>G. Dean Pearce | Director |
| /s/ Warren Lada<br>Warren Lada | Director |
| /s/ Gary G. Stevens<br>Gary G. Stevens | Director |

**EXHIBIT INDEX**

| Exhibit No. | | Description |
|---|---|---|
| 3(a) | 3 | Second Restated Certificate of Incorporation, restated as of December 12, 2003. |
| 3(b) | 6 | Certificate of Amendment to the Second Restated Certificate of Incorporation. |
| 3(c) | 4 | Bylaws, as amended May 23, 2007. |
| 4(a) | * | Description of the Company's Securities |
| 10(a) | 1 | Summary of Executive Insured Medical Reimbursement Plan. |
| 10(b) | 2 | Saga Communications, Inc. 2003 Employee Stock Option Plan. |
| 10(c) | 7 | Chief Executive Officer Annual Incentive Plan. |
| 10(d) | 9 | Second Amended and Restated Saga Communications, Inc. 2005 Incentive Compensation Plan |
| 10(e) | 10 | Form of Stock Option Agreement under the Second Amended and Restated Saga Communications, Inc. 2005 Incentive Compensation Plan. |
| 10(f) | 10 | Form of Restricted Stock Option Agreement under the Second Amended and Restated Saga Communications, Inc. 2005 Incentive Compensation Plan. |
| 10(g) | 8 | Employment Agreement of Edward K. Christian dated as of June 17, 2011. |
| 10(h) | 5 | Change in Control Agreement of Samuel D. Bush dated as of December 28, 2007. |
| 10(i) | 5 | Change in Control Agreement of Warren S. Lada dated as of December 28, 2007. |
| 10(j) | 5 | Change in Control Agreement of Marcia K. Lobaito dated as of December 28, 2007. |
| 10(k) | 13 | Change in Control Agreement of Catherine A. Bobinski dated as of December 28, 2007. |
| 10(l) | 12 | Amendment to Employment Agreement of Edward K. Christian dated as of February 12, 2016. |
| 10(m) | 11 | Credit Agreement dated August 18, 2015 entered into between the Company and JPMorgan Chase Bank, N.A., The Huntington National Bank and Citizens Bank. |
| 10(n) | 14 | Asset Purchase Agreement by and among Saga Broadcasting, LLC, Saga Quad States Communications, LLC, Saga Communications, Inc. and Evening Telegram Company d/b/a Morgan Murphy Media, dated May 9, 2017. |
| 10(o) | 14 | Asset Purchase Agreement by and among Apex Media Corporation, Pearce Development, LLC f/k/a Apex Real Property, LLC, Saga Quad States Communications, LLC and G. Dean Pearce, dated May 9, 2017. |
| 10(p) | 15 | Amendment to the Second Amendment and Restated Saga Communications, Inc. 2005 Incentive Compensation Plan as of April 16, 2018. |
| 10(q) | 16 | First Amendment to Credit Agreement dated September 1, 2017 entered into between the Company and JPMorgan Chase Bank, N.A., The Huntington National Bank and Citizens Bank. |
| 10(r) | 16 | Letter of Employment for Christopher S. Forgy, Senior Vice President / Operations effective May 28, 2018. |
| 10(s) | 17 | Second Amendment to Credit Agreement dated June 27, 2018 entered into between the Company and JPMorgan Chase Bank, N.A., The Huntington National Bank and Citizens Bank. |
| 10(t) | 18 | Change in Control Agreement of Christopher Forgy dated as of September 28, 2018. |
| 10(u) | 19 | Amendment to Employment Agreement of Edward K. Christian dated as of February 26, 2019. |
| 21 | * | Subsidiaries. |
| 23 | * | Consent of UHY LLP. |
| 31.1 | * | Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | * | Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 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 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | * | XBRL Instance Document |
| 101.SCH | * | XBRL Taxonomy Extension Schema Document |
| 101.CAL | * | XBRL Taxonomy Calculation Linkbase Document |
| 101.DEF | * | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | * | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | * | XBRL Taxonomy Extension Presentation Linkbase Document |

* Filed herewith.

1 Exhibit filed with Company's Form 10-K for the year ended December 31, 1998 and incorporated by reference herein.

2 Exhibit filed with the Company's Registration Statement on From 8-A (File No. 333-107686) filed on August 5, 2003 and incorporated by reference herein.

3 Exhibit filed with the Company's Registration Statement on Form 8-A (File No. 001-11588) filed on January 6, 2004 and incorporated by reference herein.

4 Exhibit filed with the Company's Form 10-K for the year ended December 31, 2007 and incorporated by reference herein.

5 Exhibit filed with the Company's Form 8-K filed on January 4, 2008 and incorporated by reference herein.

6 Exhibit filed with the Company's Form 8-K filed on January 29, 2009 and incorporated by reference herein.

7 Exhibit filed with the Company's Proxy Statement for the 2010 Annual Meeting of Stockholders and incorporated by reference herein.

8 Exhibit filed with the Company's Form 10-Q for the quarter ended June 30, 2011 and incorporated by reference herein.

9 Exhibit filed as Appendix A to the Company's Consent Solicitation (File No. 001-11588) filed on September 17, 2013 and incorporated by reference herein.

10 Exhibit filed with the Company's Form 8-K filed on October 16, 2013 and incorporated by reference herein.

11 Exhibit filed with the Company's Form 8-K filed on August 18, 2015 and incorporated by reference herein.

12 Exhibit filed with the Company's Form 8-K filed on February 17, 2016 and incorporated by reference herein.

13 Exhibit filed with the Company's Form 10-K for the year ended December 31, 2015 and incorporated by reference herein.

14 Exhibit filed with the Company's Form 8-K filed on May 10, 2017 and incorporated by reference herein.

15 Exhibit filed as Appendix A to the Corporation's Definitive Proxy Statement (File No. 001-11588) filed on April 16, 2018 and incorporated by reference herein.

16 Exhibit filed with the Company's Form 10-Q for the quarter ended June 30, 2018 and incorporated by reference herein.

17 Exhibit filed with the Company's Form 8-K filed on June 27, 2018 and incorporated by reference herein.

18 Exhibit filed with the Company's Form 8-K filed on September 28, 2018 and incorporated by reference herein.

19 Exhibit filed with the Company's Form 8-K filed on March 1, 2019 and incorporated by reference herein.

**EXHIBIT 4(a)**

## DESCRIPTION OF THE COMPANY'S SECURITIES

*General*

The following is a summary of information concerning our capital stock. It is subject to, and qualified in its entirety by reference to, our Second Restated Certificate of Incorporation, restated as of December 12, 2003, and our Bylaws, as amended May 23, 2007, each of which are incorporated by reference as an exhibit to our Annual Report on Form 10-K of which this Exhibit 4(a) is a part.

*Authorized Shares*

We are authorized to issue a total of 40,000,000 shares of capital stock, consisting of (i) 35,000,000 shares of Class A Common Stock, par value $.01 per share (the "Class A Common Stock"), (ii) 3,500,000 shares of Class B Common Stock, par value $.01 per share (the "Class B Common Stock" and, together with the Class A Shares, the "Common Stock"), and (iii) 1,500,000 shares of Preferred Stock, par value $.01 per share (the "Preferred Stock"). The outstanding Common Stock is fully paid and non-assessable. We have no Preferred Stock outstanding.

*Dividends*

Stockholders are entitled to receive such dividends as may be declared by our Board of Directors out of funds legally available for such purpose. However, no dividend may be declared or paid in cash or property on any share of any class of Common Stock unless simultaneously the same dividend is declared or paid on each share of the other class of common stock. In the case of any stock dividend, holders of Class A Common Stock are entitled to receive the same percentage dividend (payable in shares of Class A Common Stock) as the holders of Class B Common Stock receive (payable in shares of Class B Common Stock).

*Voting Rights*

Holders of shares of Common Stock vote as a single class on all matters submitted to a vote of the stockholders, with each share of Class A Common Stock entitled to one vote and each share of Class B Common Stock entitled to ten votes, except (i) in the election for directors, (ii) with respect to any "going private" transaction between the Company and the principal stockholder, and (iii) as otherwise provided by law.

In the election of directors, the holders of Class A Common Stock, voting as a separate class, are entitled to elect twenty-five percent of our directors. The holders of the Common Stock, voting as a single class with each share of Class A Common Stock entitled to one vote and each share of Class B Common Stock entitled to ten votes, are entitled to elect the remaining directors. Holders of Common Stock are not entitled to cumulative voting in the election of directors.

The holders of the Common Stock vote as a single class with respect to any proposed "going private" transaction with the principal stockholder or an affiliate of the principal stockholder, with each share of each class of Common Stock entitled to one vote per share.

Under Delaware law, the affirmative vote of the holders of a majority of the outstanding shares of any class of common stock is required to approve, among other things, a change in the designations, preferences and limitations of the shares of such class of common stock.

*Liquidation Rights*

Upon our liquidation, dissolution, or winding-up, the holders of Class A Common Stock are entitled to share ratably with the holders of Class B Common Stock in accordance with the number of shares held in all assets available for distribution after payment in full of creditors.

In any merger, consolidation, or business combination, the consideration to be received per share by the holders of Class A Common Stock and Class B Common Stock must be identical for each class of stock, except that in any such transaction in which shares of common stock are to be distributed, such shares may differ as to voting rights to the extent that voting rights now differ among the Class A Common Stock and the Class B Common Stock.

*Conversion Rights*

Each share of Class B Common Stock is convertible, at the option of its holder, into one share of Class A Common Stock at any time. One share of Class B Common Stock converts automatically into one share of Class A Common Stock upon its sale or other transfer to a party unaffiliated with the principal stockholder or, in the event of a transfer to an affiliated party, upon the death of the transferor.

*Other Rights*

Our Common Shares have no sinking fund provisions, or preemptive or subscription rights.

**EXHIBIT 21**

**INFORMATION REGARDING SUBSIDIARIES OF THE REGISTRANT**

Saga Communications, Inc. Subsidiaries

| Name | Jurisdiction of Organization | Name Under Which Subsidiary does Business |
|---|---|---|
| Franklin Communications, Inc. | Delaware | Franklin Communications, Inc. |
| | | Saga South Communications, LLC |
| | | Saga Communications of Iowa, LLC |
| Lakefront Communications, LLC | Delaware | Lakefront Communications, LLC |
| | | Saga Communications of Tuckessee, LLC |
| Saga Broadcasting, LLC | Delaware | Saga Broadcasting, LLC |
| | | Franklin Communications, Inc. |
| | | Lakefront Communications, LLC |
| | | Saga Communications of Illinois, LLC |
| | | Saga Communications of South Dakota, LLC |
| | | Tidewater Communications, LLC |
| Saga Communications of Arkansas, LLC | Delaware | Saga Communications of Arkansas, LLC |
| Saga Communications of Illinois, LLC | Delaware | Saga Communications of Illinois, LLC |
| Saga Communications of Iowa, LLC | Delaware | Saga Communications of Iowa, LLC |
| Saga Communications of New England, LLC | Delaware | Saga Communications of New England, LLC |
| Saga Communications of North Carolina, LLC | Delaware | Saga Communications of North Carolina, LLC |
| Saga Communications of South Dakota, LLC | Delaware | Saga Communications of South Dakota, LLC |
| Saga Communications of Tuckessee, LLC | Delaware | Saga Communications of Tuckessee, LLC |
| Saga South Communications, LLC | Delaware | Saga South Communications, LLC |
| Tidewater Communications, LLC | Delaware | Tidewater Communications, LLC |

**EXHIBIT 23**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-51837) of Saga Communications, Inc. 1992 Stock Option Plan,
(2) Registration Statement (Form S-8 No. 333-63321) of Saga Communications, Inc. Employees' 401(k) Savings & Investment Plan,
(3) Registration Statement (Form S-8 No. 333-107686) of Saga Communications, Inc. 2003 Employee Stock Option Plan,
(4) Registration Statement (Form S-8 No. 333-125361) of Saga Communications, Inc. 2005 Incentive Compensation Plan, and
(5) Registration Statement (Form S-8 No. 333-192101) of Saga Communications, Inc. 2005 Incentive Compensation Plan Second Amended and Restated;
(6) Registration Statement (Form S-8 No. 333-228307) of Saga Communications, Inc. 2005 Incentive Compensation Plan Second Amended and Restated, as amended

of our reports dated March 13, 2020, with respect to the consolidated financial statements of Saga Communications, Inc. and the effectiveness of internal control over financial reporting of Saga Communications, Inc. included in this Annual Report (Form 10-K) of Saga Communications, Inc. for the year ended December 31, 2019.

/s/ UHY LLP

Farmington Hills, Michigan
March 13, 2020

**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 annual report on Form 10-K 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 circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2020

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

**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 annual report on Form 10-K 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 circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2020

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

**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 Annual Report of Saga Communications, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2019 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: March 13, 2020

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

Dated: March 13, 2020

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