



**Registrant's telephone number, including area code:**

**(313) 886-7070**

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

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Class A Common Stock, \$.01 par value	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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Rule 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

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.

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

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

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

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, 2018 on the NYSE American: \$191,974,321.

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, 2019 was 5,025,256 and 922,918, respectively.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Proxy Statement for the 2019 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.**

**2018 Form 10-K Annual Report**

**Table of Contents**

	<b>Page</b>
<b><u>PART I</u></b>	
<u>Item 1. Business</u>	<u>4</u>
<u>Item 1A. Risk Factors</u>	<u>21</u>
<u>Item 1B. Unresolved Staff Comments</u>	<u>26</u>
<u>Item 2. Properties</u>	<u>26</u>
<u>Item 3. Legal Proceedings</u>	<u>26</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>26</u>
<b><u>PART II</u></b>	
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>27</u>
<u>Item 6. Selected Financial Data</u>	<u>30</u>
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>31</u>
<u>Item 7A. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>45</u>
<u>Item 8. Financial Statements and Supplementary Data</u>	<u>45</u>
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>45</u>
<u>Item 9A. Controls and Procedures</u>	<u>45</u>
<u>Item 9B. Other Information</u>	<u>47</u>
<b><u>PART III</u></b>	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>47</u>
<u>Item 11. Executive Compensation</u>	<u>47</u>
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>47</u>
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	<u>47</u>
<u>Item 14. Principal Accountant Fees and Services</u>	<u>47</u>
<b><u>PART IV</u></b>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	<u>48</u>
<u>Signatures</u>	<u>87</u>

## **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 2019 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, 2018 and 2017. Unless indicated otherwise, the information in the Notes to Consolidated Financial Statements relates to our continuing operations. As of February 28, 2019, we owned seventy-nine FM and thirty-four AM radio stations 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 28, 2019:

Station	Market (a)	2018 Market Ranking By Radio Revenue (b)	2018 Market Ranking By Radio Market (b)	Station Format	Target Demographics
FM:					
WKLH	Milwaukee, WI	30	41	Classic Rock	Men 40-64
WHQG	Milwaukee, WI	30	41	Rock	Men 18-49
WJMR	Milwaukee, WI	30	41	Urban Adult Contemporary	Women 25-54
WNRG	Milwaukee, WI	30	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	Men 40-64
WVMX	Columbus, OH	34	36	Hot Adult Contemporary	Women 25-44
WNOR	Norfolk, VA	40	45	Rock	Men 18-49
WAFX	Norfolk, VA	40	45	Classic Rock	Men 35-64
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 45-64
KIOA-HD2	Des Moines, IA	67	70	Contemporary Hits	Adults 18-34
KAZR	Des Moines, IA	67	70	Rock	Men 25-49

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KAZR-HD2	Des Moines, IA	67	70	Oldies	Adults 45+
KMYR	Des Moines, IA	67	70	Soft Adult Contemporary	Women 25-54
WMGX	Portland, ME	72	97	Hot Adult Contemporary	Women 25-44
WYNZ	Portland, ME	72	97	Classic Hits	Adults 45-64
WPOR	Portland, ME	72	97	Contemporary Country	Adults 25-54
WCLZ	Portland, ME	72	97	Adult Album Alternative	Adults 25-54
WAVF	Charleston, SC	86	78	Adult Contemporary	Adults 25-54
WCKN	Charleston, SC	86	78	Contemporary Country	Adults 25-54
WMXZ	Charleston, SC	86	78	Hot Adult Contemporary	Women 25-44
WMXZ-HD2	Charleston, SC	86	78	Urban Hits	Adults 18-34
WXST	Charleston, SC	86	78	Urban Adult Contemporary	Adults 25-54
WAQY	Springfield, MA	97	100	Classic Rock	Men 35-54
WLZX	Springfield, MA	97	100	Alternative Rock	Men 18-49
WOGK	Ocala-Gainesville, FL	118	87	Contemporary Country	Adults 25-54
WYND	Ocala-Gainesville, FL	118	87	Classic Rock	Men 40-64
WNDD	Ocala-Gainesville, FL	118	87	Classic Rock	Men 40-64
WNDN	Ocala-Gainesville, FL	118	87	Classic Rock	Men 40-64

*(footnotes follow tables)*

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Station	Market (a)	2018 Market Ranking By Radio Revenue (b)	2018 Market Ranking By Radio Market (b)	Station Format	Target Demographics
WZID	Manchester, NH	133	201	Adult Contemporary	Women 25-54
WMLL	Manchester, NH	133	201	Classic Hits	Adults 45-64
WZID-HD2	Manchester, NH	133	201	Contemporary Hits	Adults 18-34
WZID-HD3	Manchester, NH	133	201	Classic Country	Adults 45-64
WOXL	Asheville, NC	153	157	Adult Contemporary	Women 25-54
WTMT	Asheville, NC	153	157	Classic Rock	Men 40-64
WTMT-HD2	Asheville, NC	153	157	Classic Hits	Adults 45-64
WTMT-HD3	Asheville, NC	153	157	Country Legends	Adults 45-64
WOXL-HD2	Asheville, NC	153	157	Adult Album Alternative	Adults 25-54
WOXL-HD3	Asheville, NC	153	157	Oldies	Adults 45+
WSIG	Harrisonburg, VA	168	253	Classic Country	Adults 35-64
WQPO	Harrisonburg, VA	168	253	Contemporary Hits	Women 18-34
WQPO-HD2	Harrisonburg, VA	168	253	Oldies	Adults 45+
WQPD-HD3	Harrisonburg, VA	168	253	Classic Rock	Male 40-64
WMQR	Harrisonburg, VA	168	253	Adult Contemporary	Female 25-44
WWRE	Harrisonburg, VA	168	253	Classic Hits	Adults 45-64
WNAX	Yankton, SD	182	260	Contemporary Country	Adults 25-54
WNAX-HD2	Yankton, SD	182	260	Country Legends	Adults 45-64
WWVW	Charlottesville, VA	191	209	Classic Rock	Men 40-64
WQMZ	Charlottesville, VA	191	209	Adult Contemporary	Women 25-54
WCNR	Charlottesville, VA	191	209	Adult Album Alternative	Adults 25-54
WCVL	Charlottesville, VA	191	209	Contemporary Country	Adults 25-54
WLHH	Hilton Head, SC	248	224	Classic Hits	Adults 45-64
WOEZ	Hilton Head, SC	248	224	Adult Contemporary	Women 35-64
WVSC	Hilton Head, SC	248	224	Soft Adult Contemporary	Women 35-64
WVSC-HD2	Hilton Head, SC	248	224	Oldies/Classic Hits	Adults 45-64
KISM	Bellingham, WA	N/A	N/A	Classic Rock	Men 40-64
KAFE	Bellingham, WA	N/A	N/A	Adult Contemporary	Women 25-54
WKVT	Brattleboro, VT	N/A	N/A	Classic Hits	Adults 40-64
WRSY	Brattleboro, VT	N/A	N/A	Adult Album Alternative	Adults 25-54
WQEL	Bucyrus, OH	N/A	N/A	Classic Hits	Adults 40-64
WLRW	Champaign, IL	N/A	N/A	Hot Adult Contemporary	Women 25-44
WREE	Champaign, IL	N/A	N/A	Classic Hits	Adults 40-64
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/Classic Hits	Adults 45-64
WCVQ	Clarksville, TN — Hopkinsville, KY	N/A	N/A	Hot Adult Contemporary	Women 25-54
WVVR		N/A	N/A	Contemporary Country	Adults 25-54



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	Clarksville, TN — Hopkinsville, KY				
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 40-64
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

*(footnotes follow tables)*

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Station	Market (a)	2018 Market Ranking By Radio Revenue (b)	2018 Market Ranking By Radio Market (b)	Station Format	Target Demographics
WPVQ	Greenfield, MA	N/A	N/A	Contemporary Country	Adults 25-54
WIII	Ithaca, NY	N/A	N/A	Iconic Rock	Men 40-64
WQNY	Ithaca, NY	N/A	N/A	Contemporary Country	Adults 25-54
WQNY-HD3	Ithaca, NY	N/A	N/A	Alternative	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	Oldies/Classic Hits	Adults 40-64
KEGI	Jonesboro, AR	N/A	N/A	Classic Rock	Men 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	Adult Album Alternative	Adults 25-54
WKNE-HD3	Keene, NH	N/A	N/A	Classic Country	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/Oldies	Adults 45-64
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+
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+
KMRR-HD3	Spencer, IA	N/A	N/A	Soft Adult Contemporary	Female 35-64
WYMG	Springfield, IL	N/A	N/A	Classic Rock	Men 25-54
WDBR	Springfield, IL	N/A	N/A	Contemporary Hits	Adults 18-34
WQQL	Springfield, IL	N/A	N/A	Classic Hits/Oldies	Adults 45-64
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+

*(footnotes follow tables)*

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Station	Market (a)	2018 Market Ranking By Radio Revenue (b)	2018 Market Ranking By Radio Market (b)	Station Format	Target Demographics
AM:					
WJYI	Milwaukee, WI	30	41	Christian	Adults 25-54
WJOI	Norfolk, VA	40	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	72	97	News/Talk	Adults 35-64
WZAN	Portland, ME	72	97	Talk/Sports	Men 18-64
WBAE	Portland, ME	72	97	Soft Adult Contemporary	Female 35-64
WGIN	Portland, ME	72	97	News/Talk	Adults 35-64
WSPO	Charleston, SC	86	78	Gospel	Adults 25-54
WHNP	Springfield, MA	97	100	News/Talk	Adults 35-64
WFEA	Manchester, NH	133	201	News/Talk	Adults 35-64
WISE	Asheville, NC	153	157	Sports/Talk	Men 18-64
WYSE	Asheville, NC	153	157	Sports/Talk	Men 18-64
WSVA	Harrisonburg, VA	168	253	News/Talk	Adults 35-64
WHBG	Harrisonburg, VA	168	253	Sports ESPN	Men 18-64
WNAX	Yankton, SD	180	260	News/Talk	Adults 35-64
WINA	Charlottesville, VA	191	209	News/Talk	Adults 35-64
WVAX	Charlottesville, VA	191	209	Sports Talk	Men 18-64
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
WKVT	Brattleboro, VT	N/A	N/A	News/Talk	Adults 35-64
WBCO	Bucyrus, OH	N/A	N/A	Country Legends	Adults 45-64
WRND	Clarksville, TN — Hopkinsville, KY	N/A	N/A	Classic Hits	Adults 40-64
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+
WNYY	Ithaca, NY	N/A	N/A	Oldies	Adults 45+
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 2018 Market Report.

7

## 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 \$116,386,000 or 87% of our gross revenue for the year ended December 31, 2018 (approximately \$124,809,000 or 87% in fiscal 2017 and approximately \$131,233,000 or 85% in fiscal 2016) 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 2018 was approximately \$18,110,000 or 13% of our gross revenue (approximately \$18,151,000 or 13% in fiscal 2017 and approximately \$23,545,000 or 15% in fiscal 2016 which includes \$5,183,000 in national political sales or 3%).

## **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, 2018, we had approximately 687 full-time employees and 344 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](http://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, beginning in June 2019, when we must file applications for renewal of license of our radio stations in Virginia. 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.



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, 2019
WTMT	Asheville, NC	50,000	December 1, 2019
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, 2019
WCKN	Charleston, SC	100,000	December 1, 2019
WMXZ	Charleston, SC	50,000	December 1, 2019
WXST	Charleston, SC	100,000	December 1, 2019
WWVW	Charlottesville, VA	50,000	October 1, 2019
WQMZ	Charlottesville, VA	6,000	October 1, 2019
WCNR	Charlottesville, VA	6,000	October 1, 2019
WCVL	Charlottesville, VA	6,000	October 1, 2019
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
KMYR	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, 2019
WQPO	Harrisonburg, VA	50,000	October 1, 2019
WSIG	Harrisonburg, VA	25,000	October 1, 2019
WWRE	Harrisonburg, VA	6,000	October 1, 2019

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WOEZ	Hilton Head Island, SC	25,000	December 1, 2019
WLHH	Hilton Head Island, SC	25,000	December 1, 2019
WVSC	Hilton Head Island, SC	25,000	December 1, 2019
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)*

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Station	Market (1)	Power (Watts) (2)	Expiration Date of FCC Authorization
KEGI	Jonesboro, AR	50,000	June 1, 2020
KDXY	Jonesboro, AR	25,000	June 1, 2020
KJBX	Jonesboro, AR	25,000	June 1, 2020
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, 2019
WAFX	Norfolk, VA	100,000	October 1, 2019
WOGK	Ocala, FL	100,000	February 1, 2020
WYND	Ocala, FL	6,000	February 1, 2020
WNDD	Ocala, FL	6,000	February 1, 2020
WNDN	Ocala, FL	6,000	February 1, 2020
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, 2019
WYSE	Asheville, NC	5,000	(3) December 1, 2019
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, 2019

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WINA	Charlottesville, VA	5,000		October 1, 2019
WVAX	Charlottesville, VA	1,000		October 1, 2019
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, 2019
WHBG	Harrisonburg, VA	1,000	(3)	October 1, 2019

*(footnotes follow tables)*

Station	Market (1)	Power (Watts) (2)	Expiration Date of FCC Authorization
WHCU	Ithaca, NY	5,000	June 1, 2022
WNYW	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, 2019
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), WNYW, WHCU, WINQ(AM), WSWA and WLZX(AM) operate with lower power at night than the power shown.

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

**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; approval for a proposed, controlling foreign investor to increase its equity and/or voting interests in the U.S.
- (2) 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 approval for a non-controlling foreign investor named in the petition to increase its equity and/or voting interests
- (3) 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 November 2017, the FCC ended its 2010/2014 Quadrennial Review proceeding wherein (effective February 7, 2018) it (1) eliminated the newspaper/broadcast cross-ownership rule (which prohibited the common ownership of a daily print newspaper and a full-power broadcast station (AM, FM or TV) if the station's service contour encompassed the newspaper's community of publication); (2) eliminated the radio/television cross-ownership rule (which prohibited 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) revised the "Local Television Ownership Rule" to eliminate the so called – "Eight-Voices Test" and to modify the "Top-Four Prohibition" to better reflect the competitive conditions in local markets; (4) declined to modify the market definitions relied on in the "Local Radio Ownership Rule" (discussed above), but provided a presumption for certain embedded markets (smaller markets, as defined by Nielsen Audio, that are included in a larger parent market) transactions; (5) eliminated the attribution rule for television joint sales agreements; and (6) retained the disclosure requirement for shared service agreements involving commercial television stations. The FCC also adopted a Notice of Proposed Rule Making ("NPRM") to seek comment on an "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. 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. 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. The EEO rules are enforced through review at renewal time, at mid-term for larger broadcasters (which the FCC has proposed to eliminate), 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.

***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.

### **Other FCC Requirements.**

**Low Power FM Radio.** 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.

On January 5, 2012, the FCC released a Report to Congress on the impact that LPFM stations will 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." We cannot predict what, if any, impact the LPFM stations will have on the Company's full-service stations and FM translators.

**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, and in automobiles. 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. We cannot predict whether, or the extent to which, such competing reception devices and DARS will have an adverse impact on our business.

***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 53 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 and 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. In May 2018, the FCC adopted an NPRM proposing to streamline the rules relating to interference caused by FM translators and expedite the translator interference complaint resolution process. The proposals, if implemented, could limit or avoid protracted and contentious interference resolution disputes, provide translator licensees both additional flexibility to remediate interference and additional investment certainty, and allow expedited resolution of interference claims by affected stations. The rule changes proposed in the NPRM, among other things, would require more definite information in listener complaints and that listener complaints beyond a certain contour would not be actionable

***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.

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.

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 (RUFNR) that individuals may use solely for the purpose of broadcast ownership report filings. The FCC stated its belief that the RUFNR 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 (SUFNR) 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	74	President, Chief Executive Officer and Chairman; Director
Samuel D. Bush	61	Senior Vice President, Treasurer and Chief Financial Officer
Marcia K. Lobaito	70	Senior Vice President, Corporate Secretary, and Director of Business Affairs
Catherine A. Bobinski	59	Senior Vice President/Finance, Chief Accounting Officer and Corporate Controller
Christopher S. Forgy	58	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.

*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, 2018 our long-term debt, including a current portion of \$5,000,000, was approximately \$20,000,000. 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.

***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 41%, 41%, and 43% of our net operating revenue for the years ended December 31, 2018, 2017 and 2016, 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, 2018, our FCC broadcasting licenses represented 38.3% 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.

***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. 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 2, 2019, 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, 2018, 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 3.5 years to 6 years. We own or lease our transmitter and antenna sites, with lease terms that expire in 2 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.

26

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

The Company's 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 the Company's Class B Common Stock. The following table sets forth the high and low sales prices of the Class A Common Stock as reported by the NASDAQ for the calendar quarters indicated (prices for periods prior to the four-for-three stock split are adjusted for such split):

Year	High	Low
2017:		
First Quarter	\$51.40	\$47.55
Second Quarter	\$51.95	\$45.45
Third Quarter	\$46.80	\$37.75
Fourth Quarter	\$46.60	\$40.35
2018:		
First Quarter	\$42.60	\$36.10
Second Quarter	\$40.10	\$36.50
Third Quarter	\$39.00	\$35.00
Fourth Quarter	\$37.89	\$30.05

The closing price for the Company's Class A Common Stock on March 4, 2019 as reported by the NASDAQ was \$33.91. As of March 4, 2019, there were approximately 165 holders of record of the Company's Class A Common Stock, and one holder of the Company's Class B Common Stock.

**Dividends**

During 2018, the Company's 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, the Company's 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.

During 2016, the Company's Board of Directors declared four quarterly cash dividends and a special cash dividend totaling \$1.30 per share on its Classes A and B shares. These dividends totaling approximately \$7.6 million were paid during 2016. 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, 2018, 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	109,176	(1) \$ 0.00	(2) 396,719
Equity Compensation Plans Not Approved by Stockholders:			
None	—		—
Total	109,176		917,384

(1) All 109,176 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, 2018. Shares repurchased during the quarter were from the retention of shares for the payment of withholding taxes related to the vesting of restricted stock and from the purchase of shares under our Stock Buy-Back Program.

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, 2018	-	\$-	-	\$21,111,964
November 1 – November 30, 2018	17,888	\$37.280	-	\$20,445,099
December 1 – December 31, 2018	1,223	\$31.405	1,223	\$20,406,691
Total	19,111	\$36.904	1,223	\$20,406,691

We have a Stock Buy-Back Program which allows us to purchase our Class A Common Stock. In February 2013, (a)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, 2014, 2015, 2016, 2017 and 2018 of our Class A Common Stock against the cumulative total return of our New Index the NASDAQ Stock Market (US Companies) and a New 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 Old Index was the NYSE American Stock Market (US Companies). The change to the New Index was a result of us listing on the NASDAQ instead of the NYSE American Stock Market in 2018. The Old Peer Group consisted of the following radio and/or television broadcast companies: Beasley Broadcast Group, Inc., CBS Corp., CC Media Holdings, Inc., Cumulus Media Inc., Emmis Communications Corp., Entercom Communications Corp., Entravision Communications Corp., The E.W. Scripps Company, 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 change to the New Peer Group in 2018 provides a more comparable and similarly aligned Peer Group going forward given mergers and acquisitions in the industry as well as the sale of our television stations during 2017. The graph and table assume that \$100 was invested on December 31, 2013, 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

<b>Symbol</b>	<b>Total Return For:</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15</b>	<b>12/16</b>	<b>12/17</b>	<b>12/18</b>
	Saga Communications Inc.	100.00	90.36	82.16	110.74	93.14	79.58
	NYSE MKT Stock Market (US Companies)	100.00	105.09	81.73	91.90	101.08	93.84
	CRSP Nasdaq Stock Market US	100.00	115.31	124.20	136.36	145.76	143.37
	New Peer Group	100.00	98.02	104.65	107.33	115.18	104.15
	Old Peer Group	100.00	93.27	91.40	104.38	105.68	90.15

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,  
2018 2017 (2)(3) 2016 (2)(4) 2015 (2)(5) 2014 (2)(6)(7)  
(In thousands except per share amounts)

**OPERATING DATA:**

Net Operating Revenue	\$124,829	\$118,149	\$118,955	\$111,792	\$113,627
Station Operating Expense	93,727	87,759	86,799	83,188	85,167
Corporate General and Administrative	11,359	11,657	10,980	10,091	8,901
Other Operating (Income) Expense, net	61	55	(1,351)	509	(1,210)
Impairment of Intangible Assets	—	1,449	—	874	1,936
Operating Income From Continuing Operations	\$19,682	\$17,229	\$22,527	\$17,130	\$18,833
Interest Expense	\$946	\$903	\$744	\$855	\$1,032
Net Income:					
From Continuing Operations	\$13,690	\$22,246	\$12,910	\$9,146	\$10,676
From Discontinued Operations	—	32,471	5,276	4,268	4,228
Net Income	\$13,690	\$54,717	\$18,186	\$13,414	\$14,904
Basic Earnings (Loss) Per Share:					
From Continuing Operations	\$2.30	\$3.77	\$2.20	\$1.58	\$1.84
From Discontinued Operations	—	5.50	0.90	0.73	0.73
Earnings Per Share	\$2.30	\$9.27	\$3.10	\$2.31	\$2.57
Weighted Average Common Shares	5,829	5,803	5,761	5,706	5,700
Diluted Earnings (Loss) Per Share:					
From Continuing Operations	\$2.30	\$3.77	\$2.19	\$1.56	\$1.83
From Discontinued Operations	—	5.50	0.90	0.73	0.72
Earnings Per Share	\$2.30	\$9.27	\$3.09	\$2.29	\$2.55
Weighted Average Common and Common Equivalent Shares	5,829	5,807	5,771	5,740	5,753
Cash Dividends Declared Per Common Share	\$1.45	2.00	1.30	1.10	1.80

December 31,  
2018 (1) 2017 (2)(3) 2016 (2)(4) 2015 (2)(5) 2014 (2)(6)(7)  
(In thousands)

**BALANCE SHEET DATA:**

Working Capital	\$45,430	\$55,269	\$36,727	\$32,450	\$29,476
Net Property and Equipment	\$59,103	\$56,235	\$49,174	\$50,277	\$47,514
Net Intangible and Other Assets	\$120,779	\$116,360	\$118,052	\$106,399	\$100,942
Total Assets	\$248,477	\$248,769	\$219,998	\$203,464	\$190,965
Long-term Debt Including Current Portion	\$20,000	\$25,000	\$35,287	\$35,287	\$35,000
Stockholders' Equity	\$184,999	\$179,465	\$134,982	\$122,816	\$115,245

(1)

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Reflects the assets and liabilities of WOGK-FM, WNDR-FM, WNDD-FM, and WNDN-FM acquired on December 31, 2018.

(2) 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.

(3) 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.

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

(5) 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.

(6) In December 2014, the Company sold the Michigan Radio Network, the Michigan Farm Network, the Minnesota News Network, the Minnesota Farm Network.

(7) Reflects the results of WFIZ-FM, acquired in January 2014.

**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, 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, 2018, 2017 and 2016, approximately 87%, 88% and 86%, 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 increased in 2018 and 2016 due to the increased number of national, state, and local elections in most of our markets as compared to 2017.

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, 2018, 2017 and 2016, our Columbus, Ohio; Des Moines, Iowa; Manchester, New Hampshire; Milwaukee, Wisconsin and Norfolk, Virginia markets, when combined, represented approximately 41%, 41%, and 43%, 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,  
2018      2017      2016

Market:

Columbus, Ohio	11 %	11 %	12 %
Des Moines, Iowa	7 %	7 %	8 %
Manchester, New Hampshire	5 %	5 %	6 %
Milwaukee, Wisconsin	12 %	12 %	12 %
Norfolk, Virginia	6 %	6 %	5 %

During the years ended December 31, 2018, 2017 and 2016, the radio stations in our five largest markets when combined, represented approximately 48%, 48% and 49%, 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,  
2018      2017      2016

Market:

Columbus, Ohio	16 %	15 %	15 %
Des Moines, Iowa	6 %	7 %	7 %
Manchester, New Hampshire	6 %	6 %	9 %
Milwaukee, Wisconsin	14 %	14 %	14 %
Norfolk, Virginia	6 %	6 %	4 %

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

33



### **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 utilizes 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 and for the year ended December 31, 2016 approximately 83%, and 77% respectively, 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 increased in 2016 due to the increased number of national, state, and local elections in most of our markets as compared to 2017.

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, 2018, 2017 and 2016.

### Consolidated Results of Operations

	Years Ended December 31,			2018 vs. 2017		2017 vs. 2016 (1)			
	2018	2017	2016	\$ Increase (Decrease)	% Increase (Decrease)	\$ Increase (Decrease)	% Increase (Decrease)		
(In thousands, except %'s and per share information)									
Net operating revenue	\$124,829	\$118,149	\$118,955	\$6,680	5.7	%	\$(806)	(0.7)	%
Station operating expense	93,727	87,759	86,799	5,968	6.8	%	960	1.1	%
Corporate G&A	11,359	11,657	10,980	(298)	(2.6)	%	677	6.2	%
Other operating expense (income), net	61	55	(1,351)	6	N/M		1,406	N/M	
Impairment of intangible assets	—	1,449	—	(1,449)	N/M		1,449	N/M	
Operating income from continuing operations	19,682	17,229	22,527	2,453	14.2	%	(5,298)	(23.5)	%
Interest expense	946	903	744	43	4.8	%	159	21.4	%
Interest (income)	(631)	—	—	(631)	N/M		—	—	
Other (income) expense	(23)	—	—	(23)	N/M		—	—	
Income from continuing operations before taxes	19,390	16,326	21,783	3,064	18.8	%	(5,457)	(25.1)	%
Income tax expense (benefit)	5,700	(5,920)	8,873	11,620	N/M		(14,793)	N/M	
Income from continuing operations, net of tax	13,690	22,246	12,910	(8,556)	(38.5)	%	9,336	N/M	
Income from discontinued operations, net of tax	—	32,471	5,276	(32,471)	N/M		27,195	N/M	
Net income	\$13,690	\$54,717	\$18,186	\$(41,027)	N/M		\$36,531	N/M	
Earnings per share:									
From continuing operations	\$2.30	\$3.77	\$2.19	\$(1.47)	39.0	%	\$1.58	72.2	%
From discontinued operations	—	5.50	0.90	(5.50)	N/M		4.60	N/M	
Earnings per share (diluted)	\$2.30	\$9.27	\$3.09	\$(6.97)	N/M		\$6.18	N/M	

**Results of Discontinued Operations**

	Years Ended December		2018 vs. 2017		2017 vs. 2016		
	2018 <sup>(1)</sup>	2017	\$ Increase (Decrease)	% Increase (Decrease)	\$ Increase (Decrease)	% Increase (Decrease)	
(In thousands, except %'s and per share information)							
Net operating revenue	\$—	\$14,238	\$23,636	\$(14,238)	N/M	\$(9,398)	(39.8)%
Station operating expense	—	9,757	14,743	(9,757)	N/M	(4,986)	(33.8)%
Other operating expense (income)	—	31	(42)	(31)	N/M	73	N/M
Operating income from discontinued operations	—	4,450	8,935	(4,450)	N/M	(4,485)	(50.2)%
Interest expense	—	21	32	(21)	N/M	(11)	(34.4)%
Other income	—	—	—	—	—	—	—
Income before income taxes from discontinued operations	—	4,429	8,903	(4,429)	N/M	(4,474)	(50.3)%
Pretax gain on the disposal of discontinued operations	—	50,842	—	(50,842)	N/M	50,842	N/M
Total pretax gain on discontinued operations	—	55,271	8,903	(55,271)	N/M	46,368	N/M
Income tax expense	—	22,800	3,627	(22,800)	N/M	19,173	N/M
Income from discontinued operations	\$—	\$32,471	\$5,276	\$(32,471)	N/M	\$27,195	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, 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 \$118,949,000 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.

### **Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**

For the year ended December 31, 2017, consolidated net operating revenue was \$118,149,000 compared with \$118,955,000 for the year ended December 31, 2016, a decrease of \$806,000 or 0.7%. We had an increase of approximately \$2,885,000 that was attributable to stations that we did not own or operate for the entire comparable period, offset by a decrease of \$3,691,000 generated by stations we owned or operated for the comparable period in 2016 (“same station”). The decrease in same station revenue was primarily the result of decreases in gross political revenue of \$2,260,000, and gross local revenue of \$1,587,000 from 2016. The decrease in gross political revenue was due to a lower number of national, state and local elections in most of our markets. The decrease in gross local revenue was due to decreases in our Bellingham, Washington; Columbus, Ohio and Springfield, Illinois markets.

Station operating expense was \$87,759,000 for the year ended December 31, 2017, compared with \$86,799,000 for the year ended December 31, 2016, an increase of \$960,000 or 1.1%. We had an increase of approximately \$2,442,000 that was attributable to stations that we did not own or operate for the entire comparable period, offset by a decrease of approximately \$1,482,000 generated by stations we owned or operated for the comparable period in 2016. The decrease is primarily attributable to a decrease of \$710,000 in licensing agreements, \$387,000 in commission expenses due to lower revenues and \$346,000 in compensation costs.

Operating income for the year ended December 31, 2017 was \$17,229,000 compared to \$22,527,000 for the year ended December 31, 2016, a decrease of \$5,298,000 or 23.5%. The decrease was a result of the decrease in net operating revenue and the increase in station operating expense, described above, an increase in our corporate general and administrative expenses of \$677,000 or 6.2%, an impairment charge of \$1,449,000 in 2017 and a decrease in other operating income of \$1,406,000 from 2016. The increase in corporate expenses is due to an increase in key man life insurance of \$278,000, an increase of \$212,000 in compensations costs and an increase in non-cash compensation related to the amortization of restricted stock grants of \$179,000. In 2016, we had other operating income of \$1,351,000 due to the gain of \$1,415,000 received from the sale of a tower in Norfolk, Virginia.

Income from continuing operations, net of tax for the year ended December 31, 2017 was \$22,246,000 compared to \$12,910,000 for the year ended December 31, 2016, an increase of \$9,336,000 or 72.3%. The increase in income from continuing operations, net of tax is primarily due to the income tax benefit of approximately \$11.5 million for the year 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 decrease of operating income, described above, and an increase in interest expense of \$159,000 due to an increase in our interest rates. See Note 7 of the financial statements for more information on the impact of the Tax Cuts and Jobs Act.

Income from discontinued operations, net of tax for the period ended August 31, 2017 was \$32,471,000 compared to \$5,276,000 for the year ended December 31, 2016 an increase of \$27,195,000. The increase was a direct result of the

pretax gain on the disposal of the operations of \$50,842,000, a decrease in station operating expense of \$4,986,000 or 33.8%, partially offset by a decrease in net operating revenue of \$9,398,000 or 39.8% and an increase in income tax expense of \$19,173,000 primarily attributable to the gain on the sale of the television stations. For the period ended August 31, 2017, net operating revenue of our television stations was \$14,238,000 compared with \$23,636,000 for the year ended December 31, 2016, a decrease of \$9,398,000 or 39.8% primarily due to only operating the television stations for eight months in 2017 and a decrease in gross political revenue in our Joplin, Missouri market. Station operating expense in the television stations for the period ended August 31, 2017 was \$9,757,000, compared with \$14,743,000 for the year ended December 31, 2016, a decrease of \$4,986,000 or 33.8%. The decrease is primarily due to only operating the television stations for the eight months in 2017 compared to the whole year in 2016.

We generated net income of \$54,717,000 (\$9.27 per share on a fully diluted basis) during the year ended December 31, 2017, compared to \$18,186,000 (\$3.09 per share on a fully diluted basis) for the year ended December 31, 2016, an increase of \$36,531,000. This is a direct result of the increase of \$27,195,000 in income from discontinued operations, net of tax and the increase in income from continuing operations, net of tax of \$9,336,000.



## **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 matures on August 18, 2020. On June 27, 2018, the Company entered into a Second Amendment to its Credit Facility, dated August 18, 2015, and 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.

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 (2.4375% at December 31, 2018), 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, 2018) 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.

We had approximately \$80 million of unused borrowing capacity under the Revolving Credit Facility at December 31, 2018.

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.

On September 4, 2018, the Company used \$5,000,000 from funds generated by operations to pay down a portion of its Revolving Credit Facility.

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.

The loan agreement of approximately \$1.1 million of secured debt affiliate was amended in April 2017 to extend the due date of the loan for three years to mature on May 1, 2020. Our affiliate repaid this loan when the television stations were sold on September 1, 2017.

### *Sources and Uses of Cash*

During the years ended December 31, 2018, 2017 and 2016, we had net cash flows from operating activities from continuing operations of \$25,559,000, \$23,912,000 and \$21,828,000, 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, 2018, we have repurchased 2.1 million shares of our Class A Common Stock for \$55.3 million. During the year ended December 31, 2018, approximately 36,000 shares were repurchased for \$1.3 million under our stock buy-back program and 18,000 shares were retained for payment of withholding taxes for \$667,000 related to the vesting of restricted stock.

Our capital expenditures, exclusive of acquisitions, for the year ended December 31, 2018 were \$5,922,000 (\$6,246,000 in 2017) for continuing operations and \$0 and \$335,000 for the years ended December 31, 2018 and 2017, respectively, for discontinued operations. We anticipate capital expenditures in 2019 to be approximately \$5.0 million to \$5.5 million, which we expect to finance through funds generated from operations.

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 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 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 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 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, will be paid on March 29, 2019 to shareholders of record on March 12, 2019.

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 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 October 29, 2018, the Company entered into an agreement to purchase WOGK-FM, WNDR-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 \$552 thousand was paid in January 2019.

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, 2018:

Contractual Obligations:	Payments Due By Period				
	Total	Less Than 1 Year	1 to 3 Years	4 to 5 Years	More Than 5 Years
	(In thousands)				
Long-Term Debt Obligations(1)	\$20,000	\$ 5,000	\$ —	\$ 15,000	\$ —
Interest Payments on Long-Term Debt(2)	3,232	729	1,437	1,066	—
Operating Leases	7,963	1,562	2,604	1,774	2,023
Purchase Obligations(3)	29,535	14,597	9,886	3,555	1,497
Other Long-Term Liabilities	—	—	—	—	—
<b>Total Contractual Cash Obligations</b>	<b>\$60,730</b>	<b>\$ 21,888</b>	<b>\$ 13,927</b>	<b>\$ 21,395</b>	<b>\$ 3,520</b>

Under our Credit Facility, the maturity on outstanding debt of \$20 million could be accelerated if we do not (1) maintain certain covenants. (See Note 5 of the Notes to Consolidated Financial Statements). We voluntarily paid down \$5 million in debt in February 2019.

(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 \$19,920,000 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, 2018, from 3.9% to 4.9% or from \$759,000 to \$948,000 would result in a decrease in net income of \$139,000, net of taxes for the year ended December 31, 2018.

**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, 2018, we have recorded approximately \$95,250,000 in broadcast licenses and \$18,839,000 in goodwill, which represents 45.9% 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 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.



There was no impairment of broadcast licenses in 2016.

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, 2018, the Company would have recorded an additional broadcast license impairment of approximately \$1.3 million; had the fair values of each of our broadcasting licenses been lower by 20% as of December 31, 2018, the Company would have recorded an additional broadcast license impairment of approximately \$4.8 million; and had the fair value of our broadcasting licenses been lower by 30% as of December 31, 2018, the Company would have recorded an additional broadcast license impairment of approximately \$9.6 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, 2018 or 2017.

**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 2018 than they did during 2017, our interest expense would increase, and income before taxes would decrease by \$234,000. 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, 2018 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, 2018. Our internal control over financial reporting as of December 31, 2018 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, 2018, 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, 2018, 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, 2018 and 2017, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2018 and the related notes and financial statement schedule, and our report dated March 15, 2019 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 15, 2019

**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 2019 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 2019 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 2019 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 2019 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 2019 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:

<u>Report of Independent Registered Public Accounting Firm</u>	<u>49</u>
Consolidated Financial Statements:	
<u>— Consolidated Balance Sheets as of December 31, 2018 and 2017</u>	<u>50</u>
<u>— Consolidated Statements of Income for the years ended December 31, 2018, 2017 and 2016</u>	<u>51</u>
<u>— Consolidated Statements of Stockholders' Equity for the years ended December 31, 2018, 2017 and 2016</u>	<u>52</u>
<u>— Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016</u>	<u>53</u>
<u>Notes to Consolidated Financial Statements</u>	<u>54</u>

**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, 2018 and 2017, and the related consolidated statements of income, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2018, 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, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, 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, 2018, 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 15, 2019 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 15, 2019

**Saga Communications, Inc.****Consolidated Balance Sheets****(In thousands, except par value)**

	December 31,	
	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$44,729	\$53,030
Accounts receivable, less allowance of \$759 (\$727 in 2017)	19,984	19,307
Prepaid expenses and other current assets	2,556	2,517
Barter transactions	1,326	1,320
Total current assets	68,595	76,174
Net property and equipment		
Other assets:		
Broadcast licenses, net	95,250	93,259
Goodwill	18,839	15,558
Other intangibles, deferred costs and investments, net of accumulated amortization of \$13,682 (\$12,588 in 2017)	6,690	7,543
	<b>\$248,477</b>	<b>\$248,769</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$2,613	\$2,206
Accrued expenses:		
Payroll and payroll taxes	7,899	7,836
Dividend payable	3,274	6,529
Other	3,072	3,243
Barter transactions	1,307	1,091
Current portion of long-term debt	5,000	—
Total current liabilities	23,165	20,905
Deferred income taxes	23,732	21,072
Long-term debt	15,000	25,000
Other liabilities	1,581	2,327
Liabilities of discontinued operations	—	—
Total liabilities	63,478	69,304
Commitments and contingencies		
	—	—
Stockholders' equity:		
Preferred stock, 1,500 shares authorized, none issued and outstanding	—	—
Common stock:		

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Class A common stock, \$.01 par value, 35,000 shares authorized, 6,732 issued (6,694 in 2017)	67	67
Class B common stock, \$.01 par value, 3,500 shares authorized, 923 issued and outstanding (898 in 2017)	9	9
Additional paid-in capital	64,795	