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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

OR

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

COMMISSION FILE NUMBER 000-26497

SALEM MEDIA GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	**77-0121400**
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	**(I.R.S. EMPLOYER IDENTIFICATION NUMBER)**
4880 SANTA ROSA ROAD **CAMARILLO, CALIFORNIA**	**93012**
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	**(ZIP CODE)**

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (805) 987-0400

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

Title of each class	Trading Symbol	Name of the Exchange on which registered
Class A Common Stock, $0.01 par value per share	**SALM**	**The NASDAQ Global Market**

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 Exchange 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting Company	☒
		Emerging Growth Company	☐

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

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

As of June 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $30,799,477 based on the closing sale price as reported on the NASDAQ Global Market.

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

Class A	Outstanding at March 5, 2020
Common Stock, $0.01 par value per share	21,129,667 shares
Class B	Outstanding at March 5, 2020
Common Stock, $0.01 par value per share	5,553,696 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders	Part III, Items 10, 11, 12, 13 and 14

TABLE OF CONTENTS

CERTAIN DEFINITIONS

Unless the context requires otherwise, all references in this report to “Salem” or the “company,” including references to Salem by “we” “us” “our” and “its” refer to Salem Media Group, Inc. and our subsidiaries.

All metropolitan statistical area (“MSA”) rank information used in this report, excluding information concerning the Commonwealth of Puerto Rico, is from the Fall 2019 Radio Market Survey Schedule & Population Rankings published by Nielsen Audio (“Nielsen”). According to the Radio Market Survey, the population estimates are based upon the 2010 U.S. Bureau Census estimates updated and projected to January 1, 2021 by Nielsen.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Salem Media Group, Inc. (“Salem” or the “company,” including references to Salem by “we,” “us” and “our”) makes “forward-looking statements” from time to time in both written reports (including this report) and oral statements, within the meaning of federal and state securities laws. Disclosures that use words such as the company “believes,” “anticipates,” “estimates,” “expects,” “intends,” “will,” “may,” “intends,” “could,” “would,” “should,” “seeks,” “predicts,” or “plans” and similar expressions are intended to identify forward-looking statements, as defined under the Private Securities Litigation Reform Act of 1995.

You should not place undue reliance on these forward-looking statements, which reflect our expectations based upon data available to the company as of the date of this report. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from expectations. Except as required by law, the company undertakes no obligation to update or revise any forward-looking statements made in this report. Any such forward-looking statements, whether made in this report or elsewhere, should be considered in context with the various disclosures made by Salem about its business. These projections and other forward-looking statements fall under the safe harbors of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

PART I

ITEM 1. BUSINESS.

Corporate Information

Salem Media Group, Inc. ("Salem") is a domestic multimedia company specializing in Christian and conservative content, with media properties comprising radio broadcasting, digital media, and publishing. Our content is intended for audiences interested in Christian and family-themed programming and conservative news talk. Our filings with the Securities and Exchange Commission ("SEC") are available under the Investor Relations section of our website at www.salemmedia.com. Any information found our website is not a part of or incorporated by reference into, this or any report of Salem filed with, or furnished to the SEC.

We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which also qualify as reportable segments. Our operating segments reflect how our chief operating decision makers, which we define as a collective group of senior executives, assess the performance of each operating segment and determine the appropriate allocations of resources to each segment. We continually review our operating segment classifications to align with operational changes in our business and may make changes as necessary.

We measure and evaluate our operating segments based on operating income and operating expenses that do not include allocations of costs related to corporate functions, such as accounting and finance, human resources, legal, tax and treasury, which are reported as unallocated corporate expenses in our consolidated statements of operations included in this annual report on Form 10-K. We also exclude costs such as amortization, depreciation, taxes and interest expense when evaluating the performance of our operating segments.

Business Strategy

We are fundamentally committed to programming and content emphasizing Christian values, conservative family themes and news. Our commitment to these values means that we may choose not to switch to other formats or pursue potentially more profitable business opportunities in response to changes in audience preferences.

Our goal is to produce and deliver compelling content to audiences interested in Christian and family-themed programming and conservative news talk to be considered the market leader for all audiences, programmers and advertisers. Our integrated multimedia platform includes traditional media, such as radio broadcasting, book publishing and print magazines as well as emerging forms of media, such as websites, mobile applications and digital publications. We pursue the ongoing expansion of our media platform as the marketplace evolves while aggressively managing operating costs and cash flows. Expansion opportunities include increasing the strength and reach of our broadcast signals, investing in and building our websites, mobile and tablet applications, promoting our authors and on-air talent, and increasing the distribution and page views for our print and digital content. Our national presence in each of these mediums provides advertisers and programmers with a powerful and integrated platform to reach audiences throughout the United States without compromising the sense of community involvement and branding that we generate through local events and promotions.

Broadcasting

Our foundational business is the ownership and operation of radio stations in large metropolitan markets. We assemble market clusters, or multiple radio stations operating within the same geographic market, to achieve operational efficiencies. Several benefits are achievable when operating market clusters. First, we can offer advertisers and programmers access to multiple audiences by providing airtime on each radio station in that market. Second, we realize cost and operating efficiencies by consolidating sales, technical and administrative support, promotional functions and other shared overhead costs, such as facilities and rent, when possible. Third, the addition of new radio stations in existing markets allows us to leverage our hands-on knowledge of that market to increase our appeal to new audiences and advertisers.

Digital Media

The Internet, smartphones and tablets continue to change the way in which content and advertisements are delivered to audiences. Continual advancements with online search engines, social media and mobile applications provide consumers with numerous methods to locate specific content and information online. Our editorial staff, including our on-air personalities, provide digital commentaries, programs, text, audio and video content that we believe to be knowledge-based, credible and reliable. We make strategic decisions to invest in website development, mobile applications and tablet applications given the ongoing shift in consumer demand. We continually seek opportunities to diversify our digital traffic sources to avoid reliance on any one provider.

Publishing

Print books and eBooks provide a distribution network for audiences interested in Christian and family-themed content as well as conservative news and opinion. Our strategy to attract highly sought after authors and high-profile Christian commentators expands our presence in the conservative and Christian media market and increases the likelihood of printing books that appear on the best-seller lists.

Seasonality

As is typical in the broadcasting industry, our second and fourth quarter advertising revenue generally exceeds our first and third quarter advertising revenue. This seasonal fluctuation in advertising revenue corresponds with quarterly fluctuations in the retail advertising industry. Additionally, we experience increased demand for advertising during election years by way of political advertisements. During election years, or even numbered years, we benefit from an increase in political advertising revenue over non-election or odd numbered years. Political advertising revenue varies based on the number and type of candidates as well as the number and type of debated issues. Quarterly block programming revenue tends not to vary significantly because program rates are generally set annually and recognized on a per program basis. We also experience fluctuations in quarter-over-quarter comparisons based on the date on which Easter is observed, as this holiday generates a higher volume of product downloads from our church product sites.

Audience Growth

Our success depends on our ability to reach a growing audience. We seek audience growth opportunities by increasing the strength and number of our broadcast signals, increasing the number of page-views through our digital media platform, increasing book sales and increasing the subscriber base for our digital content and print magazine.

Our audience growth is also contingent upon the desirability of our content to our audience. We produce and provide content that we believe is both compelling and of high commercial value. We rely on a combination of research, market testing and our understanding of our audience to target promotions and events that create visibility and brand awareness in each of our local markets. For maximum results, we cross-promote our content on each of our media platforms. By maximizing our audience share, we achieve growth in ratings, growth in page views and growth in subscribers that we believe can be converted into revenue from programmers and advertisers that are interested in reaching our audience.

Media Strategists

We have assembled an effective, highly trained sales staff that is responsible for converting our audience into revenue. Every media strategist is trained to provide integrated marketing strategies that include all our media platforms and our full-service digital agency. We operate a focused, sales-oriented culture that rewards selling efforts through a commission and bonus compensation structure. Our media strategists sell and market our platforms as stand-alone products or in combination with other offerings. We create custom advertising campaigns providing comprehensive solutions for our clients. Campaigns may include specific geographic coverage areas, event sponsorships, special promotions, e-mail sponsorships, print advertisements, and digital media elements such as banner advertisements, social media distribution, site retargeting and search engine marketing.

Significant Community Involvement

We expect our public image to reflect the lifestyle and viewpoints of the target demographic groups that we serve. We regularly collaborate with organizations that serve Christian, conservative, and family-themed audiences as well as sponsor and support events that are important to this group. We believe that our ongoing active involvement and our strong relationships within Christian and conservative communities provide us with a unique competitive advantage that significantly improves the marketability of our media platform to advertisers and programmers targeting such communities. We produce and sponsor a number of local events that we believe are important in building our brand identity. Our sponsored events include listener rallies, speaking tours, pastor appreciation events and concerts such as our *Fishfest*® concerts. Local events such as these connect us with our audience and enable us to create an enhanced awareness and name recognition in each of our markets. We believe that this brand awareness creates loyalty with our audience and increases our audience share and ratings over time.

Corporate Structure

Management of our operations is largely decentralized with operational vice presidents and general managers located throughout the United States. We believe that this decentralization encourages each general manager and vice president to apply innovative techniques for improving and growing their operations locally in ways that may be transferable to benefit other markets and operations.

Our broadcast operations vice presidents, some of whom are also station general managers, are experienced radio broadcasters with expertise in sales, programming, marketing and production. Each of our broadcast operations vice presidents oversees several markets on a regional basis. Our digital and publishing operations vice presidents and general managers are also located throughout the United States at various locations in which we operate.

All our locations receive executive leadership and oversight from our corporate staff. Corporate staff members have experience and expertise in, among other things, accounting and finance, treasury, risk management, insurance, information technology, human resources, legal, engineering, real estate, strategic direction and other support functions designed to provide resources to local management. Corporate staff also oversee the placement and rate negotiations for national block programming on our stations. Centralized oversight of national programming is necessary because many of our key programming partners purchase times in multiple radio markets.

Recent Events

During the year ended December 31, 2019, we completed repurchases of $18.7 million of the Notes for $16.8 million in cash, recognizing a net gain of $1.7 million after adjusting for bond issuance costs as detailed in Note 13—Long-Term Debt in the notes to our Consolidated Financial Statements contained in Item 8 of this annual report on Form 10-K.

Dividends of $5.8 million were declared and paid throughout the year ended December 31, 2019 based upon the Board of Directors’ then current assessment of our business as detailed in Note 20—Equity Transactions in the notes to our Consolidated Financial Statements contained in Item 8 of this annual report on Form 10-K.

Acquisitions

On September 27, 2019, we closed on the acquisition of KPAM-AM in Portland, Oregon, valued at $1.0 million, in a non-cash exchange for radio station KKOL-AM in Seattle, Washington. We began operating KPAM-AM under a Local Marketing Agreement ("LMA") on January 2, 2018.

On September 9, 2019, we closed on the acquisition of a construction permit for an FM translator in Louisville, Kentucky, for $35,000 in cash. The FM translator will be used by WGTK-AM in Louisville, Kentucky.

On July 25, 2019, we acquired the Journeyboxmedia.com website and related assets for $0.5 million in cash.

On July 10, 2019 we acquired selected assets from the digital content library from Steelehouse Productions, Inc. for $0.1 million in cash.

On June 6, 2019, we acquired the InvestmentHouse.com website and the related financial newsletter assets and deferred subscription liabilities for $0.6 million in cash. As part of the purchase agreement, we may pay an additional incentive payment equal to 10% of revenue earned in excess of a predetermined amount during the incentive period ending May 31, 2020. Using a probability-weighted discounted cash flow model based on our own assumptions as to the ability of InvestmentHouse.com to achieve revenue in excess of the targets at the time of closing, we estimated the fair value of the contingent earn-out consideration to be $2,500, which approximated the present value based on the earn-out period of less than twelve months.

On March 18, 2019, we acquired the pjmedia.com website for $0.1 million in cash.

Divestitures

On November 14, 2019, we closed on the sale of nine radio stations, WAFS-AM in Atlanta, Georgia, WWDJ-AM in Boston, Massachusetts, WHKZ-AM in Cleveland, Ohio, KEXB-AM (formerly KTNO-AM) in Dallas, Texas, KDMT-AM in Denver, Colorado, KTEK-AM in Houston, Texas, KRDY-AM in San Antonio, Texas and KXFN-AM and WSDZ-AM in St. Louis, Missouri for $8.7 million in cash. We recognized an estimated pre-tax loss of $9.9 million in the third quarter of 2019, which reflected the sales price as compared to the carrying value of the assets of the radio stations and the estimated closing costs. We adjusted the pre-tax loss by $0.5 million to $9.4 million upon closing in the fourth quarter of 2019 based on the actual closing costs incurred and a reconciliation of total station assets to assets included in the sale.

On September 27, 2019, we closed on the exchange of radio station KKOL-AM, in Seattle, Washington for KPAM-AM in Portland, Oregon. No cash was exchanged for the assets. We recognized a non-cash pre-tax loss of $1.3 million on the exchange based on the estimated fair value of KPAM-AM as compared to the carrying value of KKOL-AM and the closing costs.

On September 26, 2019, we closed on the sale of four radio stations, WWMI-AM and WLCC-AM in Tampa, Florida and WZAB-AM and WOCN-AM (formerly WKAT-AM) in Miami, Florida for $8.2 million in cash. We recognized a pre-tax loss of $4.7 million, which reflects the sales price as compared to the carrying value of the assets of the radio stations and the closing costs.

On September 18, 2019, we sold radio station WDYZ-AM (formerly WORL-AM) in Orlando, Florida for $0.9 million in cash. We recognized a pre-tax loss of $1.6 million, which reflects the sales price as compared to the carrying value of the radio station assets and the closing costs. We received $0.8 million in cash upon closing. The remaining $0.1 million is payable in four installments with the final payment due December 18, 2020.

On August 15, 2019 we closed on the exchange of FM Translator W276CR, in Bradenton, FL for FM Translator W262CP in Bayonet Point, FL. No cash was exchanged for the assets.

On June 27, 2019, we sold a portion of land on our transmitter site in Miami, Florida, for $0.9 million in cash. We recognized a pre-tax gain of $0.4 million reflecting the sales price as compared to the carrying value of the land.

On May 14, 2019, we sold radio station WSPZ-AM (previously WWRC-AM) in Washington D.C. for $0.8 million in cash. We recorded an estimated pre-tax loss of $3.8 million on March 19, 2019, based on our plan to sell the station and the probability of the sale, which reflected the sales price as compared to the carrying value of the radio station assets and the estimated closing costs. We recorded an additional pre-tax loss of $32,000 at closing based on the actual costs incurred.

On March 21, 2019, we sold Newport Natural Health, an e-commerce website operated by Eagle Wellness for $0.9 million in cash. We recognized a pre-tax gain of $0.1 million associated with the sale reflecting the sales price as compared to the carrying value of the assets and the closing costs.

On February 28, 2019, we sold Mike Turner's line of investment products, including TurnerTrends.com and other domain names and related assets. We received no cash from the buyer, who assumed all deferred subscription liabilities for Mike Turner's investment products. We recognized a pre-tax loss of $0.2 million associated with the sale reflecting the sales price as compared to the carrying value of the assets and the closing costs.

On February 27, 2019, we sold HumanEvents.com, a conservative opinion website for $0.3 million in cash. We recognized a pre-tax loss of $0.2 million associated with the sale reflecting the sales price as compared to the carrying value of the assets and the closing costs.

Broadcasting

Our broadcast segment includes the operating results of our radio stations, broadcast networks, and our national sales agencies including our full-service digital agency, Salem Surround. National companies often prefer to advertise across the United States as an efficient and cost effective way to reach their target audiences. Our national platform under which we offer radio airtime, digital campaigns and print advertisements can benefit national companies by reaching audiences throughout the United States.

Radio Stations

We own and/or operate 100 radio stations in 37 markets, including 59 radio stations in 23 of the top 25 markets, consisting of 33 FM radio stations and 67 AM radio stations. We also program the Family Talk® Christian-themed talk format station on SiriusXM Channel 131. We are one of only three commercial radio broadcasters with radio stations in all of the top 10 markets. We are the sixth largest commercial radio broadcaster in the United States as measured by number of radio stations overall and the third largest operator as measured by number of stations in the top 25 markets.

We program our radio stations in three main formats: (1) Christian Teaching and Talk, (2) News Talk and (3) Contemporary Christian Music ("CCM"). Other radio station formats include Spanish language Christian Teaching and Talk, Business, Country, Urban, and Classic Hits.

Christian Teaching and Talk. We currently program 37 of our radio stations in our foundational format, Christian Teaching and Talk, which is talk programming emphasizing Christian and family themes. Through this format, a listener can hear Bible teachings and sermons, as well as gain insight to questions related to daily life, such as raising children or religious legal rights in education and in the workplace. This format uses block programming time to offer a learning resource and a source of personal support for listeners. Listeners often contact our programmers to donate, ask questions and obtain materials on a subject matter or receive study guides based on what they have learned on the radio.

Block Programming. We recognize revenue from the sale of blocks of airtime to program producers that typically range from 12½, 25 or 50-minutes of time. We sell blocks of airtime on our Christian

Teaching and Talk format stations to a variety of national and local religious and charitable organizations that we believe create compelling radio programs. National programmers, such as established non-profit religious and educational organizations, typically purchase time on a Monday through Friday basis with supplemental programming blocks available for weekend release. Local programmers, such as community churches and organizations, typically purchase blocks for weekend releases. Historically, more than 95% of these national religious and charitable organizations renew their annual programming relationships with us. Based on our historical renewal rates, we believe that block programming provides a steady and consistent source of revenue and cash flows. Our top ten programmers have remained relatively constant and average more than 30 years on-air. Over the last five years, block-programming has generated 41% to 43% of our total net broadcast revenue.

Satellite Radio. We program SiriusXM Channel 131, the exclusive Christian Teaching and Talk channel on SiriusXM, reaching the entire nation 24 hours a day, seven days a week.

News Talk. We currently program 32 of our radio stations in a News Talk format. Our research shows that our News Talk format is highly complementary to our core Christian Teaching and Talk format. As programmed by Salem, both of these formats express conservative views and family values. Our News Talk format allows us to leverage syndicated talk programming produced by Salem Radio Network™ ("SRN™") to radio stations throughout the United States. Syndication of our programs allows us to reach audiences in markets in which we do not own or operate radio stations.

Contemporary Christian Music. We currently program 12 of our radio stations in a Contemporary Christian Music ("CCM") format, branded The FISH® in most markets. Through the CCM format, we bring listeners the words of inspirational recording artists, set to upbeat contemporary music. Our music format, branded "Safe for the Whole Family", features sounds and lyrics that listeners of all ages can enjoy and appreciate. The CCM genre continues to be popular. We believe that the listener base for CCM is underserved in terms of radio coverage, particularly in larger markets, and that our stations fill an otherwise void area in listener choices.

The following table sets forth information about each of Salem's stations, in order of market size:

Market(1)	MSA Rank(2)	Station Call Letters	Year Acquired	Format
New York, NY	1, 19(3)	WMCA-AM	1989	Christian Teaching and Talk
		WNYM-AM	1994	News Talk
Los Angeles, CA	2	KKLA-FM	1985	Christian Teaching and Talk
		KRLA-AM	1998	News Talk
		KFSH-FM	2000	Contemporary Christian Music
Chicago, IL	3	WYLL-AM	2001	Christian Teaching and Talk
		WIND-AM	2005	News Talk
San Francisco, CA	4, 36(4)	KFAX-AM	1984	Christian Teaching and Talk
		KDOW-AM	2001	Business
		KTRB-AM	2018	News Talk
Dallas-Fort Worth, TX	5	KLTY-FM	1996	Contemporary Christian Music
		KWRD-FM	2000	Christian Teaching and Talk
		KSKY-AM	2000	News Talk
		KTNO-AM (formerly KEXB-AM)	2015	Spanish Language Christian Teaching and Talk s
Houston-Galveston, TX	6	KNTH-AM	1995	News Talk
		KKHT-FM	2005	Christian Teaching and Talk
Washington, D.C.	7	WAVA-FM	1992	Christian Teaching and Talk
		WAVA-AM	2000	Christian Teaching and Talk
		WWRC-AM	2017	News Talk

Market(1)	MSA Rank(2)	Station Call Letters	Year Acquired	Format
Atlanta, GA	8	WNIV-AM	2000	Christian Teaching and Talk
		WLTA-AM	2000	Christian Teaching and Talk
		WFSH-FM	2000	Contemporary Christian Music
		WGKA-AM	2004	News Talk
		WDWD-AM	2015	Christian Teaching and Talk
Philadelphia, PA	9	WFIL-AM	1993	Christian Teaching and Talk
		WNTP-AM	1994	News Talk
Boston, MA	10	WEZE-AM	1997	Christian Teaching and Talk
		WROL-AM	2001	Christian Teaching and Talk
Miami, FL	11	WKAT-AM (formerly WOCN-AM)	2014	Spanish Language Christian Teaching and Talk
Seattle-Tacoma, WA	12	KGNW-AM	1986	Christian Teaching and Talk
		KLFE-AM(5)	1994	News Talk
		KNTS-AM(5)	1997	Spanish Language Christian Teaching and Talk
Detroit, MI	13	WDTK-AM	2004	News Talk
		WLQV-AM	2006	Christian Teaching and Talk
Phoenix, AZ	14	KKNT-AM	1996	News Talk
		KPXQ-AM	1999	Christian Teaching and Talk
		KXXT-AM	2014	Christian Teaching and Talk
Minneapolis-St. Paul, MN	15	KKMS-AM	1996	Christian Teaching and Talk
		KDIZ-AM	1998	News Talk
		WWTC-AM	2001	News Talk
		KYCR-AM	2015	Business
San Diego, CA	16	KPRZ-AM	1987	Christian Teaching and Talk
		KCBQ-AM	2000	News Talk
Tampa, FL	17	WTWD-AM(6)	2000	Christian Teaching and Talk
		WTBN-AM(6)	2001	Christian Teaching and Talk
		WGUL-AM	2005	News Talk
Denver-Boulder, CO	18	KRKS-FM	1993	Christian Teaching and Talk
		KRKS-AM	1994	Christian Teaching and Talk
		KNUS-AM	1996	News Talk
		KBJD-AM(7)	1999	Spanish Language Christian Teaching and Talk
Portland, OR	20	KPDQ-FM	1986	Christian Teaching and Talk
		KPDQ-AM	1986	Christian Teaching and Talk
		KFIS-FM	2002	Contemporary Christian Music
		KRYP-FM	2005	Regional Mexican
		KDZR-AM	2015	News Talk
		KPAM-AM	2019	News Talk
San Antonio, TX	24	KSLR-AM	1994	Christian Teaching and Talk
		KLUP-AM	2000	News Talk
Riverside-San Bernardino, CA	25	KTIE-AM	2001	News Talk
Sacramento, CA	26	KFIA-AM	1995	Christian Teaching and Talk
		KTKZ-AM	1997	News Talk
		KSAC-FM	2002	Business
		KKFS-FM	2006	Contemporary Christian Music

Market(1)	MSA Rank(2)	Station Call Letters	Year Acquired	Format
Pittsburgh, PA	28	WORD-FM	1993	Christian Teaching and Talk
		WPIT-AM	1993	Christian Teaching and Talk
		WPGP-AM	2015	News Talk
Orlando, FL	29	WORL-AM (formerly WTLN-AM)	2006	News Talk
		WBZW-AM	2006	Business
		WTLN-AM (formerly WDYZ-AM)	2015	Christian Teaching and Talk
Cleveland, OH	34	WHKW-AM	2000	Christian Teaching and Talk
		WFHM-FM	2001	Contemporary Christian Music
		WHK-AM	2005	News Talk
Columbus, OH	35	WRFD-AM	1987	Christian Teaching and Talk
		WTOH-FM	2013	News Talk
Nashville, TN	39	WBOZ-FM (8)	2000	Contemporary Christian Music
		WFFH-FM (8)	2002	Contemporary Christian Music
		WFFI-FM (8)	2002	Contemporary Christian Music
Louisville, KY	53	WFIA-FM	1999	Operated by a third party under a Time Brokerage Agreement ("TBA")
		WGTK-AM	2000	Operated by a third party under a TBA
		WFIA-AM	2001	Operated by a third party under a TBA
Greenville, SC	57	WGTK-FM	2013	News Talk
		WRTH-FM	2014	Classic Hits
		WLTE-FM	2014	Classic Hits
Honolulu, HI	63	KAIM-FM	2000	Contemporary Christian Music
		KGU-AM	2000	Country
		KHCM-AM	2000	Operated by a third party under a TBA
		KHCM-FM	2004	Country Music
		KGU-FM	2004	Christian Teaching and Talk
		KKOL-FM	2005	Oldies
		KHNR-AM	2006	News Talk
Sarasota-Bradenton, FL	69	WLSS-AM	2005	News Talk
Colorado Springs, CO	85	KGFT-FM	1996	Christian Teaching and Talk
		KBIQ-FM	1996	Contemporary Christian Music
		KZNT-AM	2003	News Talk
Little Rock, AR	88	KDIS-FM	2014	Christian Teaching and Talk
		KKSP-FM	2015	Contemporary Christian Music
		KDXE-FM	2018	News Talk
		KZTS-AM	2018	Gospel
Oxnard-Ventura, CA	120	KDAR-FM	1974	Christian Teaching and Talk
Warrenton, VA		WRCW-AM	2012	News Talk

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

(2) All metropolitan statistical area ("MSA") rank information used in this annual report on Form10-K, excluding information concerning the Commonwealth of Puerto Rico, is from the Fall 2019 Radio Market Survey Schedule & Population Rankings published by Nielsen. According to the Radio Market Survey, the population estimates are based upon the 2010 U.S. Bureau Census estimates updated and projected to January 1, 2020 by Nielsen Demographics.

(3) This market includes the Nassau-Suffolk, NY Metro market, which independently has a MSA rank of 19.

(4) This market includes the San Jose, CA market, which independently has a MSA rank of 36.
(5) KNTS(AM) is an expanded band AM station paired with KLFE(AM). The licenses for these stations include a condition that the most recent license renewal was granted subject to the resolution of AM expanded band dual operating authority issues in MB Docket No. 07-294.
(6) WTBN-AM is simulcast with WTWD-AM, Tampa, FL.
(7) KBJD(AM) is an expanded band AM station paired with KRKS(AM). The licenses for these stations include a condition that the most recent license renewal was granted subject to the resolution of AM expanded band dual operating authority issues in MB Docket No. 07-294.
(8) WBOZ-FM is trimulcast with WFFH-FM, Nashville, TN and WFFI-FM, Nashville, TN.

Broadcast revenue includes radio advertising spots, programming revenue, digital revenues from each of our radio station websites, digital email blasts, Salem Surround revenue, event revenue, and network advertising revenue. The principal source of network broadcast revenue is from the sale of spot advertising time. Salem Consumer Products, our e-commerce site, generates broadcast revenue from the sale of host content materials:

We recognize advertising revenue from radio stations as the spots air or are delivered. For the year ended December 31, 2019, we derived 26.8% of our net broadcast revenue, or $51.8 million, from the sale of local spot advertising and 8.5% of our net broadcast revenue, or $16.4 million, from the sale of national spot advertising.

We recognize programming revenue as the programs air. For the year ended December 31, 2019, we derived 25.0% and 15.8% of our net broadcast revenue, or $48.5 million and $30.5 million, respectively, from the sale of national and local block programming time, respectively. National program revenue is primarily generated from geographically diverse, well-established non-profit religious and educational organizations that purchase time on our stations in a large number of markets in the United States. National program producers typically purchase 12½, 25 or 50-minute blocks of time on a Monday through Friday basis and may offer supplemental programming for weekend release. We generate local program revenue from community organizations and churches that typically purchase blocks for weekend releases and from local speakers who generally purchase daily releases. Our strategy is to identify and assist quality local programs to expand into national syndication.

Salem Radio Network™

Salem Radio Network™ ("SRN™"), based in Dallas, Texas, develops, produces and syndicates a broad range of programming specifically targeted to Christian and family-themed talk stations, music stations and News Talk stations. SRN™ delivers programming via satellite to approximately 3,100 affiliated radio stations throughout the United States, including several of our Salem-owned stations. SRN™ operates five divisions, SRN™ Talk, SRN™ News, SRN™ Websites, SRN™ Satellite Services and Salem Music Network that includes Today's Christian Music ("TCM") and Singing News® Radio. SRN™'s net revenue for the year ended December 31, 2019 was $21.6 million, or 8.5% of net broadcast revenue.

Salem Media Representatives

Salem Media Representatives ("SMR") is our national advertising sales firm with offices in 13 U.S. cities. SMR specializes in placing national advertising on Christian and talk formatted radio stations as well as other commercial radio station formats. SMR sells commercial airtime to national advertisers on our radio stations and through our networks, as well as for independent radio station affiliates. SMR also contracts with independent radio stations to create custom advertising campaigns for national advertisers to reach multiple markets. SMR's commission revenue to independent radio station affiliates for the year ended December 31, 2019 was $0.6 million or 0.3% of net broadcast revenue.

Salem Surround

We launched Salem Surround, a national multimedia advertising agency with locations in 34 markets across the United States, during 2018. Salem Surround specializes in digital marketing services for each of our radio stations and websites as well as provides a full-service digital marketing strategy for each of our clients. We provide custom digital product offerings, including tools for metasearch, retargeting, website design, reputation management, online listing services, and social media marketing. Digital advertising solutions may include third-party websites, such as Google or Facebook, which can be included in a digital advertising social media campaign. We manage all aspects of the digital campaign, including social media placements, review and approval of target audiences, and the monitoring of actual results to make modifications as needed.

Digital Media

Our digital media-based businesses provide Christian, conservative, investing and health-themed content, e-commerce, audio and video streaming, and other resources digitally through the web. Revenue generated from our digital media operating segment includes advertising arrangements based on cost-per-click or performance-based advertising; display advertisements where revenue is dependent upon the number of page views; and lead generation advertisements where revenue is dependent upon users registering for, purchasing or demonstrating an interest in our advertisers' products or services. We also generate revenue from digital subscriptions, streaming, downloads and product sales through our church product sites and investing websites. Revenue is recognized upon digital delivery or page views, downloads and upon shipment of products. Revenue from this operating segment is reported as Digital Media revenue on our consolidated statements of operations included in Item 8 of this annual report on Form 10-K.

We own and operate numerous websites including:

Salem Web Network ("SWN") Christian Content Websites:

BibleStudyTools.com is a free Bible website for verse search and in-depth studies featuring commentaries, reading plans, and other helpful resources designed as aids to Bible study.

Crosswalk.com® offers compelling, editorial-driven, biblically based, lifestyle and devotional content to Christians who take seriously their relationship with Christ.

GodVine.com is an online platform designed to share inspirational, family-friendly video through Facebook and other social media outlets.

iBelieve.com creates editorial-driven, lifestyle content, focused on helping Christian women use personal experience to examine the deeper issues of life and faith.

GodTube®.com is a video viewing platform for Christian videos with faith-based, family-friendly content.

OnePlace™.com is a leading provider of on-demand, online audio streaming for nearly 200 radio programs from more than 185 popular Christian broadcast ministries. Oneplace™.com serves as both a complement to and an extension of our block programming Christian radio business.

Christianity.com offers engaging articles and video focused on exploring the deeper, theological issues and apologetics of the Christian faith. It is also a leading provider of online Bible trivia games.

GodUpdates.com provides inspiring stories, thought-provoking articles and videos about topics important to Christians.

CrossCards™.com provides faith-based, inspirational e-greeting cards for all occasions.

ChristianHeadlines.com reports the news of importance to the Christian audience with a headlines blog, Christian worldview commentary, and features on events from the worldwide Christian Church.

LightSource.com provides on-demand, video streaming for nearly 85 Christian television programs from more than 70 ministry partners.

AllCreated.com offers recipes, clever life hacks, no-sense beauty tips and simple do-it-yourself projects for your home.

ChristianRadio.com directs visitors towards Christian Teaching Talk Stations and Christian Music Stations in their state from Salem Radio Network™.

CCMmagazine.com provides information and insight on Christian music.

SingingNews®.com provides information on Southern Gospel artists, industry news, concerts, and more.

SouthernGospel.com features the latest in new music, news, stories, tours and features the most vibrant Southern Gospel community on the web.

Townhall Media—Conservative Opinion Websites:

Townhall.com® is an interactive community that brings users, conservative public policy organizations, congressional staff and political activists together under the broad umbrella of conservative thoughts, ideas and actions.

HotAir™.com is a leading news and commentary site with conservative news and opinions.

Twitchy®.com is a website featuring selected quotes and current events centered on U.S. politics, global news, sports, entertainment, media, and breaking news.

RedState®.com is the leading conservative, political news blog for right of center activists.

BearingArms.com is a clearinghouse for news and resources on Second Amendment issues, gun control, self-defense and firearms.

ConservativeRadio.com is a connection to the most informative, intelligent talk radio hosts, both national hosts and local hosts, from stations across the country.

pjmedia.com is an integrated website that offers conservative news and commentary and is a reliable source for original, unique, and cutting-edge political news and analysis.

Salem Church Products Websites:

Salem Church Products websites offer resources for churches and ministries in the areas of church media, worship, children's and youth ministry, preaching, teaching and employment. These websites include:

SermonSearch™.com is a subscription-based resource for preachers and teachers with preparation materials like sermon outlines, illustrations, and preaching ideas from many of America's top Christian communicators.

ChurchStaffing.com is a source of job search information for churches and ministries offering a platform for personnel and staff relations. This site allows those seeking employment to submit resumes and view job listings.

WorshipHouseMedia.com is an online church media resource, providing videos and other multi-media resources to churches to enhance worship and sermons.

SermonSpice™.com is an online provider of church media for local churches and ministries.

WorshipHouseKids.com provides children's and family ministry videos and media to make children's ministry fun, interactive and easy.

Preaching.com is a leading resource for pastors and church leaders that offers tools and ideas to help them lead well.

ChristianJobs.com provides services catering to the hiring needs of Christian-based businesses, nonprofit organizations, and ministries. The site connects these organizations with thousands of job seekers through its online presence and partnerships with Salem's radio stations.

Youthworker.com offers a wealth of resources specifically for student ministries to help enhance teaching and worship.

Childrens-Ministry-Deals.com offers a variety of digital resources including videos, song tracks, sermon archives, job listings and Sunday school curriculum to pastors and Church leaders.

JourneyBoxMedia.com provides short films to churches to help them communicate the Gospel to their communities.

Playblackmedia.com offers motion backgrounds, stills and countdowns to help churches create a visual worship experience.

Digital Financial Websites and Publications

Our digital platform includes the following investing websites and publications:

Eagle Financial Publications—provides market analysis and investment strategies for individual subscribers to newsletters from a variety of investing commentators including Bob Carlson, Bryan Perry, Jim Woods, Hilary Kramer, Dr. Mark Skousen and Jon Johnson.

www.DividendInvestor.com—offers stock screening tools and dividend information for individual subscribers to obtain dividend information and data.

www.StockInvestor.com—provides market analysis and investment strategies, recommendations, and opinions for individuals interested in the stock market.

Digital Mobile Applications

Our digital mobile applications, available in iOS and/or Android platforms, provide another means by which our content is available to our audiences. Our mobile applications include the following:

- Daily Bible Devotion
- King James Bible
- Daily Bible
- Christian Radio
- OnePlace™
- Light Source
- ¡Citas y Mas Citas!
- Bíblia Portuguese Bible
- Bibliya Tagalog Bible
- Japanese Bible
- La Bibbia
- La Biblia Reina Valera
- Louis Segond French Bible
- Luther Bible German
- Spanish Bible Reina Valera
- Vietnamese Bible
- Vulgate Latin Bible

- Twitchy®
- HotAir™
- Townhall®
- Red State
- Bible Study Tools
- Bible Quotes
- Bible Trivia
- iBelieve
- Bible Baseball Trivia
- Christian Ecards
- One Bible
- Bible+1
- Biblia

Publishing

Our publishing segment operates a distribution network targeting audiences interested in Christian and family-themed content as well as conservative news and opinion. We operate three businesses in our publishing segment.

Regnery® Publishing is a traditional book publisher that has published dozens of bestselling books by leading conservative, Christian and history authors and personalities. Books are sold in traditional printed form and as eBooks with the following categories:

- Regnery History—Regnery History brings new light to old subjects and introduces stories that deserve attention but may have been ignored or even covered up in the past.
- Regnery Kids—Regnery Kidsbooks are non-partisan, entertaining, and brilliantly written and illustrated by award-winning authors and artists.
- Regnery Fiction—Regnery Fiction publishes exciting, thrilling stories with characters who embody American values and plots that explore controversial issues on the forefront of the American consciousness.
- Gateway Editions—Regnery Gateway, dedicated to serious works of cultural, social, and political analysis, is a reaffirmation of Regnery's tradition of publishing original and penetrating conservative thinkers.
- Salem Books—Our goal is to help people grow in their faith, and find comfort, encouragement, practical advice, and timeless wisdom in compelling books by trusted authors.

Salem Author Services is a self-publishing service for authors through Xulon Press and Mill City Press. Xulon Press offers print-on-demand self-publishing services for Christian authors while Mill City Press serves most general market publications.

Singing News® produces and distributes a print magazine for readers interested in southern gospel music.

Competition

We operate in a highly competitive broadcast and media business. We compete for audiences, advertisers and programmers with other radio broadcasters, broadcast and cable television operators, newspapers and magazines, book publishers, national and local digital services, outdoor advertising, direct mail, online marketing and media companies, social media platforms, web-based blogs, and mobile devices.

BROADCASTING. Our broadcast audience ratings and market shares are subject to change, and any change in a particular market could adversely affect on the revenue of our stations located in that market. While we already compete in some of our markets with stations that offer similar formats, if another radio station were to convert its programming to a format similar to one of ours, or if an existing competitor were to strengthen its operations, our stations could suffer reduced ratings and/or reduced revenues. In these circumstances, we could also incur significantly higher promotional and other related expenses. We cannot assure that our stations will maintain or increase their current audience ratings and revenues.

We compete for advertising revenue with other commercial religious format stations as well as general format radio stations. Our competition for advertising dollars includes other radio stations as well as digital websites and social media, broadcast television, cable television, newspapers, magazines, direct mail and billboard advertising, some of which may be controlled by horizontally integrated companies. Several factors can materially affect competitive advantage, including, but not limited to audience ratings, program content, management talent and expertise, sales talent and experience, audience characteristics, signal strength, and the number and characteristics of other radio stations in the same market.

Christian and Family-Themed Radio. The segment of this industry that focuses on Christian and family themes is also a highly competitive business. The financial success of each of our radio stations that focuses on Christian Teaching and Talk is dependent, to a significant degree, upon its ability to generate revenue from the sale of block program time to national and local religious and educational organizations. We compete for this program revenue with a number of different commercial and non-commercial radio station licensees. While we believe that no commercial group owner in the United States specializing in Christian and family-themed programming approaches Salem in size of potential listening audience and presence in major markets, other religious radio stations exist and enjoy varying degrees of prominence and success in each of our markets.

New Methods of Content Delivery. Competition also comes from new media technologies and services. These include delivery of audio programming by cable television and satellite systems, digital audio radio services, mobile devices including smart phone applications for iPhone® and Android®, personal communications services, social media, and the service of low powered, limited coverage FM radio stations authorized by the FCC. The delivery of live and stored audio programming through the Internet has also created new competition. In addition, satellite delivered digital audio radio, which delivers multiple audio programming formats to national audiences, has created competition. We have attempted to address these existing and potential competitive threats through a more active strategy to acquire and integrate new electronic communications formats including digital acquisitions, the launch of Salem Surround, and our exclusive arrangement to provide Christian and family-themed talk on SiriusXM, a satellite digital audio radio service.

NETWORK. SRN™ competes with other commercial radio networks that offer news and talk programming to religious and general format stations and noncommercial networks that offer Christian music formats. SRN™ also competes with other radio networks for the services of talk show personalities.

DIGITAL MEDIA. SWN and Townhall Media compete for visitors and advertisers with other companies that deliver online audio programming, that deliver Christian and conservative digital content, and providers of general market websites and social media. The online media and distribution business changes quickly and is highly competitive. We compete to attract and maintain interactions with advertisers, consumers, content creators and web publishers. Salem Church Products competes for customers with other online sites that offer resources useful in ministries, preaching, teaching and for employment within the Christian community.

PUBLISHING. Regnery® Publishing competes with other book publishers for readers and book sales as well as competes for product quality, customer service, suitability of format and subject matter, author reputation, price, timely availability of both new titles and revisions of existing books, digital availability of published products, and timely delivery of products to customers. Our print magazine competes for readers and advertisers with other print publications, including those geared toward Christian audiences. Salem Author Services competes for authors with other on-demand publishers including those focused exclusively on Christian book publishers.

Federal Regulation of Radio Broadcasting

Introduction. The ownership, operation and sale of broadcast stations, including those licensed to Salem, are subject to the jurisdiction of the FCC, which acts under authority derived from The Communications Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Communications Act"). Among other things, the FCC assigns frequency bands for broadcasting; determines whether to approve certain changes in ownership or control of station licenses; regulates transmission facilities, including power employed, antenna and tower heights, and location of transmission facilities; 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 under the Communications Act.

The following is a brief summary of certain provisions of the Communications Act and of specific FCC regulations and policies. 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 maximum) license renewal terms or, for particularly egregious violations, the denial of a license renewal application, the revocation of a license or the denial of FCC consent to acquire additional broadcast properties. For further information concerning the nature and extent of federal regulation of broadcast stations you should refer to the Communications Act, FCC rules and the public notices and rulings of the FCC.

License Grant and Renewal. Radio broadcast licenses are granted for maximum terms of eight years. Licenses must be renewed through an application to the FCC. Under the Communications Act, the FCC will renew a broadcast license if it finds that the station has served the public interest, convenience and necessity, that there have been no serious violations by the licensee of the Communications Act or the rules and regulations of the FCC, and that there have been no other violations by the licensee of the Communications Act or the rules and regulations of the FCC that, when taken together, would constitute a pattern of abuse.

From time to time, the renewal of certain licenses may be delayed. We continue to operate these radio stations under their existing licenses until the licenses are renewed. The affected stations are authorized to continue operations until the FCC acts upon the renewal applications. We continually monitor our stations' compliance with the various regulatory requirements that are necessary for the FCC renewal. We are currently in the midst of the FCC's radio renewal cycle, and license renewal applications for certain of our stations will be pending during the course of the renewal cycle. We expect all of our broadcast licenses to be renewed by its conclusion.

Petitions to deny license renewals can be filed by certain interested parties, including members of the public in a station's market. Such petitions may raise various issues before the FCC. The FCC is required to hold hearings on renewal applications if the FCC is unable to determine that renewal of a license would serve the public interest, convenience and necessity, or if a petition to deny raises a "substantial and material question of fact" as to whether the grant of the renewal application would be *prima facie* inconsistent with the public interest, convenience and necessity. In addition, during certain periods when a renewal application is pending, the transferability of the applicant's license is restricted.

The following table sets forth information with respect to each of our radio stations for which we hold the license. Stations that we operate under an LMA or TBA are not reflected on this table. A broadcast station's market may be different from its community of license. The coverage of an AM radio station is chiefly a function of the power of the radio station's transmitter, less dissipative power losses and any directional antenna adjustments. For FM radio stations, signal coverage area is chiefly a function of the Effective Radiated Power

("ERP") of the radio station's antenna and the Height Above Average Terrain ("HAAT") of the radio station's antenna.

Market (1)	Station Call Letters	Frequency	Operating Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day / Night
New York, NY	WMCA	AM	570	June 2022	B	n/a	5/5
	WNYM	AM	970	June 2022	B	n/a	50/5
Los Angeles, CA	KKLA	FM	99.5	December 2021	B	2,959	10
	KRLA	AM	870	December 2021	B	n/a	50/3
	KFSH	FM	95.9	December 2021	A	328	6
Chicago, IL	WYLL	AM	1160	December 2020	B	n/a	50/50
	WIND	AM	560	December 2020	B	n/a	5/5
San Francisco, CA	KFAX	AM	1100	December 2021	B	n/a	50/50
	KDOW	AM	1220	December 2021	D	n/a	5/0.145
	KTRB	AM	860	December 2021	B	n/a	50/50
Dallas-Fort Worth, TX	KLTY	FM	94.9	August 2021	C	1,667	100
	KWRD	FM	100.7	August 2021	C	1,988	98
	KSKY	AM	660	August 2021	B	n/a	20/0.7
	KTNO	AM	620	August 2021	B	n/a	5/4.5
Houston-Galveston, TX	KNTH	AM	1070	August 2021	B	n/a	10/5
	KKHT	FM	100.7	August 2021	C	1,952	100
Washington, D.C.	WAVA	FM	105.1	October 2019(1)	B	604	33
	WAVA	AM	780	October 2019(1)	D	n/a	12
	WWRC	AM	570	October 2027	B	n/a	5/1
Atlanta, GA	WNIV	AM	970	April 2020	D	n/a	5/0.039
	WLTA	AM	1400	April 2020	C	n/a	1/1
	WFSH	FM	104.7	April 2020	C1	1,657	24
	WGKA	AM	920	April 2020	B	n/a	14/0.49
	WDWD	AM	590	April 2020	B	n/a	12/4.5
Philadelphia, PA	WFIL	AM	560	August 2022	B	n/a	5/5
	WNTP	AM	990	August 2022	B	n/a	50/10
Boston, MA	WEZE	AM	590	April 2022	B	n/a	5/5
	WROL	AM	950	April 2022	D	n/a	5/0.09
Miami, FL	WKAT	AM	1450	February 2020(1)	C	n/a	1/1
Seattle-Tacoma, WA	KGNW	AM	820	February 2022	B	n/a	50/5
	KLFE(2)	AM	1590	February 2022	B	n/a	20/5
	KNTS(2)	AM	1680	February 2022	B	n/a	10/1
Detroit, MI	WDTK	AM	1400	October 2020	C	n/a	1/1
	WLQV	AM	1500	October 2020	B	n/a	50/10
Phoenix, AZ	KKNT	AM	960	October 2021	B	n/a	5/5
	KPXQ	AM	1360	October 2021	B	n/a	50/1
	KXXT	AM	1010	October 2021	B	n/a	15/0.25
Minneapolis-St. Paul, MN	KKMS	AM	980	April 2021	B	n/a	5/5
	KDIZ	AM	1570	April 2021	B	n/a	4.0/0.22
	WWTC	AM	1280	April 2021	B	n/a	10/15
	KYCR	AM	1440	April 2021	B	n/a	5/0.5
San Diego, CA	KPRZ	AM	1210	December 2021	B	n/a	20/10
	KCBQ	AM	1170	December 2021	B	n/a	50/2.9
Tampa, FL	WTWD	AM	910	February 2020(1)	B	n/a	5/5
	WTBN	AM	570	February 2020(1)	B	n/a	5/5
	WGUL	AM	860	February 2020(1)	B	n/a	5/1.5

Market (1)	Station Call Letters	Frequency	Operating Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day / Night
Denver-Boulder, CO	KRKS	FM	94.7	April 2021	C	984	100
	KRKS(2)	AM	990	April 2021	B	n/a	6.5/0.39
	KNUS	AM	710	April 2021	B	n/a	5/5
	KBJD(2)	AM	1650	April 2021	B	n/a	10/1
Portland, OR	KPDQ	FM	93.9	February 2022	C1	1,270	52
	KPDQ	AM	800	February 2022	B	n/a	1/0.5
	KFIS	FM	104.1	February 2022	C2	1266	6.9
	KRYP	FM	93.1	February 2022	C3	1,270	1.6
	KDZR	AM	1640	February 2022	B	n/a	10/1
	KPAM	AM	860	February 2022	B	n/a	50/15
San Antonio, TX	KSLR	AM	630	August 2021	B	n/a	5/4.3
	KLUP	AM	930	August 2021	B	n/a	5/1
Riverside-San Bernardino, CA	KTIE	AM	590	December 2021	B	n/a	2.5/0.96
Sacramento, CA	KFIA	AM	710	December 2021	B	n/a	25/1
	KTKZ	AM	1380	December 2021	B	n/a	5/5
	KSAC	FM	105.5	December 2021	B1	1,010	2.55
	KKFS	FM	103.9	December 2021	A	328	6
Pittsburgh, PA	WORD	FM	101.5	August 2022	B	535	43
	WPIT	AM	730	August 2022	D	n/a	5/0.024
	WPGP	AM	1250	August 2022	B	n/a	5/5
Orlando, FL	WORL	AM	950	February 2020(1)	B	n/a	12/5
	WTLN	AM	990	February 2020(1)	B	n/a	50/14
	WBZW	AM	1520	February 2020(1)	B	n/a	5/0.35
Cleveland, OH	WHKW	AM	1220	October 2020	B	n/a	50/50
	WFHM	FM	95.5	October 2020	B	620	31
	WHK	AM	1420	October 2020	B	n/a	5/5
Columbus, OH	WRFD	AM	880	October 2020	D	n/a	23
	WTOH	FM	98.9	October 2020	A	505	2.6
Nashville, TN	WBOZ	FM	104.9	August 2020	A	328	6
	WFFH	FM	94.1	August 2020	A	453	3.2
	WFFI	FM	93.7	August 2020	A	755	1.15
Louisville, KY	WFIA	FM	94.7	August 2020	A	394	3.3
	WGTK	AM	970	August 2020	B	n/a	5/5
	WFIA	AM	900	August 2020	D	n/a	0.93/0.162
Greenville, SC	WGTK	FM	94.5	December 2019(1)	C	1,490	100
	WRTH	FM	103.3	December 2019(1)	A	479	2.7
	WLTE	FM	95.9	December 2019(1)	A	233	6
Honolulu, HI	KAIM	FM	95.5	February 2022	C	1,854	100
	KGU	AM	760	February 2022	B	n/a	10/10
	KHCM	AM	880	February 2022	B	n/a	2/2
	KHCM	FM	97.5	February 2022	C1	46	80
	KGU	FM	99.5	February 2022	C	1,965	100
	KKOL	FM	107.9	February 2022	C	1,965	100
	KHNR	AM	690	February 2022	B	n/a	10/10
Sarasota-Bradenton, FL	WLSS	AM	930	February 2020(1)	B	n/a	5/3
Little Rock, AR	KDIS	FM	99.5	June 2020	A	312	6
	KKSP	FM	93.3	June 2020	C3	699	22
	KDXE	FM	101.1	June 2020	A	876	0.85
	KZTS	AM	1380	June 2020	B	n/a	5/2.5

Market (1)	Station Call Letters	Frequency	Operating Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day / Night
Colorado Springs, CO	KGFT	FM	100.7	April 2021	C	2,218	78
	KBIQ	FM	102.7	April 2021	C	2,280	72
	KZNT	AM	1460	April 2021	B	n/a	5/0.5
Oxnard-Ventura, CA	KDAR	FM	98.3	December 2021	B1	1,289	1.5
Warrenton, Virginia	WRCW	AM	1250	October 2027	D	n/a	3/0.125

(1) FCC Renewal pending

(2) Radio station KNTS-AM is an expanded band station paired with station KLFE-AM in the Seattle, WA market, and station KBJD-AM is an expanded band station paired with KRKS-AM in the Denver, CO market. We are operating these four stations pursuant to FCC licenses or other FCC authority pending resolution by the FCC of the issue of AM expanded band dual operating authority. Depending upon how the FCC resolves that issue, it is possible that we will be required to surrender one station license in each station pair. Except for these stations, we are not currently aware of any facts that would prevent the timely renewal of our licenses to operate our radio stations, although there can be no assurance that our licenses will be renewed.

The following table sets forth information with respect to each of our radio stations FM translators for which we are the licensee and/or operate:

Market	Station Call Letters	Operating Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Power (in Kilowatts) Night
Boston	W262CV (WROL)	100.3	4/1/2022	D	164	0.25	0.25
Cleveland	W245CY (WHKW)	96.9	10/1/2020	D	520	0.005	0.005
Cleveland	W273DG (WHK)	102.5	10/1/2020	D	520	0.005	0.005
Colorado Springs	K266CK (KZNT)	101.1	4/1/2021	D	-191	0.099	0.099
Columbus	W240CX (WTOH)	95.9	10/1/2020	D	505	0.99	0.525
Columbus	W283CL (WRFD)	104.5	10/1/2020	D	545	0.25	0.25
Dallas-Ft. Worth	K273BJ (KLTY-FM)	102.5	8/1/2021	D	434	0.25	0.25
Detroit	W224CC (WLQV)	92.7	10/1/2020	D	924	0.099	0.099
Detroit	W268CN (WDTK)	101.5	10/1/2020	D	914	0.099	0.099
Greenville	W245CH (WGTK-FM)	96.9	12/1/2019(1)	D	1,364	0.25	0.25
Greenville	W275BJ (WGTK-FM)	102.9	12/1/2019(1)	D	1,390	0.25	0.25
Honolulu	K232FL (KHNR)	94.3	2/1/2022	D	204	0.25	0.25
Honolulu	K236CR (KGU-AM)	95.1	2/1/2022	D	204	0.25	0.25
Houston	K277DE (KNTH)	103.3	8/1/2021	D	514	0.25	0.25
Little Rock	K288EZ (KZTS)	105.5	6/1/2020	D	332	0.25	0.25
Little Rock	K277DP (KZTS)	103.3	6/0/2020	D	323	0.25	0.25
Louisville	W297BV (WFIA)	107.3	8/1/2020	D	286	0.25	0.25
Louisville	W228EO (WGTK)	93.5	9/9/2022	D	191	0.099	0.099
Miami	W270CV (WKAT)	101.9	2/1/2020(1)	D	531	0.25	0.25
Minneapolis	K298CO (WWTC)	107.5	4/1/2021	D	176	0.25	0.25
New York	W272DX (WMCA)	102.3	6/1/2022	D	357	0.25	0.25
Orlando	W268CT (WTLN)	101.5	2/1/2020(1)	D	323	0.25	0.25
Orlando	W235CR (WORL)	94.9	2/1/2020(1)	D	434	0.225	0.225
Orlando	W264DU (WBZW)	100.7	10/31/2021	D	328	0.25	0.25
Pittsburgh	W223CS (WPGP)	92.5	8/1/2022	D	455	0.11	0.11
Pittsburgh	W243BW (WPIT)	96.5	8/1/2022	D	466	0.25	0.25
Portland	K292HH (KPDQ)	106.3	2/1/2022	D	1,150	0.099	0.099

Market	Station Call Letters	Operating Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Power (in Kilowatts) Night
Sacramento	K289CT (KFIA)	105.7	10/3/2021	D	291	0.25	0.25
San Diego	K241CT (KCBQ)	96.1	12/1/2021	D	826	0.25	0.25
San Diego	K291CR (KPRZ)	106.1	12/1/2021	D	820	0.25	0.25
San Francisco	K237GZ (KDOW)	95.3	12/1/2021	D	1,263	0.04	0.04
Seattle	K281CQ (KGNW)	104.1	2/1/2022	D	1,248	0.099	0.099
Tampa	W271CY (WTWD)	102.1	2/1/2020(1)	D	271	0.125	0.125
Tampa	W229DJ (WGUL)	93.7	2/1/2020(1)	D	272	0.099	0.099
Tampa/Sarasota	W229BR (WLSS)	93.7	2/1/2020(1)	D	212	0.099	0.099
Tampa/Sarasota	W262CP (WTBN)	100.3	2/1/2020(1)	D	1,074	0.25	0.25
Washington DC	W244EB (WAVA)	96.7	4/10/2021	D	641	0.15	0.15

(1) FCC Renewal pending

Ownership Matters. The Communications Act prohibits the assignment of a broadcast license or the transfer of control of a broadcast license without the prior approval of the FCC. In determining whether to assign, transfer, grant or renew a broadcast license, the FCC considers a number of factors pertaining to the licensee, including compliance with various rules limiting common ownership of media properties, the "character" of the licensee and those persons holding "attributable" interests therein, and compliance with the Communications Act's limitation on alien ownership, as well as compliance with other FCC policies, including equal employment opportunity requirements.

FCC rules and policies define the interests of individuals and entities, known as "attributable" interests, which implicate FCC rules governing ownership of broadcast stations. and other specified mass media entities. Under these rules, attributable interests generally include: (1) officers and directors of a licensee and of its direct and indirect parents; (2) general partners; (3) limited partners and limited liability company members, unless properly "insulated" from management activities; (4) a 5% or more direct or indirect voting stock interest in a corporate licensee or parent, except that, for a narrowly defined class of passive investors, the attribution threshold is a 20% or more voting stock interest; and (5) combined equity and debt interests in excess of 33% of a licensee's total asset value, if the interest holder provides over 15% of the licensee station's total weekly programming, or has an attributable same-service (radio or television) broadcast or newspaper interest in the same market (the "EDP Rule"). An entity that owns one or more radio stations in a market and programs more than 15% of the broadcast time or sells more than 15% per week of the advertising time on a radio station in the same market is generally deemed to have an attributable interest in that station. Debt instruments, non-voting corporate stock, minority voting stock interests in corporations having a single majority stockholder, and properly insulated limited partnership and limited liability company interests generally are not subject to attribution unless such interests implicate the EDP Rule.

The FCC ownership rules relevant to our business are summarized below. Because of these rules, a purchaser of voting stock of the company that acquires an "attributable" interest in the company may violate the FCC's rule if it also has an attributable interest in another radio station, depending on the number and location of those radio stations. Such a purchaser also may be restricted in the other companies in which it may invest, to the extent that these investments give rise to an attributable interest. If an attributable stockholder of the company violates any of these ownership rules, the company may be unable to obtain from the FCC one or more authorizations needed to conduct its radio station business and may be unable to obtain FCC consents for certain future acquisitions.

Foreign Ownership: Under the Communications Act, a broadcast license may not be granted to or held by a corporation that has more than one-fifth of its capital stock owned or voted by aliens or their representatives, by foreign governments or their representatives, or by non-U.S. corporations. Under the Communications Act, there are limitations on the licensee of a broadcast license, that is held by any corporation that is controlled, directly or indirectly, by any other corporation more than one-fourth of whose capital stock is owned or voted by aliens or their representatives, by foreign governments or their representatives, or by non-U.S. corporations. These restrictions apply in modified form to other forms of business organizations, including partnerships. We therefore may be restricted from having more than one-fourth of our stock owned or voted by aliens, foreign governments or non-U.S. corporations, although the FCC will entertain and authorize, on a case-by-case basis and upon a sufficient public interest showing, proposals to exceed the 25% foreign ownership limit in broadcasting holding companies.

Local Radio Ownership: The maximum allowable number of radio stations that may be commonly owned in a market is based on the size of the market. In markets with 45 or more stations, one entity may have an attributable interest in up to eight stations, of which no more than five are in the same radio service (AM or FM). In markets with 30-44 stations, one entity may have an attributable interest in up to seven stations, of which no more than four are in the same service. In markets with 15-29 stations, one entity may have an attributable interest in up to six stations, of which no more than four are in the same service. In markets with 14 or fewer stations, one entity may have an attributable interest in up to five stations, of which no more than three are in the same service, so long as the entity does not have an interest in more than 50% of all stations in the market. To apply these ownership tiers, the FCC relies on Nielsen Metro Survey Areas, where they exist, and a signal contour-overlap methodology where they do not exist. An FCC rulemaking is pending to determine how to define radio markets for stations located outside Nielsen Metro Survey Areas.

The FCC also restricts the number of television stations an entity may own both in local markets and nationwide.

Our current ownership of radio broadcast stations complies with the FCC's multiple ownership rules; however, these rules may limit the number of additional stations that we may acquire in the future in certain of our markets.

Cross-Ownership: The newspaper/broadcast cross-ownership rule prohibits an individual or entity from having an attributable interest in either a radio or television station and a daily newspaper located in the same market, subject to certain exceptions and with waivers available in particular cases. The radio/television cross-ownership rule limits common ownership of television stations and same market radio stations. In general, an individual or entity may hold attributable interests in one television station and up to seven same-market radio stations (or two television stations and up to six same-market radio stations), depending on the number of independently owned radio, television and other specified media "voices" in the market.

Review of Media Ownership Rules: The FCC is required by statute to review all of its broadcast ownership rules on a quadrennial basis (*i.e.*, every four years) and to repeal or modify any of its rules that are no longer "necessary in the public interest." Despite several such reviews and appellate remands, the FCC's rules limiting the number of radio stations that may be commonly owned in a local market have remained largely intact since their initial adoption following the 1996 Act. The FCC's previous ownership reviews have been subject to litigation. The most recent court decisions were issued by the United States Court of Appeals for the Third Circuit in September and November 2019 and concerned the FCC's 2014 review. These decisions may be the subject of further litigation. The FCC initiated its 2018 quadrennial review in December 2018 and that proceeding remains pending. Among other things, the FCC is seeking comment on all aspects of the local radio ownership rule's implementation and whether the current version of the rule remains necessary in the public interest. We cannot predict whether the appeal or forthcoming review proceeding will result in modifications of the ownership rules or the impact (if any) that such modifications would have on our business.

Federal Antitrust Considerations. The Federal Trade Commission ("FTC") and the Department of Justice ("DOJ"), which evaluate transactions to determine whether those transactions should be challenged under the federal antitrust laws, are also active in their review of radio station acquisitions, particularly where an operator proposes to acquire additional stations in its existing markets.

For an acquisition meeting certain size thresholds, the Hart-Scott-Rodino Improvements Act ("HSR Act") and the rules promulgated thereunder require the parties to file Notification and Report Forms with the FTC and the DOJ and to observe specified waiting period requirements before consummating the acquisition. At any time before or after the consummation of a proposed acquisition, the FTC or the DOJ could take such action under the antitrust laws, as it deems necessary or desirable in the public interest, including seeking to enjoin the acquisition or seeking divestiture of the business acquired or other assets of the company. The FTC or the DOJ may investigate acquisitions that are not required to be reported under the HSR Act under the antitrust laws before or after consummation. In addition, private parties may under certain circumstances bring legal action to challenge an acquisition under the antitrust laws. The DOJ also has stated publicly that it believes that LMAs and other similar agreements customarily entered into in connection with radio station transfers prior to the expiration of the waiting period under the HSR Act could violate the HSR Act.

We can provide no assurances that our acquisition strategy will not be adversely affected in any material respect by antitrust reviews.

Geographic Financial Information

Our customers are based in various locations throughout the United States. While no one customer currently accounts for 10% or more of our total revenues individually or in the aggregate, our broadcast operating segment is particularly dependent on revenue generated from our Los Angeles and Dallas broadcast markets. Our Los Angeles radio stations generated 11.6% of our total net broadcasting revenue for the year ended December 31, 2019 and 12.0% of our total net broadcasting revenue for the year ended December 31, 2018. Our Dallas radio stations generated 10.1% of our total net broadcasting revenue for the year ended December 31, 2019 and 10.4% of our total net broadcasting revenue for the year ended December 31, 2018.

Because substantial portions of our broadcast advertising revenues are derived from our Los Angeles and Dallas markets, our ability to generate revenues in those markets could be adversely affected by local or regional economic downturns in these areas.

Employees

As of February 18, 2020, we employed 1,487 total employees of which 1,133 were full time and 354 were part time. These employees consisted of 1,062 in broadcasting, 146 in digital media, 112 in publishing, and 167 corporate employees. We consider our relations with our employees to be good and none of our employees are covered by collective bargaining agreements.

We employ on-air personalities and we may enter into employment agreements with theseon-air personalities in order to protect our interests in these relationships. However, on-air talent may be lost to competitors for a variety of reasons. While we do not believe that the loss of any one of ouron-air personalities would adversely affect on our consolidated financial condition and results of operations, the loss of several key on-air personalities combined could adversely affect on our business.

Available Information

Our Internet address is www.salemmedia.com. We make available free of charge on our investor relations website under the heading "SEC Filings" our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports are available as soon as reasonably practical after we electronically file them or furnish them to the SEC. *Any information found on our website is not a part of or incorporated by reference into, this or any other report of the company filed with, or furnished to, the SEC.*

ITEM 1A. RISK FACTORS.

Not required for smaller reporting companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We own or lease various properties throughout the United States from which we conduct business. No one physical property is material to our overall business operations. We believe that each of our properties are in good condition and suitable for our operations; however, we continually evaluate opportunities to upgrade our properties. We believe that we will be able to renew existing leases when applicable or obtain comparable facilities, as necessary.

Corporate

Our corporate headquarters are in Camarillo, California where we own an approximately 46,000 square foot office building.

Broadcasting

Our broadcast facilities include offices and studios, transmitter locations, antenna sites and tower sites. Offices and studios are typically located in buildings that are in a downtown or business district. Transmitter, antenna and tower sites are located in areas that provide maximum market coverage. Our radio stations broadcast from 89 tower sites, including 44 tower sites in which we own the land.

Our SRN™ and SMR offices, Salem Consumer Products, and our Dallas radio stations studios and offices are in the Dallas, Texas metropolitan area, where we own an approximately 43,000 square foot office building. We also own office buildings in Honolulu, Hawaii; Tampa, Florida; Orlando, Florida and Greenville, South Carolina from which our radio stations studios and offices operate. Our national radio network operates from various offices and studios. These studios may be used to generate programming or programming can also be relayed from a remote point of origination. Our network also leases satellite transponders used in the delivery of its programming. Our current lease agreements range from five months to twenty nine years remaining on the lease term. We lease certain property from our principal stockholders or trusts and partnerships created for the benefit of the principal stockholders and their families. These leases are described in Note 18, Related Party Transactions in the notes to our Consolidated Financial Statements contained in Item 8 of this annual report on Form 10-K.

While none of our owned or leased properties is individually material to our operations, if we were required to relocate any of our broadcast towers, the cost would be significant. Significant costs are due to the moving and reconstruction of the tower as well as the limited number of sites in any geographic area that permit a tower of reasonable height to provide adequate market coverage. These limitations are due to zoning and other land use restrictions, as well as Federal Aviation Administration and FCC regulations.

Digital Media

Our digital media entities operate from office buildings and require additional data storage centers. SWN operates from leased office facilities in Richmond, Virginia and Nashville, Tennessee. Townhall Media operates from a leased facility in Washington D.C. that is shared with our radio stations in that market. Eagle Financial Publications operates from a leased office in Washington D.C. Our current lease agreements range from one to seven years remaining on the lease term.

Publishing

Regnery® Publishing operates from leased facilities in Washington, D.C. with inventory fulfillment managed by a third-party in Delran, New Jersey. Salem Author Services operates from leased facilities in Orlando, Florida. *Singing News®* operates from leased office facilities in Nashville, Tennessee. Our current lease agreements range from one to four years remaining on the lease term.

ITEM 3. LEGAL PROCEEDINGS.

We and our subsidiaries, incident to our business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance. We maintain insurance that may provide coverage for such matters. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters. We believe, at this time, that the final resolution of these matters, individually and in the aggregate, will not adversely affect upon our annual consolidated financial position, results of operations or cash flows.

ITEM 4. MINE AND SAFETY DISCLOSURES.

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our Class A common stock trades on the NASDAQ Global Market® ("NASDAQ-NGM") under the symbol SALM. On February 10, 2020, we had approximately 50 stockholders of record (not including the number of persons or entities holding stock in nominee or street name through various brokerage firms) and 21,129,667 outstanding shares of Class A common stock and two stockholders of record and 5,553,696 outstanding shares of Class B common stock. The following table sets forth for the fiscal quarters indicated the range of high and low sale price information per share of the Class A common stock of the company as reported on the NASDAQ-NGM.

	2018				**2019**			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
High (mid-day)	$4.80	$5.80	$6.25	$3.64	**$3.26**	**$2.67**	**$2.50**	**$1.70**
Low (mid-day)	$3.55	$3.10	$3.35	$2.03	**$2.08**	**$1.85**	**$1.48**	**$1.35**

There is no established public trading market for the company's Class B common stock.

DIVIDEND POLICY

Our dividend policy is based upon our Board of Directors' current assessment of our business and the environment in which we operate. The actual declaration of any future equity distributions and the establishment of the per share amount, record dates, and payment dates are subject to final determination by our Board of Directors and dependent upon future earnings, cash flows, financial and legal requirements, and other factors. The reduction or elimination of equity distributions may negatively affect the market price of our common stock.

The following table shows the equity distributions that have been declared and paid to all stockholders of record of our Class A and Class B common stock during the years ended December 31, 2019 and 2018.

Announcement Date	Record Date	Payment Date	Amount Per Share	Cash Distributed (in thousands)
December 10, 2019	December 23, 2019	December 30, 2019	$ 0.0250	$ 667
September 11, 2019	September 23, 2019	September 30, 2019	$ 0.0650	$ 1,730
May 14, 2019	June 14, 2019	June 28, 2019	$ 0.0650	$ 1,728
March 7, 2019	March 19, 2019	March 29, 2019	$ 0.0650	$ 1,702
November 26, 2018	December 7, 2018	December 21, 2018	$ 0.0650	$ 1,702
September 5, 2018	September 17, 2018	September 28, 2018	$ 0.0650	$ 1,702
May 31, 2018	June 15, 2018	June 29, 2018	$ 0.0650	$ 1,701
February 28, 2018	March 14, 2018	March 28, 2018	$ 0.0650	$ 1,701

Based on the number of shares of Class A and Class B common stock currently outstanding, we expect to pay total annual equity distributions of approximately $2.7 million in 2020 if approved by our Board at the amount per share of our most recent payment.

Our sole source of cash available for making any future equity distributions is our operating cash flow subject to our 6.75% Senior Secured Notes ("Notes") and Asset-Based Revolving Credit Facility ("ABL Facility"), which contain covenants that restrict the payment of dividends and equity distributions unless certain specified conditions are satisfied.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 6. SELECTED FINANCIAL DATA.

Not required for smaller reporting companies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

General

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and related notes included elsewhere in this annual report on Form 10-K. Our Consolidated Financial Statements are not directly comparable from period to period due to acquisitions and dispositions. Refer to Note 3 of our Consolidated Financial Statements under Item 8 of this annual report on Form 10-K for details of each of these transactions. We have elected the presentation requirements under Rule 12b-2 of the Exchange Act as a smaller reporting company and have herein included a two year discussion of our financial condition and results of operations. Historical operating results are not necessarily indicative of future operating results. Actual future results may differ from those contained in or implied by the forward-looking statements as a result of various factors. These factors include, but are not limited to, risks and uncertainties relating to the need for additional funds to service our debt and to execute our business strategy, our ability to access borrowings under our ABL Facility, reductions in revenue forecasts, our ability to renew our broadcast licenses, changes in interest rates, the timing of, our ability to complete any acquisitions or dispositions, costs and synergies resulting from the integration of any completed acquisitions, our ability to effectively manage costs, our ability to drive and manage growth, the popularity of radio as a broadcasting and advertising medium, changes in consumer tastes, the impact of general economic conditions in the United States or in specific markets in which we do business, industry conditions, including existing competition and future competitive technologies and cancellation, disruptions or postponements of advertising schedules in response to national or world events, our ability to generate revenues from new sources, including local commerce and technology-based initiatives, the impact of regulatory rules or proceedings that may affect our business from time to time, and the future write off of any material portion of the fair value of our FCC broadcast licenses and goodwill.

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Overview

Salem Media Group, Inc. ("Salem") is a domestic multimedia company specializing in Christian and conservative content, with media properties comprising radio broadcasting, digital media, and publishing. Our content is intended for audiences interested in Christian and family-themed programming and conservative news talk. We maintain a website at www.salemmedia.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports are available free of charge through our website as soon as reasonably practicable after those reports are electronically filed with or furnished to the SEC. *The information on our website is not a part of or incorporated by reference into this or any other report of the company filed with, or furnished to, the SEC.*

We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which also qualify as reportable segments. Our operating segments reflect how our chief operating decision makers, which we define as a collective group of senior executives, assess the performance of each operating segment and determine the appropriate allocations of resources to each segment. We continually review our operating segment classifications to align with operational changes in our business and may make changes as necessary.

We measure and evaluate our operating segments based on operating income and operating expenses that exclude costs related to corporate functions, such as accounting and finance, human resources, legal, tax and treasury. We also exclude costs such as amortization, depreciation, taxes and interest expense when evaluating the performance of our operating segments.

Our principal sources of broadcast revenue include:

- the sale of block program time to national and local program producers;
- the sale of advertising time on our radio stations to national and local advertisers;
- the sale of banner advertisements on our station websites or on our mobile applications;
- the sale of digital streaming advertisements on our station websites or on our mobile applications;
- the sale of advertisements included in digital newsletters;
- fees earned for the creation of custom web pages and custom digital media campaigns for our advertisers through Salem Surround;
- the sale of advertising time on our national network;
- the syndication of programming on our national network;
- product sales and royalties for on-air host materials, including podcasts and programs; and
- other revenue such as events, including ticket sales and sponsorships, listener purchase programs, where revenue is generated from special discounts and incentives offered to our listeners from our advertisers; talent fees for voice-overs or custom endorsements from our on-air personalities and production services, and lease income for studios, towers or office space.

Our principal sources of digital media revenue include:

- the sale of digital banner advertisements on our websites and mobile applications;
- the sale of digital streaming advertisements on websites and mobile applications;
- the support and promotion to stream third-party content on our websites;
- the sale of advertisements included in digital newsletters;
- the digital delivery of newsletters to subscribers; and
- the number of video and graphic downloads.

Our principal sources of publishing revenue include:

- the sale of books and e-books;
- publishing fees from authors;
- the sale of digital advertising on our magazine websites and digital newsletters;
- subscription fees for our print magazine; and
- the sale of print magazine advertising.

In each of our operating segments, the rates we can charge for air-time, advertising and other products and services are dependent upon several factors, including:

- audience share;
- how well our programs and advertisements perform for our clients;
- the size of the market and audience reached;
- the number of impressions delivered;

- the number of advertisements and programs streamed;
- the number of page views achieved;
- the number of downloads completed;
- the number of events held, the number of event sponsorships sold and the attendance at each event;
- demand for books and publications;
- general economic conditions; and
- supply and demand for air-time on a local and national level.

Broadcasting

Our foundational business is radio broadcasting, which includes the ownership and operation of radio stations in large metropolitan markets, our national networks and our national sales firms including Salem Surround. Refer to Item 1. Business of this annual report for a description of our broadcasting operations.

Revenues generated from our radio stations, networks and sales firms are reported as broadcast revenue in our Consolidated Financial Statements included in Item 8 of this annual report on Form 10-K. Advertising revenue is recorded on a gross basis unless an agency represents the advertiser, in which case, revenue is reported net of the commission retained by the agency.

Broadcast revenues are impacted by the rates radio stations can charge for programming and advertising time, the level of airtime sold to programmers and advertisers, the number of impressions delivered or downloads made, and the number of events held, including the size of the event and the number of attendees. Block programming rates are based upon our stations' ability to attract audiences that will support the program producers through contributions and purchases of their products. Advertising rates are based upon the demand for advertising time, which in turn is based on our stations and networks' ability to produce results for their advertisers. We market ourselves to advertisers based on the responsiveness of our audiences. We do not subscribe to traditional audience measuring services for most of our radio stations. In select markets, we subscribe to Nielsen Audio, which develops monthly reports measuring a radio station's audience share in the demographic groups targeted by advertisers. Each of our radio stations and our networks has a pre-determined level of time available for block programming and/or advertising, which may vary at different times of the day.

Nielsen Audio uses the Portable People Meter™ ("PPM") technology to collect data for its ratings service. PPM is a small device that is capable of automatically measuring radio, television, Internet, satellite radio and satellite television signals encoded by the broadcaster. The PPM offers a number of advantages over traditional diary ratings collection systems, including ease of use, more reliable ratings data, shorter time periods between when advertising runs and actual listening data, and little manipulation of data by users. A disadvantage of the PPM includes data fluctuations from changes to the "panel" (a group of individuals holding PPM devices). This makes all stations susceptible to some inconsistencies in ratings that may or may not accurately reflect the actual number of listeners at any given time. We subscribe to Nielsen Audio for ratings services in 7 of our broadcast markets.

As is typical in the broadcasting industry, our second and fourth quarter advertising revenue generally exceeds our first and third quarter advertising revenue. This seasonal fluctuation in advertising revenue corresponds with quarterly fluctuations in the retail advertising industry. Additionally, we experience increased demand for advertising during election years by way of political advertisements. During election years, or even numbered years, we benefit from an increase in political advertising revenue over non-election or odd numbered years. Political advertising revenue varies based on the number and type of candidates as well as the number and type of debated issues. Quarterly block programming revenue tends not to vary significantly because program rates are generally set annually and recognized on a per program basis.

Our cash flows from broadcasting are affected by transitional periods experienced by radio stations when, based on the nature of the radio station, our plans for the market and other circumstances, we find it beneficial to change the station format. During this transitional period, when we develop a radio station's listener and customer base, the station may generate negative or insignificant cash flow.

In broadcasting, trade or barter agreements are commonly used to reduce cash expenses by exchanging advertising time for goods or services. We may enter barter agreements to exchange airtime or digital advertising for goods or services that can be used in our business or that can be sold to our audience under Listener Purchase Programs. The terms of these barter agreements permit us to preempt the barter airtime or digital campaign in favor of customers who purchase the airtime or digital campaign for cash. The value of these non-cash exchanges is included in revenue in an amount equal to the fair value of the goods or services we receive. Each transaction must be reviewed to determine that the products, supplies and/or services we receive have economic substance, or value to us. We record barter operating expenses upon receipt and usage of the products, supplies and services, as applicable. We record barter revenue as advertising spots or digital campaigns are delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Barter revenue is recorded on a gross basis unless an agency represents the programmer, in which case, revenue is reported net of the commission retained by the agency. During each of the years ended December 31, 2019 and 2018, 97% of our broadcast revenue was sold for cash.

Broadcast operating expenses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease expense and utilities, (iii) marketing and promotional expenses, (iv) production and programming expenses, and (v) music license fees. In addition to these expenses, our network incurs programming costs and lease expenses for satellite communication facilities.

Digital Media

Our digital media based businesses provide Christian, conservative, investing and health-themed content, e-commerce, audio and video streaming, and other resources digitally through the web. Refer to Item 1. Business of this annual report for a description of each of our digital media websites and operations.

Revenues generated from this segment are reported as digital media revenue in our Consolidated Statements of Operations included in this annual report on Form 10-K. Digital media revenues are impacted by the rates our sites can charge for advertising time, the level of advertisements sold, the number of impressions delivered or the number of products sold and the number of digital subscriptions sold. Like our broadcasting segment, our second and fourth quarter advertising revenue generally exceeds our first and third quarter advertising revenue. This seasonal fluctuation in advertising revenue corresponds with quarterly fluctuations in the retail advertising industry. We also experience fluctuations in quarter-over-quarter comparisons based on the date on which Easter is observed, as this holiday generates a higher volume of product downloads from our church product sites. Additionally, we experience increased demand for advertising time and placement during election years for political advertisements.

The primary operating expenses incurred by our digital media businesses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease expense and utilities, (iii) marketing and promotional expenses, (iv) royalties, (v) streaming costs, and (vi) cost of goods sold associated with e-commerce sites.

Publishing

Our publishing operations include book publishing through Regnery® Publishing, self-publishing services through Salem Author Services and Singing News Magazine. Refer to Item 1. Business of this annual report for a description of each of our publishing operations.

Revenues generated from this segment are reported as publishing revenue in our Consolidated Statements of Operations included in this annual report on Form 10-K. Publishing revenue is impacted by the retail price of books and e-books, the number of books sold, the number and retail price of e-books sold, the number and rate of print magazine subscriptions sold, the rate and number of pages of advertisements sold in each print magazine, and the number and rate at which self-published books are published. Regnery® Publishing revenue is impacted by elections as it generates higher levels of interest and demand for publications containing conservative and political based opinions.

The primary operating expenses incurred by our Publishing businesses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease expense and utilities, (iii) marketing and promotional expenses; and (iv) cost of goods sold that includes printing and production costs, fulfillment costs, author royalties and inventory reserves.

Known Trends and Uncertainties

Broadcast revenue growth remains challenged from what we believe to be several factors, including increasing competition from other forms of content distribution and time spent listening by audio streaming services, podcasts and satellite radio. This increase in competition and mix of radio listening time may lead advertisers to conclude that the effectiveness of radio has diminished. To minimize the impact of these factors, we continue to enhance our digital assets to complement our broadcast content. The increase use of voice activated platforms, or smart speakers, that provide audiences with the ability to access AM and FM radio stations show increased potential for broadcasters to reach audiences.

Our broadcast revenues are particularly dependent on advertising from our Los Angeles and Dallas markets, which generated 11.6% and 10.1%, respectively, of our net broadcast revenue during the year ended December 31, 2019. During the year ending December 31, 2019, we closed on the sale of 16 radio stations and had one sale pending at year end. These sales were pursued to generate cash flows from underperforming stations that was used to pay down outstanding debt. The sold stations generated $4.3 million of revenue during the year ended December 31, 2019 while incurring operating expenses of $5.6 million. We expect the station sales to have a favorable impact on our net operating results in future years.

Revenues from print magazines, including advertising revenue and subscription revenues, are challenged due to lower demand from the audiences that increasingly use other mediums that deliver comparable information. Book sales are contingent upon overall economic conditions and our ability to attract and retain authors. Decreases in digital revenue could adversely affect our operating results, financial condition and results of operations. Digital revenue is impacted by the nature and delivery of page views. We have experienced a shift in the number of page views from desktop devices to mobile devices. While mobile page views have increased dramatically, they carry a lower number of advertisements per page which are generally sold at lower rates. Digital media revenue is impacted by page views and the number of advertisements per page. Declines in desktop page views negatively impact revenue as mobile devices carry lower rates and less advertisement per page. To minimize the impact that any one of these areas could have, we continue to explore opportunities to cross-promote our brands and our content, and to strategically monitor costs.

A portion of our indebtedness under the ABL, accrues interest at a variable rate based on LIBOR. In July 2017, the Chief Executive of the U.K. Financial Conduct Authority (the “FCA”), which regulates LIBOR, announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. At this time, it is not possible to predict the financial impact of the discontinuance, modification or other reforms to LIBOR, will have. However, the discontinuance of the LIBOR rate at the end of calendar year 2021 would result in all outstanding borrowings subject to a higher base rate adversely affecting our borrowing costs. We expect to amend the ABL prior to the LIBOR phaseout based on the ABL maturity date of May 19, 2022.

Key Financial Performance Indicators—Same-Station Definition

In the discussion of our results of operations below, we compare our broadcast operating results between periods on an as-reported basis, which includes the operating results of all radio stations and networks owned or operated at any time during either period and on a Same Station basis. Same Station is a Non-GAAP financial measure used both in presenting our results to stockholders and the investment community as well as in our internal evaluations and management of the business. We believe that Same Station Operating Income provides a meaningful comparison of period over period performance of our core broadcast operations as this measure excludes the impact of new stations, the impact of stations we no longer own or operate, and the impact of stations operating under a new programming format. Our presentation of Same Station Operating Income is not intended to be considered in isolation or as a substitute for the most directly comparable financial measures reported in accordance with GAAP. Refer to "NON-GAAP FINANCIAL MEASURES" below for definitions and a reconciliation of these non-GAAP performance measures to the most comparable GAAP measures.

Non-GAAP Financial Measures

Management uses certain non-GAAP financial measures defined below in communications with investors, analysts, rating agencies, banks and others to assist such parties in understanding the impact of various items on our financial statements. We use these non-GAAP financial measures to evaluate financial results, develop budgets, manage expenditures and as a measure of performance under compensation programs.

Our presentation of these non-GAAP financial measures should not be considered as a substitute for or superior to the most directly comparable financial measures as reported in accordance with GAAP.

Item 101 of Regulation S-K defines and prescribes the conditions under which certain non-GAAP financial information may be presented in this report. We closely monitor EBITDA, Adjusted EBITDA, Station Operating Income ("SOI"), Same Station net broadcast revenue, Same Station broadcast operating expenses, Same Station Operating Income, Digital Media Operating Income, and Publishing Operating Income, all of which are non-GAAP financial measures. We believe that these non-GAAP financial measures provide useful information about our core operating results, and thus, are appropriate to enhance the overall understanding of our financial performance. These non-GAAP financial measures are intended to provide management and investors a more complete understanding of our underlying operational results, trends and performance.

The performance of a radio broadcasting company is customarily measured by the ability of its stations to generate SOI. We define SOI as net broadcast revenue less broadcast operating expenses. Accordingly, changes in net broadcast revenue and broadcast operating expenses, as explained above, have a direct impact on changes in SOI. SOI is not a measure of performance calculated in accordance with GAAP. SOI should be viewed as a supplement to and not a substitute for our results of operations presented on the basis of GAAP. We believe that SOI is a useful non-GAAP financial measure to investors when considered in conjunction with operating income (the most directly comparable GAAP financial measures to SOI), because it is generally recognized by the radio broadcasting industry as a tool in measuring performance and in applying valuation methodologies for companies in the media, entertainment and communications industries. SOI is commonly used by investors and analysts who report on the industry to provide comparisons between broadcasting groups. We use SOI as one of the key measures of operating efficiency and profitability, including our internal reviews for potential impairment of indefinite-lived intangible assets and our internal reviews to approve capital expenditures. SOI does not purport to represent cash provided by operating activities. Our statement of cash flows presents our cash activity in accordance with GAAP and our income statement presents our financial performance prepared in accordance with GAAP. Our definition of SOI is not necessarily comparable to similarly titled measures reported by other companies.

We define Same Station net broadcast revenue as net broadcast revenue from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. We define Same Station broadcast operating expenses as broadcast operating expenses from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income includes those stations we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income for a full calendar year is calculated as the sum of the Same Station-results for each of the four quarters of that year. We use Same Station Operating Income, a non-GAAP financial measure, both in presenting our results to stockholders and the investment community, and in our internal evaluations and management of the business. We believe that Same Station Operating Income provides a meaningful comparison of period over period performance of our core broadcast operations as this measure excludes the impact of new stations, the impact of stations we no longer own or operate, and the impact of stations operating under a new programming format. Our presentation of Same Station Operating Income is not intended to be considered in isolation or as a substitute for the most directly comparable financial measures reported in accordance with GAAP. Our definition of Same Station net broadcast revenue, Same Station broadcast operating expenses and Same Station Operating Income is not necessarily comparable to similarly titled measures reported by other companies.

We apply a similar methodology to our digital media and publishing group. Digital Media Operating Income is defined as net digital media revenue less digital media operating expenses. Publishing Operating Loss is defined as net publishing revenue less publishing operating expenses. Digital Media Operating Income and Publishing Operating Income are not measures of performance in accordance with GAAP. Our presentations of these non-GAAP financial performance measures are not to be considered a substitute for or superior to our operating results reported in accordance with GAAP. We believe that Digital Media Operating Income and Publishing Operating Income are useful non-GAAP financial measures to investors, when considered in conjunction with operating income (the most directly comparable GAAP financial measure), because they are comparable to those used to measure performance of our broadcasting entities. We use this analysis as one of the key measures of operating efficiency, profitability and in our internal reviews for impairment of indefinite-lived intangible assets and our internal reviews to approve capital expenditures. This measurement does not purport to represent cash provided by operating activities. Our statement of cash flows presents our cash activity in accordance with GAAP and our income statement presents our financial performance in accordance with GAAP. Our definitions of Digital Media Operating Income and Publishing Operating Loss are not necessarily comparable to similarly titled measures reported by other companies.

We define EBITDA as net income before interest, taxes, depreciation, and amortization. We define Adjusted EBITDA as EBITDA before gains or losses on the disposition of assets, before changes in the estimated fair value of contingent earn-out consideration, before gains on bargain purchases, before the change in fair value of interest rate swaps, before impairments, before net miscellaneous income and expenses, before loss on early retirement of debt, before (gain) loss from discontinued operations and before non-cash compensation expense. EBITDA and Adjusted EBITDA are commonly used by the broadcast and media industry as important measures of performance and are used by investors and analysts who report on the industry to provide meaningful comparisons between broadcasters. EBITDA and Adjusted EBITDA are not measures of liquidity or of performance in accordance with GAAP and should be viewed as a supplement to and not a substitute for or superior to our results of operations and financial condition presented in accordance with GAAP. Our definitions of EBITDA and Adjusted EBITDA are not necessarily comparable to similarly titled measures reported by other companies.

For all non-GAAP financial measures, investors should consider the limitations associated with these metrics, including the potential lack of comparability of these measures from one company to another.

Reconciliation of Non-GAAP Financial Measures:

In the tables below, we present a reconciliation of net broadcast revenue, the most comparable GAAP measure, to Same Station net broadcast revenue, and broadcast operating expenses, the most comparable GAAP measure to Same Station broadcast operating expense. We show our calculation of Station Operating Income and Same Station Operating Income, which is reconciled from net income, the most comparable GAAP measure in the table following our calculation of Digital Media Operating Income and Publishing Operating (Loss). Our presentation of these non-GAAP measures are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

In the table below, we present our calculations of Station Operating Income, Digital Media Operating Income and Publishing Operating Income. Our presentation of these non-GAAP performance indicators are not to be considered a substitute for or superior to the directly comparable measures reported in accordance with GAAP.

	Year Ended December 31,	
	2018	**2019**
	(Dollars in thousands)	
Net broadcast revenue	$ 198,502	**$ 193,339**
Less broadcast operating expenses	(148,614)	**(149,439)**
Station Operating Income	$ 49,888	**$ 43,900**
Net digital media revenue	$ 42,595	**$ 39,165**
Less digital media operating expenses	(33,296)	**(30,801)**
Digital Media Operating Income	$ 9,299	**$ 8,364**
Net publishing revenue	$ 21,686	**$ 21,394**
Less publishing operating expenses	(22,396)	**(22,348)**
Publishing Operating (Loss)	$ (710)	**$ (954)**

In the table below, we present a reconciliation of net income (loss), the most directly comparable GAAP measure to Station Operating Income, Digital Media Operating Income and Publishing Operating (Loss). Our presentation of these non-GAAP performance indicators are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Year Ended December 31,	
	2018	**2019**
	(Dollars in thousands)	
Net loss	$ (3,192)	**$ (27,839)**
Plus provision for income taxes	2,473	**3,977**
Plus net miscellaneous (income) and expenses	10	**(163)**
Plus (gain) loss on early retirement of long-term debt	(648)	**(1,670)**
Plus interest expense, net of capitalized interest	18,328	**17,496**
Less interest income	(5)	**(2)**
Net operating income (loss)	$ 16,966	**$ (8,201)**
Plus net (gain) loss on the disposition of assets	4,653	**22,326**
Plus impairment of indefinite-lived long-term assets other than goodwill	2,870	**2,925**
Plus impairment of goodwill	—	**2,427**
Plus change in the estimated fair value of contingentearn-out consideration	76	**(41)**
Plus depreciation and amortization	18,226	**15,934**
Plus unallocated corporate expenses	15,686	**15,940**
Combined Station Operating Income, Digital Media Operating Income and Publishing Operating (Loss)	$ 58,477	**$ 51,310**
Station Operating Income	$ 49,888	**$ 43,900**
Digital Media Operating Income	9,299	**8,364**
Publishing Operating (Loss)	(710)	**(954)**
	$ 58,477	**$ 51,310**

In the table below, we present a reconciliation of Adjusted EBITDA to EBITDA to Net Loss, the most directly comparable GAAP measure. EBITDA and Adjusted EBITDA are non-GAAP financial performance measures that are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Year Ended December 31,	
	2018	**2019**
	(Dollars in thousands)	
Net loss	$ (3,192)	**$ (27,839)**
Plus interest expense, net of capitalized interest	18,328	**17,496**
Plus provision for income taxes	2,473	**3,977**
Plus depreciation and amortization	18,226	**15,934**
Less interest income	(5)	**(2)**
EBITDA	$ 35,830	**$ 9,566**
Plus net (gain) loss on the disposition of assets	4,653	**22,326**
Plus change in the estimated fair value of contingent earn-out consideration	76	**(41)**
Plus impairment of indefinite-lived long-term assets other than goodwill	2,870	**2,925**
Plus impairment of goodwill	—	**2,427**
Plus net miscellaneous (income) and expenses	10	**(163)**
Plus gain on early retirement of long-term debt	(648)	**(1,670)**
Plus non-cash stock-based compensation	543	**1,460**
Plus ASC 842 lease adoption	—	**171**
Adjusted EBITDA	$ 43,334	**$ 37,001**

RESULTS OF OPERATIONS

Year Ended December 31, 2019 compared to the year ended December 31, 2018

The following factors affected our results of operations and our cash flows for the year ended December 31, 2019 as compared to the prior year:

Financing

During the year ended December 31, 2019, we completed repurchases of $18.7 million of the Notes for $16.8 million in cash, recognizing a net gain of $1.7 million after adjusting for bond issuance costs as detailed in Note 13—Long-Term Debt in the notes to our Consolidated Financial Statements contained in Item 8 of this annual report on Form 10-K.

During the year ended December 31, 2018, we completed repurchases of $16.4 million of the Notes for $15.4 million in cash, recognizing a net gain of $0.6 million after adjusting for bond issuance costs as detailed in Note 13—Long-Term Debt in the notes to our Consolidated Financial Statements contained in Item 8 of this annual report on Form 10-K.

Acquisitions, Divestitures and Other Transactions

- On November 14, 2019, we closed on the sale of nine radio stations, WAFS-AM in Atlanta, Georgia, WWDJ-AM in Boston, Massachusetts, WHKZ-AM in Cleveland, Ohio, KEXB-AM (formerly KTNO-AM) in Dallas, Texas, KDMT-AM in Denver, Colorado, KTEK-AM in Houston, Texas, KRDY-AM in San Antonio, Texas and KXFN-AM and WSDZ-AM in St. Louis, Missouri for

$8.7 million in cash. We recognized an estimated pre-tax loss of $9.9 million in the third quarter of 2019, which reflects the sales price as compared to the carrying value of the assets of the radio stations and the estimated closing costs. We adjusted the pre-tax loss by $0.5 million to $9.4 million upon closing in the fourth quarter of 2019 based on the actual closing costs incurred and a reconciliation of total station assets to assets included in the sale.

- On September 27, 2019, we closed on the exchange of radio station KKOL-AM, in Seattle, Washington for KPAM-AM in Portland, Oregon. No cash was exchanged for the assets. We recognized a non-cash pre-tax loss of $1.3 million on the exchange based on the estimated fair value of KPAM-AM as compared to the carrying value of KKOL-AM and the closing costs.
- On September 26, 2019, we closed on the sale of four radio stations, WWMI-AM and WLCC-AM in Tampa, Florida and WZAB-AM and WOCN-AM (formerly WKAT-AM) in Miami, Florida for $8.2 million in cash. We recognized a pre-tax loss of $4.7 million, which reflects the sales price as compared to the carrying value of the assets of the radio stations and the closing costs. We received $0.4 million in cash upon closing and the remaining $7.8 million in cash upon finalization of the assignment applications with the FCC.
- On September 18, 2019, we sold radio station WDYZ-AM (formerly WORL-AM) in Orlando, Florida for $0.9 million in cash. We recognized a pre-tax loss of $1.6 million, which reflects the sales price as compared to the carrying value of the radio station assets and the closing costs. We received $0.8 million in cash upon closing. The remaining $0.1 million is payable in four installments with the final payment due December 18, 2020.
- On August 15, 2019 we closed on the exchange of FM Translator W276CR, in Bradenton, FL for FM Translator W262CP in Bayonet Point, FL. No cash was exchanged for the assets.
- On July 25, 2019, we acquired the Journeyboxmedia.com website and related assets for $0.5 million in cash.
- On July 10, 2019 we acquired certain assets including a digital content library from Steelehouse Productions, Inc. for $0.1 million in cash.
- On June 27, 2019, we sold a portion of land on our transmitter site in Miami, Florida, for $0.9 million in cash. We recognized a pre-tax gain of $0.4 million reflecting the sales price as compared to the carrying value of the land.
- On June 6, 2019, we acquired InvestmentHouse.com website and related financial newsletter assets for $0.6 million in cash.
- On May 14, 2019, we sold radio station WSPZ-AM (previously WWRC-AM) in Washington D.C. for $0.8 million in cash. The buyer began programming the station on April 12, 2019 under a TBA. We recorded an estimated pre-tax loss of $3.8 million on March 19, 2019 based on our plan to sell the station and the probability of the sale, which reflects the sales price as compared to the carrying value of the radio station assets and the estimated closing costs. We recorded an additional loss of $32,000 upon closing based on the actual closing costs incurred.
- On March 21, 2019, we sold Newport Natural Health for $0.9 million in cash. We recognized a pre-tax gain of $0.1 million associated with the sale reflecting the sales price as compared to the carrying value of the assets and the closing costs.
- On March 18, 2019, we acquired the pjmedia.com website for $0.1 million in cash.
- On February 28, 2019, we sold Mike Turner's line of investment products, including TurnerTrends.com and other domain names and related assets. We received no cash from the buyer who assumed all deferred subscription liabilities for Mike Turner's investment products. We recognized a pre-tax loss of $0.2 million associated with the sale reflecting the sales price as compared to the carrying value of the assets and the closing costs.

- On February 27, 2019, we sold HumanEvents.com, for $0.3 million in cash. We recognized a pre-tax loss of $0.2 million associated with the sale reflecting the sales price as compared to the carrying value of the assets and the closing costs.
- On September 11, 2018, we acquired radio station KTRB-AM in San Francisco for $5.1 million in cash from a related party. We operated the radio station under an LMA that began on June 24, 2016.
- On August 28, 2018, we closed on the sale of radio station WQVN-AM (formerly WKAT-AM) in Miami, Florida for $3.5 million in cash. We recorded an estimated pre-tax loss on the sale of assets of $4.7 million as of December 31, 2017, based on the probability of the sale at that time, which reflected the sales price as compared to the carrying value of the assets and the estimated costs of the sale.
- On August 9, 2018, we acquired the Hilary Kramer Financial Newsletter and related assets valued at $2.0 million and we assumed deferred subscription liabilities valued at $1.5 million. We paid $0.4 million in cash upon closing and may pay up to an additional $0.1 million of contingent earn-out consideration over the next two years based on the achievement of certain revenue benchmarks as part of the purchase agreement.
- On August 7, 2018, we acquired the Just1Word mobile applications and related assets for $0.3 million in cash upon closing. We may pay up to an additional $0.1 million of contingent earn-out consideration over the next two years based on the achievement of certain revenue benchmarks as part of the purchase agreement.
- On August 6, 2018, we closed on the sale of radio station KGBI-FM in Omaha, Nebraska for $3.2 million. We recognized a pre-tax loss of $2.4 million associated with the sale reflecting the sales price as compared to the carrying value of the assets and the closing costs.
- On July 25, 2018, we acquired radio station KZTS-AM (formerly KDXE-AM) and an FM Translator in Little Rock, Arkansas for $0.2 million in cash.
- On July 24, 2018, we acquired the Childrens-Ministry-Deals.com website and related assets for $3.7 million in cash. We paid $3.5 million in cash upon closing with an additional $0.2 million in cash due within twelve months from the closing date if the seller met certain post-closing requirements with regard to intellectual property.
- On June 28, 2018, we closed on the sale of land in Lakeside, California for $0.3 million in cash resulting in a pre-tax loss of $0.3 million.
- On June 25, 2018, we acquired radio station KDXE-FM (formerly KZTS-FM) in Little Rock, Arkansas for $1.1 million in cash. We have programmed the station under an LMA beginning April 1, 2018.
- On June 20, 2018, we closed on the sale of radio station WBIX-AM in Boston, Massachusetts for $0.7 million in cash. We recorded a pre-tax gain on the sale of $0.2 million which reflected the sales price as compared to the carrying value of the assets and closing costs.
- On May 24, 2018, we closed on the sale of land in Covina, California for $0.8 million in cash resulting in a $0.2 million pre-tax loss which reflected the sales price as compared to the carrying value of the assets and closing costs.
- On April 30, 2018, we ceased programming radio station KHTE-FM, in Little Rock, Arkansas. We programmed the station under a TBA beginning on April 1, 2015. We had the option to acquire the station for $1.2 million in cash during the TBA period. We paid the licensee a $0.1 million fee for not exercising our purchase option for the station.
- On April 19, 2018, we acquired the HearItFirst.com domain name and related social media assets for $70,000 in cash.
- On January 2, 2018, we began programming radio stations KPAM-AM and KKOV-AM in Portland, Oregon under LMAs entered on December 29, 2017, with original terms of up to 12 months. The

LMAs terminated on March 30, 2018 when the radio stations were sold to another party. We entered a second LMA with the new owner as of the closing date under which we continue to program radio station KPAM-AM.

Net Broadcast Revenue

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Net Broadcast Revenue	$198,502	**$193,339**	$(5,163)	(2.6)%	75.5%	**76.1%**
Same Station Net Broadcast Revenue	$192,649	**$190,249**	(2,400)	(1.2)%		

The following table shows the dollar amount and percentage of net broadcast revenue for each broadcast revenue source.

	Year Ended December 31,			
	2018		**2019**	
	(Dollars in thousands)			
Block Programming:				
National	$ 49,864	25.1%	**$ 48,465**	**25.0%**
Local	33,274	16.8	**30,502**	**15.8**
	83,138	41.9	**78,967**	**40.8**
Broadcast Advertising:				
National	16,333	8.2	**16,352**	**8.5**
Local	55,863	28.2	**51,824**	**26.8**
	72,196	36.4	**68,176**	**35.3**
Station Digital (local)	9,463	4.8	**14,892**	**7.7**
Infomercials	1,824	0.9	**1,409**	**0.7**
Network	19,293	9.7	**19,078**	**9.9**
Other Revenue	12,588	6.3	**10,817**	**5.6**
Net Broadcast Revenue	$198,502	100.0%	**$193,339**	**100.0%**

Block programming revenue declined by $4.2 million including a $2.8 million decline in local programming revenue and a $1.4 million decline in national programming revenue. The decline in local programming revenue includes $0.2 million generated in 2018 from stations that we ceased operating in 2018 (KCRO-AM, KOTK-AM, and KGBI-FM in Omaha, Nebraska and KHTE-FM, in Little Rock, Arkansas) and a $1.0 million decline in revenue during 2019 as compared to 2018 for stations that were sold during 2019. Station sales, once announced, negatively impact our ability to enter sales contracts with customers. The decline in national programming revenue includes $0.2 million generated in 2018 from stations that we ceased operating in 2018 (KCRO-AM, KOTK-AM, and KGBI-FM in Omaha, Nebraska and KHTE-FM, in Little Rock, Arkansas) and a $0.3 million decline in revenue during 2019 as compared to 2018 for stations that were sold during 2019. Station sales, once announced, negatively impact our ability to enter sales contracts with customers. The remainder of the decline, including a $0.9 million decline in national program revenue and $0.9 million decline in local program revenue from our Christian Teaching and Talk format stations, a $0.7 million decline in local program revenue from our News Talk format stations, and $0.2 million combined from our Business News format stations was due to certain programmers discontinuing their ministry efforts and increased competition from other broadcasters and podcasts that resulted in lost programs and lower rates.

Advertising revenue, net of agency commissions, declined by $4.0 million, $1.9 million net of political, due to a $3.0 million decline in local advertising net of political offset by a $1.1 million increase in national advertising revenue net of political. Local advertising net of political, declined by $0.9 million on our CCM format radio stations, $0.9 million on our News Talk format radio stations, $0.5 million on our Christian Teaching and Talk format radio stations and $0.2 million on our Business News format radio stations due to lower spot rates charged to compete with other broadcasters that offered lower rates, primarily in the Dallas and Los Angeles markets. The remainder of the decline was due to stations sold during 2018 and 2019.

Station digital revenue, or local digital revenue generated from our radio stations and networks, increased by $5.4 million due to the growth of digital product offerings through Salem Surround, our national multimedia digital advertising agency launched in 2018 to provide digital marketing services to our customers. Our product offerings include social media campaigns, search engine optimization, retargeted advertising and other services intended to increase our market share as advertising dollars shift away from pure broadcast to include digital and digital technologies. There were no significant changes in digital rates as compared to the prior year.

Declines in infomercial revenue were due to a reduction in the number of infomercials aired with no significant changes in rates as compared to the prior year. The placement of infomercials can vary significantly from one period to another due to the number of time slots available and the degree to which the infomercial content is considered to be of interest to our audience.

Network revenue, net of digital, declined by $0.2 million due to a $1.3 million decline in political advertising offset by a $1.1 million increase in revenue due to the continued strength of our nationally syndicated host programs and our share of revenue for a listener trip to Israel during 2019.

Other revenue declined by $1.8 million due to a $0.7 million decrease in listener purchase program revenue from lower listener participation, a $0.5 million decrease in event revenue from a reduction in the number of events held, a $0.3 million decrease in LMA fees associated with radio station WQVN-AM, Miami, Florida, sold on August 28, 2018 and a $0.1 million decrease in talent fees. Event revenue varies from period to period based on the nature and timing of events, audience demand, and in some cases, the weather which can affect attendance.

On a Same Station basis, net broadcast revenue decreased $2.4 million, which reflects these items net of the impact of stations with acquisitions, dispositions and format changes.

Net Digital Media Revenue

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Net Digital Media Revenue	$42,595	**$39,165**	$(3,430)	(8.1)%	16.2%	**15.4%**

The following table shows the dollar amount and percentage of national net digital media revenue, or revenue generated from our websites and digital subscriptions, for each digital media revenue source.

	Year Ended December 31,			
	2018		**2019**	
	(Dollars in thousands)			
Digital Advertising, net	$22,351	52.5%	**$20,454**	**52.2%**
Digital Streaming	4,347	10.2	**3,873**	**10.0**
Digital Subscriptions	8,205	19.2	**8,044**	**20.5**
Digital Downloads	5,354	12.6	**5,694**	**14.5**
e-commerce	1,949	4.6	**480**	**1.2**
Other Revenue	389	0.9	**620**	**1.6**
Net Digital Media Revenue	$42,595	100.0%	**$39,165**	**100.0%**

Digital advertising revenue, net of agency commissions, or national digital revenue declined by $1.9 million on a consolidated basis including a $1.8 million decline from Salem Web Network and a $0.1 million net decline from our conservative opinion websites within Townhall Media. The net decline from Townhall Media includes a $0.6 million increase from our March 2019 acquisition of pjmedia.com offset by $0.7 million consolidated decline that includes the impact of the February 27, 2019 sale of HumanEvents.com. Declines in national digital are attributable to a loss of advertisers who moved advertising spending to digital programmatic advertisers, such as Facebook and Google, and to a loss of advertisers who reduced or eliminated advertising on political-content websites such as ours. We continue to acquire, develop and promote the use of mobile applications, particularly for our Christian mobile applications, to reduce our dependency on page views from digital programmatic advertisers. Acquisitions of mobile applications and digital media assets are discussed in Note 3 of our Consolidated Financial Statements. Mobile page views carry fewer advertisements and tend to have shorter site visits as compared to desktop. As a result, our growth in mobile page views exceeds our growth in revenue from the mobile applications.

Digital streaming revenue decreased $0.5 million as compared to the prior year based on lower demand for content available from our Christian websites. There were no significant changes in sales volume or rates as compared to the prior year.

Digital subscription revenue decreased $0.2 million on a consolidated basis reflecting a $0.8 million increase in revenues from our August 2018 acquisition of Hilary Kramer financial newsletter and a $0.2 million increase in revenue from our June 2019 acquisition of InvestmentHouse.com and $0.1 million increase in revenues from Townhall Media. This growth was offset with a $1.3 million decline in revenue from a reduction in the number of subscribers including a 6% decline in the number of subscribers to Dr. Mark Skousen and a 32% decline in the number of subscribers to James Woods.

Digital download revenue increased by $0.3 million overall including a $0.7 million increase from our acquisition of Childrens-Ministry-Deals.com in July 2018 that was offset by a $0.4 million decrease from our church product websites, WorshipHouseMedia.com and SermonSpice™.com. There were no significant changes in rates as compared to the prior year.

E-commerce revenue decreased by $1.5 million due to the sale of Newport Natural Health, ane-commerce website operated by Eagle Wellness, during the first quarter of 2019.

Other revenue includes revenue sharing arrangements for mobile applications and mail list rentals. We recognized revenue of $0.2 million in 2019 related to transfer services provided to the buyer of Newport Natural Health. There were no changes in volume or rates as compared to the prior year.

Net Publishing Revenue

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Net Publishing Revenue	$21,686	**$21,394**	$ (292)	(1.3%)	8.3%	**8.4%**

The following table shows the dollar amount and percentage of net publishing revenue for each publishing revenue source.

	Year Ended December 31,			
	2018		**2019**	
	(Dollars in thousands)			
Book Sales	$16,864	77.8%	**$17,418**	**81.4%**
Estimated Sales Returns & Allowances	(4,998)	(23.1)	**(5,739)**	**(26.8)**
Net Book Sales	11,866	54.7	**11,679**	**54.6**
E-Book Sales	1,481	6.8	**1,428**	**6.7**
Self-Publishing Fees	5,609	25.9	**5,474**	**25.6**
Print Magazine Subscriptions	907	4.2	**763**	**3.6**
Print Magazine Advertisements	574	2.6	**609**	**2.8**
Digital Advertising	473	2.2	**405**	**1.9**
Other Revenue	776	3.6	**1,036**	**4.8**
Net Publishing Revenue	$21,686	100.0%	**$21,394**	**100.0%**

Net book sales declined by $0.2 million including a $0.6 million decline from Salem Author Services offset by a $0.4 million net increase from Regnery Publishing. Regnery Publishing book sales reflect a 3% increase in the average price per unit sold and a 1% increase in volume. Book sales through Regnery Publishing are directly attributable to the number of titles released each period and the composite mix of titles available. Revenues vary significantly from period to period based on the book release date and the number of titles that achieve placement on bestseller lists, which can increase awareness and demand for the book. The increase of $0.7 million to the estimated sales returns and allowances reflects the higher number of print books sold through Regnery Publishing. The decline in book sales from Salem Author Services was due to a reduction in the number of new authors obtained and a reduction in the number of books sold with no significant changes in sale prices as compared to the prior year.

Regnery Publishing e-book sales decreased by $0.1 million due to a 6% decrease in the average price per unit sold from sales incentives offered that was offset by a 9% increase in sales volume. E-book sales can also vary based on the composite mix of titles released and available in each period. Revenues can vary significantly based on the book release date and the number of titles that achieve placement on bestseller lists, which can increase awareness and demand for the book.

Self-publishing fees decreased $0.1 million due a decline in the number of authors with fees charged to authors that were comparable to the prior year.

Declines in print magazine subscription revenues reflect lower consumer demand and distribution levels which were offset by a stabilization of print magazine advertisements. There were no significant changes in rates over the prior year.

Declines in digital adverting revenue were due to the discontinuation of the Conservative Book Club website operated by Regnery® Publishing in November 2018 partially offset with increases in digital advertising from the History on the Net website. Sales volume and rates were comparable to the prior year.

Other revenue includes change fees, video trailers and website revenues. There were no changes in volume or rates as compared to the prior year. Regnery® Publishing recognized an increase of $0.3 million in other revenues from royalties.

Broadcast Operating Expenses

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Broadcast Operating Expenses	$148,614	**$149,439**	825	(0.6%)	56.6%	**58.9%**
Same Station Broadcast Operating Expenses	$141,660	**$145,428**	3,768	2.7%		

Broadcast operating expenses increased by $0.8 million including a $3.8 million increase in costs associated with Salem Surround offset with other cost savings of $3.0 million. We continue to invest in Salem Surround, our multi-media advertising agency to grow revenue through new and enhanced digital product offerings. The decrease in broadcast operating expense, net of Salem Surround, includes a $1.8 million decrease in employee related costs including commissions consistent with lower sales, a $1.1 million decrease in discretionary advertising spending, a $0.7 million decrease in facility costs, and a $0.2 million decrease in acquisition costs offset with a $0.4 million increase in non-cash stock based compensation costs, a $0.3 million increase in production and programming expenses and a $0.2 million increase in music license fees.

On a same-station basis, broadcast operating expenses increased by $3.8 million. The increase in broadcast operating expenses on a same station basis reflects these items net of the impact of start-up costs associated with acquisitions, station dispositions and format changes.

Digital Media Operating Expenses

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Digital Media Operating Expenses	$33,296	**$30,801**	(2,495)	(7.5%)	12.7%	**12.1%**

The decline in digital media operating expenses of $2.5 million is consistent with lower revenues. Cost of sales, including fulfillment and inventory costs, decreased $1.0 million due to the sale of Newport Natural Health, royalties decreased $0.2 million, advertising and promotional expenses decreased $0.2 million, streaming and hosting fees decreased $0.2 million, bad debt expenses decreased by $0.2 million, sales-based commissions and incentives decreased by $0.1 million consistent with lower revenues and facility-related expenses decreased $0.1 million.

Publishing Operating Expenses

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Publishing Operating Expenses	$22,396	**$22,348**	(48)	(0.2)%	8.5%	**8.8%**

Publishing operating expenses were consistent with the prior year. Cost of goods sold increased $0.1 million including a $0.5 million increase from print books sold by Regnery® Publishing, offset with a $0.3 million decline from Salem Author Services due to a lower volume of book sales and a $0.1 million decline in costs associated with lower distribution of Singing News. The gross profit margin for Regnery Publishing remained consistent at 58%. Regnery® Publishing margins vary based on the volume of e-book sales, which have higher margins due to the nature of delivery and no reserve for sales returns and allowances. The gross profit margin for Salem Author Services improved to 68% from 66% due to lower paper costs for print book sales. Additional savings were realized with a $0.2 million decline in advertising and promotion expenses.

Unallocated Corporate Expenses

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Unallocated Corporate Expenses	$15,686	**$15,940**	254	1.6%	6.0%	**6.3%**

Unallocated corporate expenses include shared services, such as accounting and finance, human resources, legal, tax and treasury, that are not directly attributable to any one of our operating segments. The increase of $0.3 million includes a $0.6 million increase in non-cash stock-based compensation associated with restricted stock awards that was offset by a $0.1 million decrease in professional services, a $0.1 million decrease in travel and entertainment-related expense and a $0.1 million decrease in employee-related benefits associated with the cash surrender value of split-dollar life insurance.

Depreciation Expense

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Depreciation Expense	$12,034	**$11,297**	(737)	(6.1)%	4.6%	**4.4%**

The decrease in depreciation expense reflects the impact of prior year capital expenditures for data processing equipment and computer software that had shorter estimated useful lives as compared to towers or other assets and were fully depreciated during the current year. There were no changes in our depreciation methods or in the estimated useful lives of our asset groups.

Amortization Expense

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Amortization Expense	$6,192	**$4,637**	$(1,555)	(25.1)%	2.4%	**1.8%**

The decrease in amortization expense reflects the impact of fully amortized domain names, customer lists and contracts, and subscriber base lists that had estimated useful lives of three to five years. These items were fully amortized at or near the beginning of the 2019 calendar year resulting in lower amortization expense for this year. There were no changes in our amortization methods or the estimated useful lives of our intangible asset groups.

Change in the Estimated Fair Value of Contingent Earn-Out Consideration

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Change in the Estimated Fair Value of Contingent Earn-Out Consideration	$ 76	**$(41)**	$ (117)	(153.9)%	—%	**—%**

Acquisitions may include contingent earn-out consideration as part of the purchase price under which we will make future payments to the seller upon the achievement of certain benchmarks. We review the probabilities of possible future payments to estimate the fair value of any contingent earn-out consideration on a quarterly basis over the earn-out period. Actual results are compared to the estimates and probabilities of achievement used in our forecasts. Should actual results of the acquired business increase or decrease as compared to our estimates and assumptions, the estimated fair value of the contingent earn-out consideration liability will increase or decrease, up to the contracted limit, as applicable. Changes in the estimated fair value of the contingent earn-out consideration may materially impact and cause volatility in our operating results.

At December 31, 2019, our estimated contingent earn-out was $19,000 compared to $55,000 at December 31, 2018. We recorded a net decrease to our estimated contingent earn-out liabilities of $41,000 for the year ended December 31, 2019 and a net increase of $76,000 for the year ended December 31, 2018. The changes in our estimate of the contingent earn-out reflect volatility from variables, including revenue growth, page views or session time. We made no cash payments for contingent earn-out consideration during the year ended December 31, 2019 compared to $0.1 million paid in the prior year.

Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Indefinite-Lived Long Term Assets Other Than Goodwill	$2,870	**$2,925**	$ 55	1.9%	1.1%	**1.2%**

The impairment charge of $2.9 million for the year ended December 31, 2019 includes a $1.9 million impairment to broadcast licenses in our Louisville, Philadelphia, Portland and San Francisco markets recorded during interim testing in September 2019 based on market revenues that were trending below the forecasted amounts used in our 2018 year-end valuations, a $1.0 million impairment to broadcast licenses in our Tampa market recognized during annual testing in the fourth quarter of 2019 and a $17,300 impairment of mastheads recognized during our annual testing in the fourth quarter of 2019. The impairment charge of $2.9 million for the year ended December 31, 2018 includes $2.8 million of impairments associated with our broadcast licenses in Cleveland, Louisville and Portland and a $36,000 impairment of mastheads that were recognized during our annual testing period in the fourth quarter of 2018. Based on our review and analysis, we determined that the carrying value of broadcast licenses in Cleveland, Louisville and Portland were impaired.

These impairment charges were driven by decreases in the projected long-term revenue growth rates for the broadcast and publishing industries. We believe that these decreases are indicative of trends in the industry as a whole and are not unique to our company or operations.

Impairment of Goodwill

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Goodwill	$ —	**$2,427**	$ 2,427	100.0%	—%	**1.0%**

During our annual testing in the fourth quarter of 2019, we identified operating losses within Eagle Financial Publications and Salem Author Services that indicated that the value of goodwill may be impaired. We engaged an independent third-party appraisal and valuation firm to assist us with determining the enterprise value. Based on this review and analysis, we recorded an impairment charge of $2.1 million associated with the value of goodwill for Eagle Financial Publications and $0.3 million to the value of goodwill with Salem Author Services.

We believe that these decreases are indicative of trends in the industry as a whole and are not unique to our company or operations.

Net (Gain) Loss on the Disposition of Assets

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Net (Gain) Loss on the Disposition of Assets	$4,653	**$22,326**	17,673	379.8%	1.8%	**8.8%**

The net loss on the disposition of assets of $22.3 million for the year ended December 31, 2019 includes a $9.4 million pre-tax loss from the sale of nine radio stations, WAFS-AM in Atlanta, Georgia, WWDJ-AM in Boston, Massachusetts, WHKZ-AM in Cleveland, Ohio, KEXB-AM (formerly KTNO-AM) in Dallas, Texas, KDMT-AM in Denver, Colorado, KTEK-AM in Houston, Texas, KRDY-AM in San Antonio, Texas and KXFN-AM and WSDZ-AM in St. Louis, Missouri, a $4.7 million pre-tax loss from the sale of four radio stations WWMI-AM and WLCC-AM in Tampa, Florida and WZAB-AM and WOCN-AM (formerly WKAT-AM) in Miami, Florida, a $3.8 million pre-tax loss on the sale of radio station WSPZ-AM in Washington, D.C., a $1.6 million pre-tax loss from the sale of radio station WDYZ-AM (formerly WORL-AM) in Orlando, Florida, a $1.3 million pre-tax loss on the exchange of radio station KKOL-AM in Seattle, Washington for KPAM-AM in Portland, Oregon, a $0.2 million pre-tax loss on the sale Mike Turner's line of investment products, a $0.2 million pre-tax loss on the sale of HumanEvents.com, and a $1.5 million estimated pre-tax loss on the pending sale of radio station WBZW-AM in Orlando, Florida, that was partially offset by a $0.4 million pre-tax gain on the sale of a portion of land on our transmitter site in Miami, Florida and a $0.1 million pre-tax gain on the sale of Newport Natural Health.

The net loss on the disposition of assets of $4.7 million for the year ended December 31, 2018 includes a $2.4 million pre-tax loss on the sale of radio station KGBI-FM in Omaha, Nebraska, a $1.8 million pre-tax loss on the sale of radio stations KCRO-AM and KOTK-AM in Omaha, Nebraska, a $0.3 million pre-tax loss on the sale of land in Lakeside, California, and a $0.2 million pre-tax loss on the sale of land in Covina, California offset by a $0.2 million pre-tax gain from the sale of radio station WBIX-AM in Boston, Massachusetts.

Other Income (Expense)

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Interest Income	$ 5	**$ 2**	(3)%	(60.0)%	—%	—%
Interest Expense	(18,328)	**(17,496)**	832%	(4.5)%	(7.0)%	(6.9)%
Gain on Early Retirement of Long-Term Debt	648	**1,670**	1,022%	157.7%	0.2%	0.7%
Net Miscellaneous Income and (Expenses)	(10)	**163**	173%	(1,730.0)%	—%	0.1%

Interest income represents earnings on excess cash and interest due under promissory notes.

Interest expense includes interest due on outstanding debt balances, and non-cash accretion associated with deferred installments and contingent earn-out consideration from certain acquisitions. The decrease of $0.8 million reflects the outstanding balance of the Notes, the outstanding balance of the ABL and finance lease obligations outstanding during the year ended December 31, 2019. Future changes in interest rates will not impact our fixed rate Notes, but an increase in interest rates may impact the variable rate at which we can borrow under our ABL Facility and result in higher interest charges. The LIBOR rate scheduled to be discontinued at the end of calendar year 2021 could result in all outstanding borrowings subject to the higher base rate borrowing. We expect to amend the ABL prior to the LIBOR phaseout based on the ABL maturity date of May 19, 2022.

The gain on the early retirement of long-term debt reflects $18.7 million of repurchases of the Notes at prices below face value resulting in a pre-tax gain of $1.7 million for the year ended December 31, 2019, compared to $0.6 million for the prior year.

Net miscellaneous income and expenses includes miscellaneous receipts such as usage fees for real estate properties and miscellaneous expenses. During the year ended December 31, 2019, we received $0.1 million in insurance proceeds associated with water damage to one of our radio stations in Los Angeles, California. During the year ended December 31, 2018, we paid a contract termination fee of $0.1 million for not exercising our option right to purchase radio station KHTE-FM in Little Rock, Arkansas. This was offset by insurance proceeds associated with hurricane Irma in Tampa, Florida market.

Provision for Income Taxes

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Provision for Income Taxes	$2,473	**$3,977**	1,504	60.8	0.9%	**1.6%**

We recognized provision for income tax of $4.0 million for the year ended December 31, 2019 compared to $2.5 million for the prior year. The provision for income taxes as a percentage of income before income taxes, or the effective tax rate was (16.7)% for the year ended December 31, 2019 compared to (343.9)% for the prior year. The effective tax rate for each period differs from the federal statutory income rate of 21.0% due to the effect of the sale of business assets in various states, state income taxes, certain expenses that are not deductible for tax purposes, and changes in the valuation allowance. For the year ended December 31, 2019, the primary drivers of the effective tax rate include a federal income tax benefit generated from operations of $5.0 million, an additional valuation allowance of $4.1 million for federal and $3.5 million valuation allowance for state along with permanent differences and other state statutory rate adjustments. The state income tax provision is an accumulation of applicable state income taxes calculated in accordance with each state's tax laws and each state's pre-tax income that ranges from various losses to income levels.

Net Loss

	Year Ended December 31,					
	2018	**2019**	Change $	Change %	2018	**2019**
	(Dollars in thousands)				% of Total Net Revenue	
Net Loss	$(3,192)	**$(27,839)**	$(24,647)	772.1%	(1.2)%	**(11.0)%**

Net loss increased by $24.6 million to $27.8 million for the year ended December 31, 2019 compared to $3.2 million during the prior year due to the changes described above.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an ongoing basis. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Significant areas for which management uses estimates include:

- revenue recognition,
- asset impairments, including broadcasting licenses, goodwill and other indefinite-lived intangible assets;

- probabilities associated with the potential for contingentearn-out consideration;
- fair value measurements;
- contingency reserves;
- allowance for doubtful accounts;
- sales returns and allowances;
- barter transactions;
- inventory reserves;
- reserves for royalty advances;
- fair value of equity awards;
- self-insurance reserves;
- estimated lives for tangible and intangible assets;
- assessment of contract-based factors, asset-based factors, entity-based factors and market-based factors to determine the lease term impacting Right-Of-Use (“ROU”) assets and lease liabilities,
- determining the Incremental Borrowing Rate (“IBR”) for calculating ROU assets and lease liabilities
- income tax valuation allowances; and
- uncertain tax positions

These estimates require the use of judgment as future events and the effect of these events cannot be predicted with certainty. The estimates will change as new events occur, as more experience is acquired and as more information is obtained. We evaluate and update our assumptions and estimates on an ongoing basis and we may consult outside experts to assist as considered necessary.

We believe the following accounting policies and the related judgments and estimates are critical accounting policies that affect the preparation of our Consolidated Financial Statements.

Revenue Recognition

Significant management judgments and estimates must be made in connection with determining the amount of revenue to be recognized in any accounting period. We must assess the promises within each sales contract to determine if they are distinct performance obligations. Once the performance obligation(s) are determined, the transaction price is allocated to the performance obligation(s) based on a relative standalone selling price basis. If a sales contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price. If the stand-alone selling price is not determinable, an estimate is used.

A growing source of revenue is generated from digital product offerings, which allow for enhanced audience interaction and participation, and integrated digital advertising solutions. When offering digital products, another party may be involved in providing the goods or services that make up a performance obligation to the customer. These include the use of third-party websites for social media campaigns. We must evaluate if we are the principal or agent in order to determine if revenue should be reported gross as principal or net as agent. In this evaluation, we consider if we obtain control of the specified goods or services before they are transferred to our customer, as well as other indicators such as the party primarily responsible for fulfillment, inventory risk, and discretion in establishing price. The determination of whether we control a specified good or service immediately prior to the good or service being transferred requires us to make reasonable judgments on the nature of each agreement. We have determined that we are acting as principal when we manage all aspects of a social media campaign, including reviewing and approving target audiences, monitoring actual results and making modifications as needed and when we are responsible for delivering campaign results to our customers regardless of the use of a third-party or parties.

Trade and Barter Transactions

In broadcasting, trade or barter agreements are commonly used to reduce cash expenses by exchanging advertising time for goods or services. We may enter barter agreements to exchange airtime or digital advertising for goods or services that can be used in our business or that can be sold to our audience under Listener Purchase Programs. The terms of these barter agreements permit us to preempt the barter airtime or digital campaign in favor of customers who purchase the airtime or digital campaign for cash. The value of these non-cash exchanges is included in revenue in an amount equal to the fair value of the goods or services we receive. Each transaction must be reviewed to determine that the products, supplies and/or services we receive have economic substance, or value to us. We record barter operating expenses upon receipt and usage of the products, supplies and services, as applicable. We record barter revenue as advertising spots or digital campaigns are delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Barter revenue is recorded on a gross basis unless an agency represents the programmer, in which case, revenue is reported net of the commission retained by the agency.

Broadcast Licenses, Goodwill and Other Indefinite-Lived Intangible Assets

Approximately 65% of our total assets at December 31, 2019 consisted of indefinite-lived intangible assets including broadcast licenses, goodwill and mastheads. These indefinite-lived intangible assets originated from acquisitions in which a significant amount of the purchase price was allocated to broadcast licenses and goodwill. We do not amortize indefinite-lived intangible assets, but rather test for impairment annually or more frequently if events or circumstances indicate that an asset may be impaired. We perform our annual impairment testing during the fourth quarter of each year, which coincides with our budget and planning process for the upcoming year.

Impairment testing requires an estimate of the fair value of our indefinite-lived intangible assets. We believe that these estimates of fair value are critical accounting estimates as the value is significant in relation to our total assets and the estimates incorporate variables and assumptions based on our experiences and judgment about our future operating performance. Fair value measurements use significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value, including assumptions about risk. If actual future results are less favorable than the assumptions and estimates used in our estimates, we are subject to future impairment charges, the amount of which may be material. The unobservable inputs are defined in FASB ASC Topic 820, "*Fair Value Measurements and Disclosures"* as Level 3 inputs discussed in Note 14 of our Financial Statements and Supplementary Data.

The first step of our impairment testing is to perform a qualitative assessment as to whether it is more likely than not that an indefinite-lived intangible asset is impaired. This qualitative assessment requires significant judgment when considering the events and circumstances that may affect the estimated fair value of our indefinite-lived intangible assets. These events and circumstances are not all-inclusive and are not by themselves indicators of impairment. We consider external and internal factors when reviewing the following events and circumstances, which are presented in the order of what we believe to be the strongest to weakest indicators of impairment:

(1) the difference between any recent fair value calculations and the carrying value;

(2) financial performance, such as station operating income, including performance as compared to projected results used in prior estimates of fair value;

(3) macroeconomic economic conditions, including limitations on accessing capital that could affect the discount rates used in prior estimates of fair value;

(4) industry and market considerations such as declines in market-dependent multiples or metrics, a change in demand, competition, or other economic factors;

(5) operating cost factors, such as increases in labor, that could have a negative effect on future expected earnings and cash flows;

(6) legal, regulatory, contractual, political, business, or other factors;

(7) other relevant entity-specific events such as changes in management or customers; and

(8) any changes to the carrying amount of the indefinite-lived intangible asset.

If it is more likely than not that an impairment exists, we are required to perform a second step to preparing a quantitative analysis to estimate the fair or enterprise value of the assets. We did not find reconciliation to our current market capitalization meaningful in the determination of our enterprise value given current factors that impact our market capitalization, including but not limited to: limited trading volume, the impact of our publishing segment operating losses and the significant voting control of our Chairman and Chief Executive Officer. We engage an independent third-party appraisal and valuation firm to assist us with determining the enterprise value as part of our quantitative review.

If the results of our quantitative analysis indicate that the fair value of a reporting unit is less than its carrying value, an impairment is recorded equal to the amount by which the carrying value exceeds the estimated fair value.

We believe we have made reasonable estimates and assumptions to calculate the estimated fair value of our indefinite-lived intangible assets, however, these estimates and assumptions are highly judgmental in nature. Actual results can be materially different from estimates and assumptions. If actual market conditions are less favorable than those projected by the industry or by us, or if events occur or circumstances change that would reduce the estimated fair value of our indefinite-lived intangible assets below the amounts reflected on our balance sheet, we may recognize future impairment charges, the amount of which may be material.

Broadcast Licenses Impairment Testing

The unit of accounting we use to test broadcast licenses is the cluster level, which we define as a group of radio stations operating in the same geographic market, sharing the same building and equipment and managed by a single general manager. The cluster level is the lowest level for which discrete financial information and cash flows are available and the level reviewed by management to analyze operating results.

The first step of our impairment testing is to perform a qualitative assessment as to whether it is more likely than not that an indefinite-lived intangible asset is impaired. This qualitative assessment requires significant judgment when considering the events and circumstances that may affect the estimated fair value of our indefinite-lived intangible assets. We review the significant assumptions and key estimates applicable to our prior year estimated fair value calculations to assess if events and circumstances have occurred that could affect these assumptions and key estimates. We also review internal benchmarks and the economic performance for each market cluster to assess if it is more likely than not that impairment exists.

As part of our qualitative assessment, we calculate the excess fair value, or the amount by which our prior year estimated fair value exceeds the current year carrying value. Based on our analysis and review, including the financial performance of each market, we believe that a 25% excess fair value margin is a reasonable benchmark for our qualitative analysis. Markets with an excess fair value of 25% or more, which have had no significant changes in the prior year assumptions and key estimates, are not likely to be impaired.

Next, we review the financial operating results for each market cluster. Radio stations are often sold on the basis of a multiple of projected cash flow, or Station Operating Income ("SOI") defined as net broadcast revenue less broadcast operating expenses. See Item 6—Selected Financial Data within this annual report for information on SOI, a non-GAAP measure. Numerous trade organizations and analysts review these radio station sales to track SOI multiples applicable to each transaction. Based on published reports and an analysis of market transactions, we believe industry benchmarks to be in the six to seven times cash flow range. We elected an SOI benchmark of four as a reasonable indicator of fair value. Markets with an SOI multiple of four or less, which have had no significant changes in the prior year assumptions and key estimates, are not likely to be impaired.

The second step of our impairment testing is to perform a qualitative assessment if we have indication that the fair value of a reporting unit may be less than its carrying value. The qualitative review includes markets that were not valued in the prior year as there is no basis to calculate the excess carrying value. We engage an independent third-party appraisal and valuation firm to assist us with determining the enterprise value as part of this quantitative review.

When performing a quantitative review of broadcast licenses, we estimate the fair value of each market cluster using the Greenfield Method, a form of the income approach. The premise of the Greenfield Method is that the value of a broadcast license is equivalent to a hypothetical start-up in which the only asset owned by the station as of the valuation date is the broadcast license. This approach eliminates factors that are unique to the operation of the station, including its format and historical financial performance. The method then assumes the entity has to purchase, build, or lease all of the other assets needed to operate a comparable station to the one in which the broadcast license is being utilized as of the valuation date. Cash flows are estimated and netted against all start-up costs, expenses and investments necessary to achieve a normalized and mature state of operations, thus reflecting only the cash flows directly attributable to the broadcast license. A multi-year discounted cash flow approach is then used to determine the net present value of these cash flows to derive an indication of fair value. For cash flows beyond the projection period, a terminal value is calculated using the Gordon constant growth model and long-term industry growth rate assumptions based on long-term industry growth and Gross Domestic Product ("GDP") inflation rates.

The primary assumptions used in the Greenfield Method are:

(1) gross operating revenue in the station's designated market area;

(2) normalized market share;

(3) normalized profit margin;

(4) duration of the "ramp-up" period to reach normalized operations, which was assumed to be three years,

(5) estimated start-up costs based on market size;

(6) ongoing replacement costs of fixed assets and working capital;

(7) the calculations of yearly net free cash flows to invested capital; and

(8) amortization of the intangible asset, or the broadcast license.

The assumptions used reflect those of a hypothetical market participant and not necessarily the actual or projected results of Salem. The key estimates and assumptions used in the start-up income valuation for our broadcast licenses were as follows:

Broadcast Licenses	December 31, 2018	September 30, 2019	**December 31, 2019**
Risk-adjusted discount rate	9.0%	9.0%	**9.0%**
Operating profit margin ranges	4.4% - 34.5%	4.3% - 30.7%	**4.0% - 33.8%**
Long-term revenue growth rates	0.5% - 1.2%	0.7% - 1.1%	**0.7% - 1.1%**

The risk-adjusted discount rate reflects the Weighted Average Cost of Capital ("WACC") developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Goodwill Impairment Testing

When performing our annual impairment testing for goodwill, the fair value of each applicable accounting unit is estimated using a discounted cash flow analysis, which is a form of the income approach. The discounted cash flow analysis utilizes a five to ten year projection period to derive operating cash flow projections from a market participant view. We make certain assumptions regarding future revenue growth based on industry market data, historical performance and our expectations of future performance. We also make assumptions regarding working capital requirements and ongoing capital expenditures for fixed assets. Future net free cash flows are calculated on a debt free basis and discounted to present value using a risk adjusted discount rate. The terminal year value is calculated using the Gordon constant growth method and long-term growth rate assumptions based on long-term industry growth and GDP inflation rates. The resulting fair value estimates, net of any interest bearing debt, are then compared to the carrying value of each reporting unit's net assets. Goodwill impairment testing may also use a cost approach, or the "stick" value of an entity or underlying assets. The stick value of a broadcast entity typically includes the carrying value of FCC licenses, tangible assets and working capital.

The first step of our impairment testing is to perform a qualitative assessment to determine if events and circumstances have occurred that indicate it is more likely than not that the fair value of the assets, including goodwill, are less than their carrying values. We review the significant inputs used in our prior year fair value estimates to determine if any changes to those inputs should be made. We estimate the fair value using a market approach and compare the estimated fair value of each entity to its carrying value, including goodwill. Under the market approach, we apply a multiple of four to each entity's operating income to estimate the fair value. We believe that a multiple of four is a reasonable indicator of fair value as described above.

If the results of our qualitative assessment indicate that the fair value of a reporting unit may be less than its carrying value, we perform a second quantitative review of the reporting unit. We engage an independent third-party appraisal and valuation firm to assist us with determining the enterprise value as part of this quantitative review.

Goodwill—Broadcast Markets

The unit of accounting we use to test goodwill associated with our radio stations is the cluster level, which we define as a group of radio stations operating in the same geographic market, sharing the same building and equipment and managed by a single general manager. The cluster level is the lowest level for which discrete financial information and cash flows are available and the level reviewed by management to analyze operating results. Fifteen of our 32 market clusters have goodwill associated with them as of our annual testing period ended December 31, 2019. The enterprise valuation assumes that the subject assets are installed as part of an operating business rather than as a hypothetical start-up.

The key estimates and assumptions used for our enterprise valuations are as follows:

Broadcast Markets Enterprise Valuations	December 31, 2018	**December 31, 2019**
Risk-adjusted discount rate	9.0%	**9.0%**
Operating profit margin ranges	(4.1%) - 45.1%	**(31.1%) - 38.7%**
Long-term revenue growth rates	0.5% - 1.1%	**0.7% - 0.9%**

The risk-adjusted discount rate reflects the WACC developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Goodwill—Broadcast Networks

The unit of accounting we use to test goodwill in our radio networks is the entity level, which includes Salem Radio Network™ ("SRN™"), Todays Christian Music ("TCM") and Singing News® Radio. The entity level is the level reviewed by management and the lowest level for which discrete financial information is available. One of our networks has goodwill associated with it as of our annual testing period ended December 31, 2019. The first step of our qualitative review, in which we calculate excess fair value, or the amount by which the prior year estimated fair value exceeds the current year carrying value, when there are no significant changes in the prior year assumptions and key estimates, we determined that the value of broadcast network goodwill is not likely to be impaired.

Based on our analysis and review, the estimated fair value of the reporting unit exceeds the carrying value and Step 2 of the impairment testing was not necessary. We did not perform a sensitivity analysis for the current year, as such changes in the assumptions would have no impact on the carrying value of goodwill associated with our broadcast networks.

Goodwill —Digital Media

The unit of accounting we use to test goodwill in our digital media segment is the entity level, which includes SWN, SWN Spanish, Townhall.com®, and Eagle Financial Publications. The financial statements for SWN include the operating results and cash flows for our Christian content websites and our church product websites. The financial statements for Townhall.com® reflect the operating results for each of our conservative opinion websites. Eagle Financial Publications include our investing websites and related digital publications. The entity level is the level reviewed by management and the lowest level for which discrete financial information is available. Three of our four digital entities have goodwill associated with them as of our annual testing period ended December 31, 2019. The enterprise valuation assumes that the subject assets are installed as part of an operating business rather than as a hypothetical start-up.

The key estimates and assumptions used for our enterprise valuations are as follows:

Digital Media Enterprise Valuations	December 31, 2018	**December 31, 2019**
Risk adjusted discount rate	10.0%	**10.0%**
Operating profit margin ranges	8.5% - 17.2%	**3.7% - 28.8%**
Long-term revenue growth rates	1.0%	**0.5% - 1.0%**

The risk-adjusted discount rate reflects the WACC developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Goodwill—Publishing

The unit of accounting we use to test goodwill in our publishing segment is the entity level, which includes Regnery® Publishing, Salem Author Services and *Singing News®*. Regnery® Publishing is a book publisher based in Washington DC that operates from a stand-alone facility under one general manager, with operating results and cash flows of reported at the entity level. Salem Author Services operates from a stand-alone facility in Orlando, Florida under one general manager who is responsible for the operating results and cash flows. Singing News® produces and distributes a print magazine. The entity level is the level reviewed by management and the lowest level for which discrete financial information is available. Two of our publishing entities have goodwill associated with them as of our annual testing period ended December 31, 2019. The enterprise valuation assumes that the subject assets are installed as part of an operating business rather than as a hypothetical start-up.

The key estimates and assumptions used for our enterprise valuations are as follows:

Publishing Enterprise Valuations	December 31, 2018	**December 31, 2019**
Risk adjusted discount rate	10.0%	**10.0%**
Operating margin ranges	4.0% - 5.0%	**1.5% - 3.9%**
Long-term revenue growth rates	1.0%	**0.5%**

The risk-adjusted discount rate reflects the WACC developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Other Indefinite-Lived Intangible Assets Impairment Testing

Other indefinite-lived intangible consists of mastheads, or the graphic elements that identify our publications to readers and advertisers. These include customized typeset page headers, section headers, and column graphics as well as other name and identity stylized elements within the body of each publication. We test the value of mastheads at the publishing entity level, which is the lowest level for which discrete financial information and cash flows are available and the level reviewed by management to analyze operating results. We print one magazine as of the testing period ended December 31, 2019 for which we have recorded masthead value.

When performing a quantitative analysis to estimate the fair value of mastheads, the Relief from Royalty method is used. The Relief from Royalty method estimates the fair value of mastheads through use of a discounted cash flow model that incorporates a hypothetical "royalty rate" that a third-party owner would be willing to pay in lieu of owning the asset. The royalty rate is based on observed royalty rates for comparable assets as of the measurement date. We adjust the selected royalty rate to account for a percentage of the royalty fee that could be attributed to the use of other intangibles, such as goodwill, time in existence, trade secrets and industry expertise. The adjusted royalty rate represents the royalty fee remaining that could be attributed to the use of the masthead only.

Pre-tax royalty income is based on a 10-year revenue forecast and assumed to carry on into perpetuity. Revenue beyond the projection period (terminal year) is based on estimated long-term industry growth rates. The analysis also incorporates the present value of the tax amortization benefit associated with mastheads. The key estimates and assumptions are as follows:

Mastheads	December 31, 2018	**December 31, 2019**
Risk-adjusted discount rate	10.0%	**10.0%**
Long-term revenue growth rates	(4.0%) - (1.0%)	**(4.0%) - (1.0%)**
Royalty rate	3.0%	**3.0%**

The risk-adjusted discount rate reflects the WACC developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Sensitivity of Key Broadcast Licenses, Goodwill and Other Indefinite-Lived Intangible Assets Assumptions

When estimating the fair value of broadcast licenses, goodwill, and other indefinite-lived intangible assets, we make assumptions regarding future revenue growth rates, operating cash flow margins and discount rates. These assumptions require substantial judgment that may differ materially from actual results. The following sensitivity analysis shows the incremental impact and the hypothetical non-cash impairment charge that would have result if our estimates were to change by 100 basis points as of the annual testing period in the fourth quarter of 2019:

	Sensitivity Analysis (1)		
	Increase in Risk-Adjusted Discount Rate	Decrease in Operating Profit Margins	Decrease in Long-Term Revenue Growth Rates
		(Dollars in thousands)	
Incremental broadcast licenses impairment	$ 10,903	$ 4,098	$ 5,389
Incremental goodwill impairment	2,808	3,494	2,645
Incremental Mastheads impairment	29	—	—

(1) Each assumption used in the sensitivity analysis is independent of the other assumptions.

The risk-adjusted discount rate reflects the Weighted Average Cost of Capital ("WACC") developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

The same discount rate was used in each of our broadcast markets. The discount rate applied to our digital media and publishing entities was higher given the perceived additional risks associated with the cash flows of these businesses.

Operating profit margin is defined as operating income before interest, depreciation, amortization, income tax and corporate allocation charges divided by net revenue. For the fair value analysis, the projections of operating profit margin that are used are based upon industry expectations. These margin projections are not specific to the performance of our radio stations or segments in a market but are predicated on the expectation that a new entrant into the market could reasonably be expected to perform at a level similar to a typical competitor. If actual future margins are lower than our estimates, we may recognize future impairment charges, the amount of which may be material.

For the goodwill fair value analysis, the projections of operating margin for each broadcast market and each entity are based on our historical performance. If the future outlook for the broadcast, digital or publishing industry growth declines by more than our estimates, we may recognize future impairment charges, the amount of which may be material.

Long-term revenue growth rates are determined from publicly available information on industry expectations rather than our own estimates, which could differ. Long-term revenue growth rates can vary for each of our broadcast markets. Using industry expectations, each broadcast market, digital and publishing entity's revenues were forecasted over a ten-year projection period to reflect the projected long-term growth rate. If the future outlook for the broadcast, digital or publishing industry growth declines by more than our estimates, we may recognize future impairment charges, the amount of which may be material.

Impairment of Long-Lived Assets

We account for property and equipment in accordance with FASB ASC Topic 360-10, "*Property, Plant and Equipment*." We periodically review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. In accordance with authoritative guidance for impairment of long-lived assets, we must estimate the fair value of assets when events or circumstances indicate that they may be impaired. The fair value measurements for our long-lived assets use significant observable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value including assumptions about risk. If actual future results are less favorable than the assumptions and estimates we used, we are subject to future impairment charges, the amount of which may be material.

We believe we have made reasonable estimates and assumptions to calculate the estimated fair value of our long-lived assets, however, these estimates and assumptions are highly judgmental in nature. Actual results can be materially different from estimates and assumptions. If actual market conditions are less favorable than those projected by the industry or by us, or if events occur or circumstances change that would reduce the estimated fair value of long-lived assets below the amounts reflected on our balance sheet, we may recognize future impairment charges, the amount of which may be material.

Business Acquisitions

We account for business acquisitions in accordance with the acquisition method of accounting as specified in FASB ASC Topic 805 "*Business Combinations*." The total acquisition consideration is allocated to assets acquired and liabilities assumed based on their estimated fair values as of the date of the transaction. Estimates of the fair value include discounted estimated cash flows to be generated by the assets and their expected useful lives based on historical experience, market trends and any synergies believed to be achieved from the acquisition. The excess of consideration paid over the estimated fair values of the net assets acquired is recorded as goodwill and any excess of fair value of the net assets acquired over the consideration paid is recorded as a gain on bargain purchase. Prior to recording a gain, the acquiring entity must reassess whether all acquired assets and assumed liabilities have been identified and recognized and perform re-measurements to verify that the consideration paid, assets acquired, and liabilities assumed have been properly valued.

Acquisitions may include contingent earn-out consideration, the fair value of which is estimated as of the acquisition date as the present value of the expected contingent payments as determined using weighted probabilities of the payment amounts.

A majority of our radio station acquisitions have consisted primarily of the FCC licenses to broadcast in a particular market. We often do not acquire the existing format, or we change the format upon acquisition when we find it beneficial. As a result, a substantial portion of the purchase price for the assets of a radio station is allocated to the broadcast license. As of January 1, 2018, under the guidance effective under ASU 2017-01, a fewer number of our radio station acquisitions qualify as business acquisitions and instead be accounted for as asset purchases. Asset purchases are recognized based on their cost to acquire, including transaction costs. The cost to acquire an asset group is allocated to the individual assets acquired based on their relative fair value with no goodwill recognized.

We may retain a third-party appraiser to estimate the fair value of the acquired net assets as of the acquisition date. As part of the valuation and appraisal process, the third-party appraiser prepares a report assigning estimated fair values to the various asset categories in our financial statements. These fair value estimates are subjective in nature and require careful consideration and judgment. Management reviews the third-party reports for reasonableness of the assigned values. We believe that the purchase price allocations represent the appropriate estimated fair value of the assets acquired and we have not had to modify our purchase price allocations.

We estimate the economic life of each tangible and intangible asset acquired to determine the period of time in which the asset should be depreciated or amortized. A considerable amount of judgment is required in assessing the economic life of each asset. We consider our own experience with similar assets, industry trends, market conditions and the age of the property at the time of our acquisition to estimate the economic life of each asset. If the financial condition of the assets were to deteriorate, the resulting change in life or impairment of the asset could cause a material impact and volatility in our operating results. To date, we have not experienced changes in the economic life established for each major category of our assets.

Contingent Earn-Out Consideration

Our acquisitions often include contingent earn-out consideration as part of the purchase price. The fair value of the contingentearn-out consideration is estimated as of the acquisition date based on the present value of the contingent payments expected to be made using a weighted probability of possible payments. The unobservable inputs used in the determination of the fair value of the contingent earn-out consideration include our own assumptions about the likelihood of payment based on the established benchmarks and discount rates based on our internal rate of return analysis. The fair value measurements include inputs that are Level 3 measurement as discussed in Note 14, Fair Value Measurements and Disclosures in the notes of our Consolidated Financial Statements contained in Item 8 in this annual report on Form 10-K.

We review the probabilities of possible future payments to the estimated fair value of any contingentearn-out consideration on a quarterly basis over the earn-out period. Actual results are compared to the estimates and probabilities of achievement used in our forecasts. Should actual results increase or decrease as compared to the assumption used in our analysis, the fair value of the contingent earn-out consideration obligations will increase or decrease, up to the contracted limit, as applicable. Changes in the fair value of the contingent earn-out consideration could cause a material impact and volatility in our operating results.

At December 31, 2019, our estimated contingent earn-out was $19,000 compared to $55,000 at December 31, 2018. We recorded a net decrease to our estimated contingent earn-out liabilities of $41,000 for the year ended

December 31, 2019 and a net increase of $76,000 for the year ended December 31, 2018. The changes in our estimate of the contingent earn-out reflect volatility from variables, including revenue growth, page views or session time. We made no cash payments for contingent earn-out consideration during the year ended December 31, 2019 compared to $0.1 million paid in the prior year.

We believe that we have used reasonable estimates and assumptions to calculate the estimated fair value of all remaining contingentearn-out consideration however, these estimates and assumptions are highly judgmental in nature. Actual results can be materially different from estimates and assumptions.

Fair Value Measurements

FASB ASC Topic 820, "*Fair Value Measurements and Disclosures"* ("ASC 820") established a single definition of fair value in generally accepted accounting principles and requires expanded disclosure requirements about fair value measurements. The provision applies to other accounting pronouncements that require or permit fair value measurements. This includes applying the fair value concept to (i) nonfinancial assets and liabilities initially measured at fair value in business combinations; (ii) reporting units or nonfinancial assets and liabilities measured at fair value in conjunction with goodwill impairment testing; (iii) other nonfinancial assets measured at fair value in conjunction with impairment assessments; and (iv) asset retirement obligations initially measured at fair value.

The fair value provisions include guidance on how to estimate the fair value of assets and liabilities in the current economic environment and reemphasize that the objective of a fair value measurement remains an exit price. If we were to conclude that there has been a significant decrease in the volume and level of activity of the asset or liability in relation to normal market activities, quoted market values may not be representative of fair value and we may conclude that a change in valuation technique or the use of multiple valuation techniques may be appropriate.

The degree of judgment utilized in measuring the fair value of financial instruments generally correlates to the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market, and the characteristics specific to the transaction. Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of pricing observability and a lesser degree of judgment utilized in measuring fair value. Conversely, financial instruments rarely traded or not quoted will generally have less (or no) pricing observability and a higher degree of judgment utilized in measuring fair value.

ASC 820 established a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring fair value. This framework defined three levels of inputs to the fair value measurement process and requires that each fair value measurement be assigned to a level corresponding to the lowest level input that is significant to the fair value measurement in its entirety. The three broad levels of inputs defined by the ASC 820 hierarchy are as follows:

- Level 1 Inputs—quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- Level 2 Inputs—inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability; and
- Level 3 Inputs—unobservable inputs for the asset or liability. These unobservable inputs reflect the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances (which might include the reporting entity's own data).

We believe that we have used reasonable estimates and assumptions to calculate the estimated fair value of our financial assets as discussed in Note 14, Fair Value Measurements and Disclosures in the notes to our Consolidated Financial Statements contained in Item 8 of this annual report on Form 10-K.

Contingency Reserves

In the ordinary course of business, we are involved in various legal proceedings, lawsuits, arbitration and other claims that are complex in nature and have outcomes that are difficult to predict. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters. Certain of these proceedings are discussed in Note 16, Commitments and Contingencies, contained in our Consolidated Financial Statements.

We record contingency reserves to the extent we conclude that it is probable that a liability has been incurred and the amount of the related loss can be reasonably estimated. The establishment of the reserve is based on a review of all relevant factors, the advice of legal counsel, and the subjective judgment of management. The reserves we have recorded to date have not been material to our consolidated financial position, results of operations or cash flows. We believe that our estimates and assumptions are reasonable and that our reserves are accurately reflected.

While we believe that the final resolution of any known maters, individually and in the aggregate, will not have a material adverse effect upon our consolidated financial position, results of operations or cash flows, it is possible that we could incur additional losses We maintain insurance that may provide coverage for such matters. Future claims against us, whether meritorious or not, could have a material adverse effect upon our consolidated financial position, results of operations or cash flows, including losses due to costly litigation and losses due to matters that require significant amounts of management time that can result in the diversion of significant operational resources.

Allowance for Doubtful Accounts

We evaluate the balance reserved in our allowance for doubtful accounts on a quarterly basis based on our historical collection experience, the age of the receivables, specific customer information and current economic conditions. Past due balances are generally not written-off until all of our collection efforts have been unsuccessful, including use of a collection agency. A considerable amount of judgment is required in assessing the likelihood of ultimate realization of these receivables, including the current creditworthiness of each customer. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We have not modified our estimate methodology and we have not historically recognized significant losses from changes in our estimates. We believe that our estimates and assumptions are reasonable and that our reserves are accurately reflected.

Sales Returns and Allowances

Books sold through Regnery® Publishing allow for a right of return. We record an estimate of book returns as a reduction of revenue in the period of the sale. Our estimates are based upon historical sales returns, the amount of current period sales, economic trends and any changes in customer demand and acceptance of our products. We regularly monitor actual performance to estimated return rates and make adjustments as necessary. Estimated return rates utilized for establishing estimated returns reserves have approximated actual returns experience. However, actual returns may differ significantly, either favorably or unfavorably, from these estimates if factors such as the historical data we used to calculate these estimates do not properly reflect future returns or as a result of changes in economic conditions of the customer and/or the market. We have not modified our estimate methodology and we have not historically recognized significant losses from changes in our estimates. We believe that our estimates and assumptions are reasonable and that our reserves are accurately reflected.

Inventory Reserves

Inventories consist of finished books recorded at the lower of cost or net realizable value as determined on a First-In First-Out ("FIFO") cost method. We reviewed historical data associated with book inventories held by Regnery® Publishing as well as our own experiences to estimate the fair value of inventory on hand. Our analysis includes a review of actual sales returns, our allowances, royalty reserves, overall economic conditions and product demand. We record a provision to expense the balance of unsold inventory that we believe to be unrecoverable. We regularly monitor actual performance to our estimates and make adjustments as necessary. Estimated inventory reserves may be adjusted, either favorably or unfavorably, if factors such as the historical data we used to calculate these estimates do not properly reflect future returns or as a result of changes in economic conditions of the customer and/or the market. We have not modified our estimate methodology and we have not historically recognized significant losses from changes in our estimates. We believe that our estimates and assumptions are reasonable and that our reserves are accurately reflected.

Reserves for Royalty Advances

Royalties due to book authors are paid in advance and capitalized. Royalties are expensed as the related book revenues are earned or when we determine that future recovery of the royalty is not likely. We reviewed historical data associated with royalty advances, earnings and recoverability based on actual results of Regnery® Publishing. Historically, the longer the unearned portion of an advance remains outstanding, the less likely it is that we will recover the advance through the sale of the book. We apply this historical experience to outstanding royalty advances to estimate the likelihood of recovery. A provision was established to expense the balance of any unearned advance which we believe is not recoverable. Our analysis also considers other discrete factors, such as death of an author, any decision to not pursue publication of a title, poor market demand or other relevant factors. We have not modified our estimate methodology and we have not historically recognized significant losses from changes in our estimates. We believe that our estimates and assumptions are reasonable and that our reserves are accurately reflected.

Fair Value of Equity Awards

We account for stock-based compensation under the provisions of FASB ASC Topic 718, "*Compensation—Stock Compensation*." We record equity awards with stock-based compensation measured at the fair value of the award as of the grant date. We determine the fair value of each award using the Black-Scholes valuation model that requires the input of highly subjective assumptions, including the expected stock price volatility and expected term of the award granted. The exercise price for each award is equal to or greater than the closing market price of Salem Media Group, Inc. common stock as of the date of the award. We use the straight-line attribution method to recognize share-based compensation costs over the expected service period of the award. Upon exercise, cancellation, forfeiture, or expiration of the award, deferred tax assets for awards with multiple vesting dates are eliminated for each vesting period on a first-in, first-out basis as if each vesting period was a separate award. We have not modified our estimates or assumptions used in our valuation model. We believe that our estimates and assumptions are reasonable and that our stock based compensation is accurately reflected in our results of operations.

Partial Self-Insurance on Employee Health Plan

We provide health insurance benefits to eligible employees under a self-insured plan whereby we pay actual medical claims subject to certain stop loss limits. We record self-insurance liabilities based on actual claims filed and an estimate of those claims incurred but not reported. Our estimates are based on historical data and probabilities. Any projection of losses concerning our liability is subject to a high degree of variability. Among the causes of this variability are unpredictable external factors such as future inflation rates, changes in severity, benefit level changes, medical costs and claim settlement patterns. Should the actual amount of claims increase or decrease beyond what was anticipated, we may adjust our future reserves. Our self-insurance liability was $0.6 million and $0.8 million at December 31, 2019 and 2018, respectively. We have not modified our estimate methodology and we have not historically recognized significant losses from changes in our estimates.

Leases

We adopted Accounting Standards Codification ("ASC") Topic 842, "*Leases*" ("ASC 842") issued under ASU 2016-02 on January 1, 2019. Under ASC 842, we consider all relevant facts and circumstances, to determine whether a contract is or contains a lease at inception. Our analysis includes whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This consideration involves judgment with respect to whether we have the right to obtain substantially all of the economic benefits from the use of the identified asset and whether we have the right to direct the use of the identified asset.

Lease Term—Impact on Right-of-Use Assets and Lease Liabilities

The lease term can materially impact the value of the ROU assets and lease liabilities recorded on our balance sheet as required under ASC 842. We calculate the term for each lease agreement to include the noncancellable period specified in the agreement together with (1) the periods covered by options to extend the lease if we are reasonably certain to exercise that option, (2) periods covered by an option to terminate if we are reasonably certain not to exercise that option and (3) period covered by an option to extend (or not terminate) if controlled by the lessor. The assessment of whether we are reasonably certain to exercise an option to extend a lease requires significant judgement surrounding contract-based factors, asset-based factors, entity-based factors and market-based factors. These factors, detailed below, are evaluated based on the facts and circumstances at the time we enter a lease agreement.

Contract-Based Factors:

- The existence of a bargain renewal option
- The existence of contingent or variable payments
- The nature and terms of renewal or termination options
- The costs the lessee would incur to restore the asset before returning it to the lessor

Asset-Based Factors:

- The existence of significant lessee-installed leasehold improvements that would still have economic value when the option becomes exercisable
- The physical location of the asset
- The costs that would be incurred to replace or find an alternative asset

Entity-Based Factors:

- Historical practice
- Management's intent
- Common industry practice
- The financial impact on the entity of extending or terminating the lease
- The importance of the leased asset to the entity's operations

Market-Based Factors:

- Market rental or purchase rates for comparable assets
- Potential implications of local regulations and statutory requirements

We have not modified our estimate methodology since adopting ASC 842 on January 1, 2019.

Incremental Borrowing Rate

The ROU asset and related lease liabilities recorded under ASC 842 are calculated based on the present value of the lease payments using (1) the rate implicit in the lease or (2) the lessee's IBR. IBR is defined as the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

We performed an analysis as of January 1, 2019 to estimate the IBR applicable to Salem upon transition to ASC 842. Our analysis required the use of significant judgement and estimates, including the estimated value of the underlying leased asset, and the following available evidence:

The credit history of Salem Media Group

Our most recent credit facility consisted of 6.75% Senior Secured Notes and an ABL revolver. As of each month end, the weighted average interest rate on outstanding debt was calculated. The weighted average interest rate on the outstanding debt ranged from a low of 2.97% for the ABL to a high of 6.75% for the Notes. On a combined basis, the weighted average interest rate for the ABL and the Notes ranged from 99 to 257 basis points above prime.

Based on market conditions and prevailing interest rates in 2018 that were higher than our Notes, we completed various open-market repurchases of the Notes at prices below face value. At December 31, 2018, the Notes were trading at 91.5% of the face value.

The credit worthiness of Salem Media Group

At January 1, 2019, our Moody's rating was "B2," consistent with the last ten years. A B2 credit rating is considered speculative in nature and subject to high credit risk. On May 15, 2019, Moody's downgraded Salem from a "B2" rating to a "B3" rating. The "B3" rating is also speculative in nature and subject to high credit risk. The "B3" rating is the lowest end of the range before "Caa1," or poor quality with very high credit risk. At December 31, 2019, Salem's Moody's rating was unchanged at a "B3" rating.

Class of the underlying asset and the remaining term of the arrangement

We elected to use a portfolio approach applying a single IBR to leases with reasonably similar characteristics, including the remaining lease term, the underlying assets and the economic environment. As of the date of adoption, we grouped each lease according to the nature of leased asset and further grouped the items by the remaining lease term as of the date of adoption. We have six main categories of leases, (1) Buildings, (2) Equipment, (3) Land, (4) Other (Parking Facilities), (5) Towers and (6) Vehicles.

We considered vehicles to have a higher risk for collateral that is mitigated by the shorter term of the lease that would typically range from three to five years. We considered building and towers to have a higher risk based on (1) the longer lease term of up to thirty years and (2) a higher outstanding balance that is mitigated by the lower risk that the collateralized asset would lose significant value.

The debt incurred under the lease liability as compared to amounts that would be borrowed

We reviewed the cost to finance comparable amounts under our ABL and based on the current market environment as derived from available economic data.

We referred to the Bloomberg Single B Rated Communications Yield Curve (unsecured) and considered adjustments for industry risk factors and the estimated value of the underlying leased asset to be collateral for the debt incurred.

From this analysis, we developed a matrix to estimate the IBR for each major category of leases. We review our IBR estimates on a quarterly basis and update as necessary. We have not modified our estimate methodology since adopting ASC 842 on January 1, 2019.

Income Tax Valuation Allowances (Deferred Taxes)

In preparing our consolidated financial statements, we estimate our income tax liability in each of the jurisdictions in which we operate by estimating our actual current tax exposure and assessing temporary differences resulting from differing treatment of items for tax and financial statement purposes. Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws and possible outcomes of audits conducted by tax authorities. Reserves for income taxes to address potential exposures involving tax positions that could be challenged by tax authorities are established if necessary. Although we believe our judgments, assumptions and estimates are reasonable, changes in tax laws or our interpretation of tax laws and the resolution of any future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements.

We calculate our current and deferred tax provisions based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the subsequent year. Adjustments based on filed returns are generally recorded in the period when the tax returns are filed and the tax implications are known. Tax law and rate changes are reflected in the income tax provision in the period in which such changes are enacted.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period in which we make such a determination. Likewise, if we later determine that it is more likely than not that the net deferred tax assets would be realized, we would reverse the applicable portion of the previously provided valuation allowance.

For financial reporting purposes, we recorded a valuation allowance of $13.0 million as of December 31, 2019 to offset the deferred tax assets related to the federal and state net operating loss carryforwards. As a result of our adjusted cumulative three-year pre-tax book loss as of December 31, 2019, we performed a review of our valuation allowance. We recorded an increase to the valuation allowance of $7.6 million, for a total valuation allowance of $13.0 million.

Income Taxes and Uncertain Tax Positions

We are subject to audit and review by various taxing jurisdictions. We may recognize liabilities on our financial statements for positions taken on uncertain tax positions. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others may be subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. It is inherently difficult and subjective to estimate such amounts, as this requires us to make estimates based on the various possible outcomes. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, we believe it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

We review and reevaluate uncertain tax positions on a quarterly basis. Changes in assumptions may result in the recognition of a tax benefit or an additional charge to the tax provision. During the year ended December 31, 2019, we recognized liabilities associated with uncertain tax positions around our subsidiary Salem Communications Holding Company’s Pennsylvania tax filing. The position taken on the tax returns follows Pennsylvania Notice 2016-01 which provides guidance for reversal of intercompany interest income and associated expense yielding a net loss for Pennsylvania. The current liability recognized for the tax position is

$0.2 million including interest and penalties. Our evaluation was performed for all tax years that remain subject to examination, which range from 2015 through 2018. On August 10, 2017, the City of New York began its audit of Salem's 2013 and 2014 tax filings. On October 30, 2019, the City of New York finalized its audit of Salem's 2013 and 2014 tax filings with no changes.

Recent Accounting Pronouncements

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

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds are operating cash flows, borrowings under credit facilities and proceeds from the sale of selected assets or businesses. We have historically funded, and will continue to fund, expenditures for operations, administrative expenses, and capital expenditures from these sources. We have historically financed acquisitions through borrowings, including borrowings under credit facilities and, to a lesser extent, from operating cash flow and from proceeds on selected asset dispositions. We expect to fund future acquisitions from cash on hand, borrowings under our credit facilities, operating cash flow and possibly through the sale of income-producing assets or proceeds from debt and equity offerings. We have assessed the current and expected economic outlook and our current and expected needs for funds and we believe that the borrowing capacity under our current credit facilities allows us to meet our ongoing operating requirements, fund capital expenditures and satisfy our debt service requirements for at least the next twelve months, including our working capital deficit at December 31, 2019.

Generally, we keep the balance of cash and cash equivalents low in order to reduce the balance of outstanding debt. Our ABL Facility automatically covers any shortfalls in operating cash flows such that we are not required to hold excess cash balances on hand. Our cash and cash equivalents were $6,000 at December 31, 2019 compared to $0.1 million at December 31, 2018. Our working capital decreased by $2.2 million to ($11.4) million at December 31, 2019 compared to ($9.2) million at December 31, 2018 due to the recognition of current operating lease liabilities of $8.5 million, the derecognition of prepaid rent of $1.1 million, an increase in accounts payable and accrued expenses of $0.9 million and a $7.2 million decrease in the outstanding balance on the ABL.

Operating Cash Flows

Our largest source of operating cash inflows are receipts from customers in exchange for advertising and programming. Other sources of operating cash inflows include receipts from customers for digital downloads and streaming, book sales, subscriptions, self-publishing fees, ticket sales, sponsorships, and vendor promotions. A majority of our operating cash outflows consist of payments to employees, such as salaries and benefits, and vendor payments under facility and tower leases, talent agreements, inventory purchases and recurring services such as utilities and music license fees. Our operating cash flows are subject to factors such as fluctuations in preferred advertising media and changes in demand caused by shifts in population, station listenership, demographics, and audience tastes. In addition, our operating cash flows may be affected if our customers are unable to pay, delay payment of amounts owed to us, or if we experience reductions in revenue, or increases in costs and expenses.

Net cash provided by operating activities during the year ended December 31, 2019 decreased by $6.0 million to $17.0 million from $23.0 million during the prior year. The decrease in cash provided by operating activities includes the impact of the following items:

- Total net revenue declined by $8.9 million;
- Operating expenses exclusive of depreciation, amortization, changes in the estimated fair value of contingentearn-out consideration, impairments and net gain (loss) on the disposition of assets, decreased by $1.5 million;

- Trade accounts receivables, net of allowances, decreased by $2.2 million compared to an increase of $0.5 million for the prior year;
- Unbilled revenue increased $0.2 million;
- Our Day's Sales Outstanding, or the average number of days to collect cash from the date of sale, was unchanged at 60 days at December 31, 2019 and 2018;
- Net accounts payable and accrued expenses increased $0.9 million to $20.8 million from $19.9 million as of the prior year; and
- Net inventories on hand increased $40,000 to $0.7 million at December 31, 2019 compared to a decrease of $0.1 million to $0.7 million at December 31, 2018.

Investing Cash Flows

Our primary source of investing cash inflows includes proceeds from the sale of assets or businesses. Investing cash outflows include cash payments made to acquire businesses, to acquire property and equipment and to acquire intangible assets such as domain names. While our focus continues to be on deleveraging the company, we remain committed to explore and pursue strategic acquisitions.

In recent years, we have entered acquisition agreements that contain contingent earn-out arrangements that are payable in the future based on the achievement of predefined operating results. We believe that these contingent earn-out arrangements provide some degree of protection with regard to our cash outflows should these acquisitions not meet our operational expectations.

We undertake projects from time to time to upgrade our radio station technical facilities and/or FCC broadcast licenses, expand our digital and web-based offerings, improve our facilities and upgrade our computer infrastructures. The nature and timing of these upgrades and expenditures can be delayed or scaled back at the discretion of management. Based on our current plans, we expect to incur capital expenditures of approximately $9.0 million during 2020.

We plan to fund future purchases and any acquisitions from cash on hand, operating cash flow or our credit facilities.

Net cash provided by investing activities was $10.9 million during the year ended December 31, 2019 compared to net cash used in investing activities of $10.7 million during the prior year. The $21.7 million increase in cash provided by (used in) investing activities includes:

- Cash received from radio station and asset sales were $20.7 million during the year ended December 31, 2019 compared to $9.9 million during the prior year;
- Cash paid for acquisitions decreased $9.6 million to $1.3 million compared to $10.9 million during the prior year; and
- Cash paid for capital expenditures decreased $1.5 million to $7.8 million compared to $9.3 million during the prior year.

Financing Cash Flows

Financing cash inflows include borrowings under our credit facilities and any proceeds from the exercise of stock options issued under our stock incentive plan. Financing cash outflows include repayments of our credit facilities, the payment of equity distributions and payments of amounts due under deferred installments and contingency earn-out consideration associated with acquisition activity.

During the year ended December 31, 2019, the principal balances outstanding under the Notes and ABL Facility ranged from $231.1 million to $258.2 million. These outstanding balances were ordinary and customary based on our operating and investing cash needs during this time.

The actual declaration of dividends and equity distributions, as well as the establishment of per share amounts, dates of record, and payment dates are subject to final determination by our Board of Directors and depend upon future earnings, cash flows, financial and legal requirements, and other factors. Based on the number of shares of Class A and Class B common stock currently outstanding, we expect to pay total annual equity distributions of approximately $2.7 million in 2020 if approved by our Board at the amount per share of our most recent payment.

Our sole source of cash available for making any future equity distributions is our operating cash flow, subject to our credit facilities and Notes, which contain covenants that restrict the payment of dividends and equity distributions unless certain specified conditions are satisfied.

Net cash used in financing activities during the year ended December 31, 2019 increased $15.9 million to $28.0 million compared to $12.1 million during the prior year. The increase in cash used for financing activities includes:

- Net payments on our ABL Facility were $7.2 million during the year ended December 31, 2019 compared to net proceeds of $10.7 million during the prior year;
- A $2.2 million increase in the book overdraft to $1.9 million at December 31, 2019 compared to $0.3 million at December 31, 2018; and
- We used $16.8 million of cash to repurchase $18.7 million in face value of the 6.75% Senior Secured Notes compared to $15.4 million of cash to repurchase $16.4 million during the prior year.
- We used the proceeds from the sale of radio stations to pay down our debt, both the ABL and the Notes. This resulted in a reduction of our leverage ratio from 6.57 at the end of the third quarter to 6.18 at the end of the year.

6.75% Senior Secured Notes

On May 19, 2017, we issued in a private placement the Notes, which are guaranteed on a senior secured basis by our existing subsidiaries (the “Subsidiary Guarantors”). The Notes bear interest at a rate of 6.75% per year and mature on June 1, 2024, unless they are earlier redeemed or repurchased. Interest initially accrued on the Notes from May 19, 2017 and is payable semi-annually, in cash in arrears, on June 1 and December 1 of each year, commencing December 1, 2017.

The Notes are secured by a first-priority lien on substantially all assets of ours and the Subsidiary Guarantors (the “Notes Priority Collateral”). There is no direct lien on our FCC licenses to the extent prohibited by law or regulation.

We may redeem the Notes, in whole or in part, at any time on or before June 1, 2020 at a price equal to 100% of the principal amount of the Notes plus a “make-whole” premium as of, and accrued and unpaid interest, if any, to, but not including, the redemption date. At any time on or after June 1, 2020, we may redeem some or all of the Notes at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth in the Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date. In addition, we may redeem up to 35% of the aggregate principal amount of the Notes before June 1, 2020 with the net cash proceeds from certain equity offerings at a redemption price of 106.75% of the principal amount plus accrued and unpaid interest, if any, to, but not including, the redemption date. We may also redeem up to 10% of the aggregate original principal amount of the Notes per twelve-month period before June 1, 2020 at a redemption price of 103% of the principal amount plus accrued and unpaid interest to, but not including, the redemption date.

The indenture relating to the Notes (the “Indenture”) contains covenants that, among other things and subject in each case to certain specified exceptions, limit our ability and the ability of our restricted subsidiaries to: (i) incur additional debt; (ii) declare or pay dividends, redeem stock or make other distributions to stockholders; (iii) make investments; (iv) create liens or use assets as security in other transactions; (v) merge or consolidate, or sell, transfer, lease or dispose of substantially all of our assets; (vi) engage in transactions with affiliates; and (vii) sell or transfer assets.

The Indenture provides for the following events of default (each, an “Event of Default”): (i) default in payment of principal or premium on the Notes at maturity, upon repurchase, acceleration, optional redemption or otherwise; (ii) default for 30 days in payment of interest on the Notes; (iii) the failure by us or certain restricted subsidiaries to comply with other agreements in the Indenture or the Notes, in certain cases subject to notice and lapse of time; (iv) the failure of any guarantee by certain significant Subsidiary Guarantors to be in full force and effect and enforceable in accordance with its terms, subject to notice and lapse of time; (v) certain accelerations (including failure to pay within any grace period) of other indebtedness of ours or any restricted subsidiary if the amount accelerated (or so unpaid) is at least $15 million; (vi) certain judgments for the payment of money in excess of $15 million; (vii) certain events of bankruptcy or insolvency with respect to us or any significant subsidiary; and (vii) certain defaults with respect to any collateral having a fair market value in excess of $15 million. If an Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the outstanding Notes may declare the principal of the Notes and any accrued interest on the Notes to be due and payable immediately, subject to remedy or cure in certain cases. Certain events of bankruptcy or insolvency are Events of Default which will result in the Notes being due and payable immediately upon the occurrence of such Events of Default.

Based on the balance of the Notes currently outstanding, we are required to pay $14.8 million per year in interest on the Notes. As of December 31, 2019, accrued interest on the Notes was $1.2 million.

We incurred debt issuance costs of $6.3 million that were recorded as a reduction of the debt proceeds that are being amortized to non-cash interest expense over the life of the Notes using the effective interest method. During the years ended December 31, 2019 and 2018, $0.9 million of debt issuance costs associated with the Notes was amortized to interest expense.

We may from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to repurchase the Notes in open market transactions, privately negotiated transactions, by tender offer or otherwise, as market conditions warrant.

Based on the then existing market conditions, we completed repurchases of our 6.75% Senior Secured Notes at amounts less than face value as follows:

Date	Principal Repurchased	Cash Paid	% of Face Value	Bond Issue Costs	Net Gain
			(Dollars in thousands)		
December 27, 2019	$ 3,090	$ 2,874	93.00%	$ 48	$ 167
November 27, 2019	5,183	4,548	87.75%	82	553
November 15, 2019	3,791	3,206	84.58%	61	524
March 28, 2019	2,000	1,830	91.50%	37	134
March 28, 2019	2,300	2,125	92.38%	42	133
February 20, 2019	125	114	91.25%	2	9
February 19, 2019	350	319	91.25%	7	24
February 12, 2019	1,325	1,209	91.25%	25	91
January 10, 2019	570	526	92.25%	9	35
December 21, 2018	2,000	1,835	91.75%	38	127
December 21, 2018	1,850	1,702	92.00%	35	113
December 21, 2018	1,080	999	92.50%	21	60
November 17, 2018	1,500	1,357	90.50%	29	114
May 4, 2018	4,000	3,770	94.25%	86	144
April 10, 2018	4,000	3,850	96.25%	87	63
April 9, 2018	2,000	1,930	96.50%	43	27
	$ 35,164	$ 32,194		$ 652	$ 2,318

Asset-Based Revolving Credit Facility

On May 19, 2017, the Company entered into the Asset Based Loan ("ABL") Facility pursuant to a Credit Agreement (the "Credit Agreement") by and among us and our subsidiaries party thereto as borrowers, Wells Fargo Bank, National Association, as administrative agent and lead arranger, and the lenders that are parties thereto. We used the proceeds of the ABL Facility, together with the net proceeds from the Notes offering, to repay outstanding borrowings under our previously existing senior credit facilities, and related fees and expenses. Current proceeds from the ABL Facility are used to provide ongoing working capital and for other general corporate purposes, including permitted acquisitions.

The ABL Facility is a five-year $30.0 million revolving credit facility due May 19, 2022, which includes a $5.0 million subfacility for standby letters of credit and a $7.5 million subfacility for swingline loans. All borrowings under the ABL Facility accrue interest at a rate equal to a base rate or LIBOR rate plus a spread. The spread, which is based on an availability-based measure, ranges from 0.50% to 1.00% for base rate borrowings and 1.50% to 2.00% for LIBOR rate borrowings. If an event of default occurs, the interest rate may increase by 2.00% per annum. Amounts outstanding under the ABL Facility may be paid and then reborrowed at our discretion without penalty or premium. Additionally, we pay a commitment fee on the unused balance from 0.25% to 0.375% per year based on the level of borrowings. The LIBOR rate scheduled to be discontinued at the end of calendar year 2021 could result in all outstanding borrowings subject to the higher base rate borrowing. We expect to amend the ABL prior to the LIBOR phaseout based on the ABL maturity date of May 19, 2022.

Availability under the ABL is subject to a borrowing base consisting of (a) 85% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. As of December 31, 2019, the amount available under the ABL was $26.4 million of which $12.4 million was outstanding. The ABL Facility has a first-priority lien on our and the Subsidiary Guarantors' accounts receivable, inventory, deposit and securities accounts, certain real estate and related assets (the "ABL Priority Collateral") and by a second-priority lien on the Notes Priority Collateral. There is no direct lien on the Company's FCC licenses to the extent prohibited by law or regulation (other than the economic value and proceeds thereof).

The Credit Agreement includes a springing fixed charge coverage ratio of 1.0 to 1.0, which is tested during the period commencing on the last day of the fiscal month most recently ended prior to the date on which Availability (as defined in the Credit Agreement) is less than the greater of 15% of the Maximum Revolver Amount (as defined in the Credit Agreement) and $4.5 million and continuing for a period of 60 consecutive days after the first day on which Availability exceeds such threshold amount. The Credit Agreement also includes other negative covenants that are customary for credit facilities of this type, including covenants that, subject to exceptions described in the Credit Agreement, restrict the ability of the borrowers and their subsidiaries (i) to incur additional indebtedness; (ii) to make investments; (iii) to make distributions, loans or transfers of assets; (iv) to enter into, create, incur, assume or suffer to exist any liens, (v) to sell assets; (vi) to enter into transactions with affiliates; (vii) to merge or consolidate with, or dispose of all assets to a third party, except as permitted thereby; (viii) to prepay indebtedness; and (ix) to pay dividends.

The Credit Agreement provides for the following events of default: (i) default for non-payment of any principal or letter of credit reimbursement when due or any interest, fees or other amounts within five days of the due date; (ii) the failure by any borrower or any subsidiary to comply with any covenant or agreement contained in the Credit Agreement or any other loan document, in certain cases subject to applicable notice and lapse of time; (iii) any representation or warranty made pursuant to the Credit Agreement or any other loan document is incorrect in any material respect when made; (iv) certain defaults of other indebtedness of any borrower or any subsidiary of indebtedness of at least $10 million; (v) certain events of bankruptcy or insolvency with respect to any borrower or any subsidiary; (vi) certain judgments for the payment of money of $10 million or more; (vii) a change of control; and (viii) certain defaults relating to the loss of FCC licenses, cessation of broadcasting and termination of material station contracts. If an event of default occurs and is continuing, the Administrative Agent and the Lenders may accelerate the amounts outstanding under the ABL Facility and may exercise remedies in respect of the collateral.

We incurred debt issue costs of $0.8 million that were recorded as an asset and are being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. During the years ended December 31, 2019 and 2018, $0.2 million of debt issuance costs associated with the Notes was amortized to interest expense. At December 31, 2019, the blended interest rate on amounts outstanding under the ABL Facility was 3.98%.

We report outstanding balances on the ABL Facility as short-term regardless of the maturity date based on use of the ABL Facility to fund ordinary and customary operating cash needs with frequent repayments. We believe that our borrowing capacity under the ABL Facility allows us to meet our ongoing operating requirements, fund capital expenditures and satisfy our debt service requirements for at least the next twelve months.

Summary of long-term debt obligations

Long-term debt consisted of the following:

	As of December 31,	
	2018	**2019**
	(Dollars in thousands)	
6.75% Senior Secured Notes	$238,570	**$219,836**
Less unamortized debt issuance costs based on imputed interest rate of 7.08%	(4,540)	**(3,368)**
6.75% Senior Secured Notes net carrying value	234,030	**216,468**
Asset-Based Revolving Credit Facility principal outstanding	19,660	**12,426**
Long-term debt less unamortized debt issuance costs	253,690	**228,894**
Less current portion	(19,660)	**(12,426)**
Long-term debt less unamortized debt issuance costs, net of current portion	$234,030	**$216,468**

In addition to the outstanding amounts listed above, we also have interest payments related to our long-term debt as follows as of December 31, 2019:

- $12.4 million under the ABL Facility, with interest spread ranging from Base Rate plus 0.50% to 1.00% for base rate borrowings and LIBOR plus 1.50% to 2.00% for LIBOR rate borrowings;
- $219.8 million aggregate principal amount of Notes with semi-annual interest payments at an annual rate of 6.75%; and
- Commitment fee of 0.25% to 0.375% per annum on the unused portion of the ABL Facility.

Maturities of Long-Term Debt and Capital Lease Obligations

Principal repayment requirements under all long-term debt agreements outstanding at December 31, 2019 for each of the next five years and thereafter are as follows:

For the Year Ended December 31,	Amount *(Dollars in thousands)*
2020	$ 12,426
2021	—
2022	—
2023	—
2024	219,836
Thereafter	—
	$ 232,262

Impairment Losses on Goodwill and Indefinite-Lived Intangible Assets

We have incurred impairment losses associated with goodwill and indefinite lived assets, including broadcast licenses and mastheads. These impairment losses were attributable to declines in the projected long-term revenue growth rates for the broadcast, digital and publishing industries. The long-term revenue growth rates are specific for each market and ranged from 0.5%—1.2% as of the 2018 testing period to a range of 0.7%—1.1% as of the 2019 testing period resulting in a decline in operating profit margins from 4.4%—34.5% in 2018 to 4.0%—33.8% in 2019. Long-term revenue growth rates for digital media entities were 1.0% during the 2018 annual testing to a range of 0.5%—1.0% as of the 2019 testing period while publishing long-term revenue growth rates were 1.0% during the 2018 annual testing period to 0.5% during the 2019 testing period. Declines in excess of these amounts and/or failure to achieve the anticipated growth rates may result in future impairment losses, the amount of which may be material.

The valuation of intangible assets is subjective and based on estimates rather than precise calculations. If actual future results are not consistent with the assumptions and estimates used, we may be exposed to impairment charges in the future, the amount of which may be material. The fair value measurements for our indefinite-lived intangible assets use significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value including assumptions about risk. The unobservable inputs are defined in FASB ASC Topic 820, "*Fair Value Measurements and Disclosures,"* as Level 3 inputs discussed in detail in Note 14 of our Consolidated Financial Statements under Item 8 of this annual report on Form 10-K. If actual future results are not consistent with the assumptions and estimates used, we may be exposed to impairment charges in the future, the amount of which may be material. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective market clusters and reporting units.

While the impairment charges we have recognized are non-cash in nature and have not violated any debt covenants, the potential for future impairment charges can be viewed as a negative factor with regard to forecasted future performance and cash flows. We believe that we have adequately considered the potential for an economic downturn in our valuation models and do not believe that the non-cash impairments in and of themselves are a liquidity risk.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2019 and 2018, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

CONTRACTUAL OBLIGATIONS

Not required for smaller reporting companies.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Stockholders and the Board of Directors of
Salem Media Group, Inc.
Camarillo, California

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Salem Media Group, Inc. (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of operations, stockholders’ equity, and cash flows for each of the two years in the period ended December 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph—Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for leases in 2019 due to the adoption of Accounting Standards Codification No. 842 *Leases.*

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 Public Company Accounting Oversight Board (United States) (“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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

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/ Crowe LLP

We have served as the Company’s auditor since 2016.

Sherman Oaks, California
March 12, 2020

SALEM MEDIA GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	December 31, 2018	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 117	**$ 6**
Trade accounts receivable (net of allowances of $9,732 in 2018 and $10,947 in 2019)	33,020	**30,824**
Unbilled revenue	2,513	**2,749**
Other receivables (net of allowances of $158 in 2018 and $— in 2019)	806	**1,352**
Inventories (net of reserves of $994 in 2018 and $1,271 in 2019)	677	**717**
Prepaid expenses	6,504	**5,890**
Assets held for sale	—	**185**
Total current assets	43,637	**41,723**
Notes receivable (net of allowance of $733 in 2018 and $954 in 2019)	218	**667**
Property and equipment (net of accumulated depreciation of $170,756 in 2018 and $173,122 in 2019)	96,344	**87,673**
Operating lease right-of-use assets	—	**54,550**
Financing lease right-of-use assets	164	**180**
Broadcast licenses	376,316	**337,858**
Goodwill	26,789	**23,998**
Other indefinite-lived intangible assets	277	**260**
Amortizable intangible assets (net of accumulated amortization of $53,180 in 2018 and $55,617 in 2019)	11,264	**7,100**
Deferred financing costs	381	**224**
Other assets	3,638	**4,197**
Total assets	$ 559,028	**$ 558,430**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,187	**$ 3,468**
Accrued expenses	10,104	**9,395**
Accrued compensation and related expenses	7,582	**7,895**
Accrued interest	1,375	**1,262**
Contract liabilities	11,537	**9,493**
Deferred rent income	108	**110**
Income taxes payable	267	**531**
Current portion of operating lease liabilities	—	**8,485**
Current portion of financing (capital) lease liabilities	58	**69**
Current portion of long-term debt	19,660	**12,426**
Total current liabilities	52,878	**53,134**
Long-term debt, less current portion	234,030	**216,468**
Operating lease liabilities, less current portion	—	**54,050**
Financing (capital) lease liabilities, less current portion	105	**124**
Deferred income taxes	35,272	**38,778**
Deferred rent expense, long-term	9,382	**—**
Contract liabilities, long-term	1,379	**1,744**
Deferred rent income, less current portion	4,049	**3,956**
Other long-term liabilities	64	**513**
Total liabilities	337,159	**368,767**
Commitments and contingencies (Note 16)		
Class A common stock, $0.01 par value; authorized 80,000,000 shares; 22,950,066 and 23,447,317 issued and 20,632,416 and 21,129,667 outstanding at December 31, 2018 and 2019, respectively	227	**227**
Class B common stock, $0.01 par value; authorized 20,000,000 shares; 5,553,696 issued and outstanding at December 31, 2018 and 2019, respectively	56	**56**
Additional paid-in capital	245,220	**246,680**
Accumulated earnings (deficit)	10,372	**(23,294)**
Treasury stock, at cost (2,317,650 shares at December 31, 2018 and 2019)	(34,006)	**(34,006)**
Total stockholders' equity	221,869	**189,663**
Total liabilities and stockholders' equity	$ 559,028	**$ 558,430**

See accompanying notes

SALEM MEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share and per share data)

	Year Ended December 31, 2018	Year Ended December 31, 2019
Net broadcast revenue	$ 198,502	**$ 193,339**
Net digital media revenue	42,595	**39,165**
Net publishing revenue	21,686	**21,394**
Total net revenue	262,783	**253,898**
Operating expenses:		
Broadcast operating expenses, exclusive of depreciation and amortization shown below (including $2,142 and $1,873 for the years ended December 31, 2018 and 2019, respectively, paid to related parties)	148,614	**149,439**
Digital media operating expenses, exclusive of depreciation and amortization shown below	33,296	**30,801**
Publishing operating expenses exclusive of depreciation and amortization shown below	22,396	**22,348**
Unallocated corporate expenses, exclusive of depreciation and amortization shown below (including $198 and $135 for the years ended December 31, 2018 and 2019, respectively, paid to related parties)	15,686	**15,940**
Depreciation	12,034	**11,297**
Amortization	6,192	**4,637**
Change in the estimated fair value of contingent earn-out consideration	76	**(41)**
Impairment of indefinite-lived long-term assets other than goodwill	2,870	**2,925**
Impairment of goodwill	—	**2,427**
Net (gain) loss on the disposition of assets	4,653	**22,326**
Total operating expenses	245,817	**262,099**
Operating income (loss)	16,966	**(8,201)**
Other income (expense):		
Interest income	5	**2**
Interest expense	(18,328)	**(17,496)**
Gain on early retirement of long-term debt	648	**1,670**
Net miscellaneous income and (expenses)	(10)	**163**
Net loss from operations before income taxes	(719)	**(23,862)**
Provision for income taxes	2,473	**3,977**
Net loss	$ (3,192)	**$ (27,839)**

See accompanying notes

SALEM MEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
(Dollars in thousands, except share and per share data)

	Year Ended December 31,	
	2018	**2019**
Basic loss per share data:		
Basic loss per share Class A and Class B common stock	$ (0.12)	**$ (1.05)**
Diluted loss per share data:		
Diluted loss per share Class A and Class B common stock	$ (0.12)	**$ (1.05)**
Basic weighted average Class A and Class B shares outstanding	26,179,702	**26,502,934**
Diluted weighted average Class A and Class B shares outstanding	26,179,702	**26,502,934**

See accompanying notes

SALEM MEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands, except share data)

	Class A Common Stock		Class B Common Stock			Retained		
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Earnings (Accumulated Deficit)	Treasury Stock	Total
Stockholders' equity, December 31, 2017	22,932,451	$ 227	5,553,696	$ 56	$244,634	$ 20,370	$(34,006)	$231,281
Stock-based compensation	—	—	—	—	543	—	—	543
Options exercised	17,615	—	—	—	43	—	—	43
Cash distributions	—	—	—	—	—	(6,806)	—	(6,806)
Net loss	—	—	—	—	—	(3,192)	—	(3,192)
Stockholders' equity, December 31, 2018	22,950,066	$ 227	5,553,696	$ 56	$245,220	$ 10,372	$(34,006)	$221,869
Distributions per share	$ 0.26	—	$ 0.26	—	—	—	—	
Stock-based compensation	**—**	**—**	**—**	**—**	**1,460**	**—**	**—**	**1,460**
Options exercised	**200**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Lapse of restricted shares	**497,051**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Cash distributions	**—**	**—**	**—**	**—**	**—**	**(5,827)**	**—**	**(5,827)**
Net loss	**—**	**—**	**—**	**—**	**—**	**(27,839)**	**—**	**(27,839)**
Stockholders' equity, December 31, 2019	**23,447,317**	**$ 227**	**5,553,696**	**$ 56**	**$246,680**	**$ (23,294)**	**$(34,006)**	**$189,663**
Distributions per share	$ 0.22		$ 0.22					

See accompanying notes

SALEM MEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year Ended December 31, 2018	Year Ended December 31, 2019
OPERATING ACTIVITIES		
Net loss	$ (3,192)	**$ (27,839)**
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash stock-based compensation	543	**1,460**
Depreciation and amortization	18,226	**15,934**
Amortization of deferred financing costs	1,114	**1,060**
Non-cash lease expense	—	**9,026**
Accretion of acquisition-related deferred payments and contingent earn-out consideration	24	**5**
Provision for bad debts	2,098	**2,066**
Deferred income taxes	2,191	**3,506**
Impairment of indefinite-lived long-term assets other than goodwill	2,870	**2,925**
Impairment of goodwill	—	**2,427**
Change in the estimated fair value of contingent earn-out consideration	76	**(41)**
Net (gain) loss on the disposition of assets	4,653	**22,326**
Gain on early retirement of debt	(648)	**(1,670)**
Changes in operating assets and liabilities:		
Accounts receivable and unbilled revenue	(2,814)	**(595)**
Inventories	53	**(440)**
Prepaid expenses and other current assets	308	**617**
Accounts payable and accrued expenses	1,031	**(2,009)**
Deferred rent expense	(152)	**—**
Operating lease liabilities	—	**(10,112)**
Contract liabilities	(3,365)	**(1,657)**
Deferred rent income	(135)	**(209)**
Other liabilities	(15)	**(34)**
Income taxes payable	95	**264**
Net cash provided by operating activities	22,961	**17,010**
INVESTING ACTIVITIES		
Cash paid for capital expenditures net of tenant improvement allowances	(9,267)	**(7,757)**
Capital expenditures reimbursable under tenant improvement allowances and trade agreements	(77)	**(28)**
Purchases of broadcast assets and radio stations	(6,534)	**(35)**
Purchases of digital media businesses and assets	(4,320)	**(1,250)**
Proceeds from sale of assets	9,894	**20,741**
Other	(420)	**(738)**
Net cash provided by (used in) investing activities	(10,724)	**10,933**
FINANCING ACTIVITIES		
Payments to repurchase 6.75% Senior Secured Notes	(15,443)	**(16,751)**
Proceeds from borrowings under ABL Facility	153,650	**111,790**
Payments on ABL Facility	(142,990)	**(119,024)**
Refunds (payments) of debt issuance costs	(50)	**(44)**
Payments of acquisition-related contingent earn-out consideration	(140)	**—**
Proceeds from the exercise of stock options	43	**—**
Payment of cash distribution on common stock	(6,806)	**(5,827)**
Payments on financing lease liabilities	(85)	**(83)**
Book overdraft	(302)	**1,885**
Net cash used in financing activities	(12,123)	**(28,054)**
Net increase (decrease) in cash and cash equivalents	114	**(111)**
Cash and cash equivalents at beginning of year	3	**117**
Cash and cash equivalents at end of year	$ 117	**$ 6**

SALEM MEDIA GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Dollars in thousands)

	Year Ended December 31,	
	2018	**2019**
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Cash paid for interest, net of capitalized interest	$ 17,208	**$ 16,530**
Cash paid for interest on finance lease liabilities	$ 23	**$ 9**
Cash paid for income taxes, net of refunds	$ 186	**$ 207**
Other supplemental disclosures of cash flow information:		
Barter revenue	$ 6,837	**$ 5,688**
Barter expense	$ 6,184	**$ 5,075**
Non-cash investing and financing activities:		
Capital expenditures reimbursable under tenant improvement allowances	$ 77	**$ 28**
Non-cash capital expenditures for property & equipment acquired under trade agreements	$ 33	**$ 45**
Deferred payments on acquisitions	$ 275	**$ —**
Right-of-use assets acquired through operating leases	$ —	**$ 1,882**
Right-of-use assets acquired through financing leases	$ 154	**$ 24**
Estimated present value of contingent-earn out consideration	$ 52	**$ 19**

See accompanying notes

NOTE 1. BASIS OF PRESENTATION

Description of Business

Salem Media Group, Inc. ("Salem" "we," "us," "our" or the "company") is a domestic multimedia company specializing in Christian and conservative content. Our media properties include radio broadcasting, digital media, and publishing entities. We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which are discussed in Note 21. Segment Data.

The accompanying Consolidated Financial Statements of Salem include the company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Significant areas for which management uses estimates include:

- revenue recognition,
- asset impairments, including broadcasting licenses, goodwill and other indefinite-lived intangible assets;
- probabilities associated with the potential for contingentearn-out consideration;
- fair value measurements;
- contingency reserves;
- allowance for doubtful accounts;
- sales returns and allowances;
- barter transactions;
- inventory reserves;
- reserves for royalty advances;
- fair value of equity awards;
- self-insurance reserves;
- estimated lives for tangible and intangible assets;
- assessment of contract-based factors, asset-based factors, entity-based factors and market-based factors to determine the lease term impacting ROU assets and lease liabilities,
- determining the IBR for calculating ROU assets and lease liabilities
- income tax valuation allowances; and
- uncertain tax positions.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

We consider all highly liquid debt instruments, purchased with an initial maturity of three-months or less, to be cash equivalents. The carrying value of our cash and cash equivalents approximated fair value at each balance sheet date.

Trade Accounts Receivable and Unbilled Revenue

Trade accounts receivable, net of allowances: Trade accounts receivable includes amounts billed and due from our customers stated at their net estimated realizable value to be settled in cash. Trade accounts receivable for our self-publishing services represent contractual amounts due under individual payment plans that are adjusted quarterly to exclude unearned or cancellable contracts. Payments are generally due within 30 days of the invoice date.

Unbilled revenue: Unbilled revenue represents revenue recognized in excess of the amounts billed to our customer. Unbilled revenue results from differences in the Broadcast Calendar and the end of the reporting period. The Broadcast Calendar is a uniform billing period adopted by broadcasters, agencies and advertisers for billing and planning functions. The Broadcast Calendar uses a standard broadcast week that starts on Monday and ends on Sunday with month end on the last Sunday of the calendar month. We recognize revenue based on the calendar month end and adjust for unbilled revenue when the Broadcast Calendar billings are at an earlier date as applicable. We bill our customers at the end-of-flight, end of the Broadcast Calendar or at calendar month end, as applicable, with standard payments terms of thirty days.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts to provide for the estimated amount of receivables that may not be collected. The allowance is based on our historical collection experience, the age of the receivables, specific customer information and current economic conditions. Past due balances are generally not written-off until all collection efforts have been exhausted, including use of a collection agency. A considerable amount of judgment is required in assessing the likelihood of ultimate realization of these receivables, including the current creditworthiness of each customer. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. We have not modified our estimate methodology and we have not historically recognized significant losses from changes in our estimates. We believe that our estimates and assumptions are reasonable and that our reserves are accurately reflected. We do not include extended payment terms in our contracts with customers.

Inventory

Inventories consist of published books recorded at the lower of cost or net realizable value as determined on a First-In First-Out (“FIFO”) cost method.

Inventory Reserves

We record a provision to expense the balance of unsold inventory that we believe to be unrecoverable. We review historical data associated with book inventories and our own experiences to estimate the fair value of inventory on hand. Our analysis includes a review of actual sales returns, our allowances, royalty reserves, overall economic conditions and product demand. We regularly monitor actual performance to our estimates and make adjustments as necessary. Estimated inventory reserves may be adjusted, either favorably or unfavorably, if factors such as the historical data we used to calculate these estimates do not properly reflect future returns or as a result of changes in economic conditions of the customer and/or the market. We have not modified our estimate methodology and we have not historically recognized significant losses from changes in our estimates. We believe that our estimates and assumptions are reasonable and that our reserves are accurately reflected.

Property and Equipment

We account for property and equipment in accordance with FASB ASC Topic 360-10, "*Property, Plant and Equipment.*" Property and equipment are recorded at cost less accumulated depreciation. Cost represents the historical cost of acquiring the asset, including the costs necessarily incurred to bring it to the condition and location necessary for its intended use. For assets constructed for our own use, such as towers and buildings that are discrete projects for which costs are separately accumulated and for which construction takes considerable time, we record capitalized interest. The amount capitalized is the cost that could have been avoided had the asset not been constructed and is based on the average accumulated expenditures incurred over the capitalization period at the weighted average rate applicable to our outstanding variable rate debt. We capitalized interest of $0.2 million and $0.1 million during the years ended December 31, 2019 and 2018. Repair and maintenance costs are charged to expense as incurred. Improvements are capitalized if they extend the life of the asset or enhance the quality or ability of the asset to benefit operations. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Category	Estimated Life
Buildings	40 years
Office furnishings and equipment	5 -10 years
Antennae, towers and transmitting equipment	10-20 years
Studio, production and mobile equipment	5-7 years
Computer software and website development costs	3 years
Record and tape libraries	3 years
Automobiles	5 years
Leasehold improvements	Lesser of the useful life or remaining lease term

The carrying value of property and equipment is evaluated periodically in relation to the operating performance and anticipated future cash flows of the underlying radio stations and business units for indicators of impairment. When indicators of impairment are present, and the cash flows estimated to be generated from these assets is less than the carrying value, an adjustment to reduce the carrying value to the fair market value of the assets is recorded. See Note 7, Property and Equipment.

Internally Developed Software and Website Development Costs

We capitalize costs incurred during the application development stage related to the development of internal-use software as specified in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350-40 "*Internal-Use Software.*" Capitalized costs are generally depreciated over the estimated useful life of three years. Costs incurred related to the conceptual design and maintenance of internal-use software are expensed as incurred. Website development activities include planning, design and development of graphics and content for new websites and operation of existing sites. Costs incurred that involve providing additional functions and features to the website are capitalized. Costs associated with website planning, maintenance, content development and training are expensed as incurred. We capitalized $2.7 million and $2.1 million during the years ended December 31, 2019, and 2018, related to internally developed software and website development costs. Depreciation expense of the amounts capitalized was $2.6 million and $2.8 million for each of the years ending December 31, 2019, and 2018.

Broadcast Licenses

We account for broadcast licenses in accordance with FASB ASC Topic 350 "*Intangibles—Goodwill and Other.*" We do not amortize broadcast licenses, but rather test for impairment annually or more frequently if events or circumstances indicate that the value may be impaired.

Impairment testing requires an estimate of the fair value of our indefinite-lived intangible assets. We believe that these estimates of fair value are critical accounting estimates as the value is significant in relation to our total assets and the estimates incorporate variables and assumptions based on our experiences and judgment about our future operating performance. Fair value measurements use significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value, including assumptions about risk. If actual future results are less favorable than the assumptions and estimates used in our estimates, we are subject to future impairment charges, the amount of which may be material. The unobservable inputs are defined in FASB ASC Topic 820 “Fair Value Measurements and Disclosures” as Level 3 inputs discussed in detail in Note 14, Fair Value Measurements and Disclosures.

We perform our annual impairment testing during the fourth quarter of each year as discussed in Note 9, Broadcast Licenses.

Goodwill

We account for goodwill in accordance with FASB ASC Topic 350 “*Intangibles—Goodwill and Other*.” We do not amortize goodwill, but rather test for impairment annually or more frequently if events or circumstances indicate that an asset may be impaired.

Impairment testing requires an estimate of the fair value of our indefinite-lived intangible assets. We believe that these estimates of fair value are critical accounting estimates as the value is significant in relation to our total assets and the estimates incorporate variables and assumptions based on our experiences and judgment about our future operating performance. Fair value measurements use significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value, including assumptions about risk. If actual future results are less favorable than the assumptions and estimates used in our estimates, we are subject to future impairment charges, the amount of which may be material. The unobservable inputs are defined in FASB ASC Topic 820 “Fair Value Measurements and Disclosures” as Level 3 inputs discussed in detail in Note 14, Fair Value Measurements and Disclosures.

We perform our annual impairment testing during the fourth quarter of each year as discussed in Note 10, Goodwill.

Other Indefinite-Lived Intangible Assets

We account for mastheads in accordance with FASB ASC Topic 350 “*Intangibles—Goodwill and Other*.” We do not amortize mastheads, but rather test for impairment annually or more frequently if events or circumstances indicate that an asset may be impaired. We perform our annual impairment testing during the fourth quarter of each year as discussed in Note 11, Other Indefinite Lived Intangible Assets.

Amortizable Intangible Assets

Intangible assets are recorded at cost less accumulated amortization. Typically, intangible assets are acquired in conjunction with the acquisition of broadcast entities, digital media entities and publishing entities. These intangibles are amortized using the straight-line method over the following estimated useful lives:

Category	Estimated Life
Customer lists and contracts	Lesser of 5 years or the life of contract
Domain and brand names	5 -7 years
Favorable and assigned leases	Lease Term
Subscriber base and lists	3-7 years
Author relationships	1-7 years
Non-compete agreements	1 to 5 years

The carrying value of our amortizable intangible assets are evaluated periodically in relation to the operating performance and anticipated future cash flows of the underlying radio stations and businesses for indicators of impairment. In accordance with FASB ASC Topic 360 "*Property, Plant and Equipment*," when indicators of impairment are present and the undiscounted cash flows estimated to be generated from these assets are less than the carrying amounts of these assets, an adjustment to reduce the carrying value to the fair market value of these assets is recorded, if necessary. No adjustments to the carrying amounts of our amortizable intangible assets were necessary during the year ended December 31, 2019.

Deferred Financing Costs

Debt issue costs are amortized to non-cash interest expense over the term of the agreement using the effective interest method.

On May 19, 2017, we closed on a private offering of $255.0 million aggregate principal amount of 6.75% senior secured notes due 2024 (the "Notes") and concurrently entered into a five-year $30.0 million senior secured asset-based revolving credit facility, which includes a $5.0 million subfacility for standby letters of credit and a $7.5 million subfacility for swingline loans ("ABL Facility") due May 19, 2022.

We incurred debt issuance costs of $6.3 million that were recorded as a reduction of the Note proceeds that are being amortized to non-cash interest expense over the life of the Notes using the effective interest method. We incurred debt issue costs of $0.8 million that were recorded as an asset and are being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. See Note 13, Long-Term Debt.

Income Tax Valuation Allowances (Deferred Taxes)

We account for income taxes in accordance with FASB ASC Topic 740 "*Income Taxes*." In preparing our consolidated financial statements, we estimate our income tax liability in each of the jurisdictions in which we operate by estimating our actual current tax exposure and assessing temporary differences resulting from differing treatment of items for tax and financial statement purposes. We calculate our current and deferred tax provisions based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the subsequent year. Adjustments based on filed returns are generally recorded in the period when the tax returns are filed and the tax implications are known. Tax law and rate changes are reflected in the income tax provision in the period in which such changes are enacted.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. We consider all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to earnings in the period in which we make such a determination. Likewise, if we later determine that it is more likely than not that the net deferred tax assets would be realized, we would reverse the applicable portion of the previously provided valuation allowance.

For financial reporting purposes, we recorded a valuation allowance of $13.0 million as of December 31, 2019 to offset the deferred tax assets related to the federal and state net operating loss carryforwards. As a result of our adjusted cumulative three-year pre-tax book loss as of December 31, 2019, we performed a review of our valuation allowance. We recorded an increase to the valuation allowance of $7.6 million, for a total valuation allowance of $13.0 million.

We believe that our estimates and assumptions are reasonable and that our reserves are accurately reflected.

Income Taxes and Uncertain Tax Positions

We are subject to audit and review by various taxing jurisdictions. We may recognize liabilities on our financial statements for positions taken on uncertain tax positions. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others may be subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the balance sheet. It is inherently difficult and subjective to estimate such amounts, as this requires us to make estimates based on the various possible outcomes. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, we believe it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

We review and reevaluate uncertain tax positions on a quarterly basis. Changes in assumptions may result in the recognition of a tax benefit or an additional charge to the tax provision. During the year ended December 31, 2019, we recognized liabilities associated with uncertain tax positions around our subsidiary Salem Communications Holding Company's Pennsylvania tax filing. The position taken on the tax returns follows Pennsylvania Notice 2016-01 which provides guidance for reversal of intercompany interest income and associated expense yielding a net loss for Pennsylvania. The current liability recognized for the tax position is $0.2 million including interest and penalties. Our evaluation was performed for all tax years that remain subject to examination, which range from 2015 through 2018. On August 10, 2017, the City of New York began its audit of Salem's 2013 and 2014 tax filings. On October 30, 2019, the City of New York finalized its audit of Salem's 2013 and 2014 tax filings with no changes.

Effective Tax Rate

Our provision for income tax as a percentage of operating income before taxes, or our effective tax rate, may be impacted by:

(1) changes in the level of income in any of our taxing jurisdictions;

(2) changes in statutes and rules applicable to taxable income in the jurisdictions in which we operate;

(3) changes in the expected outcome of income tax audits;

(4) changes in the estimate of expenses that are not deductible for tax purposes;

(5) income taxes in certain states where the states' current taxable income is dependent on factors other than consolidated net income;

(6) the addition of operations in states that on average have different income tax rates from states in which we currently operate; and

(7) the effect of previously reported temporary differences between the and financial reporting bases of assets and liabilities.

Our annual effective tax rate may also be materially impacted by tax expense associated with non-amortizable assets such as broadcast licenses and goodwill as well as changes in the deferred tax valuation allowance. An impairment loss for financial statement purposes will result in an income tax benefit during the period incurred as the amortization of broadcasting licenses and goodwill is deductible for income tax purposes.

Business Acquisitions

We account for business acquisitions in accordance with the acquisition method of accounting as specified in FASB ASC Topic 805 "*Business Combinations*." The total acquisition consideration is allocated to assets acquired and liabilities assumed based on their estimated fair values as of the date of the transaction. The total acquisition consideration is equal to the sum of all cash payments, the fair value of any deferred payments and promissory notes, and the present value of any estimated contingent earn-out consideration. Transactions that do not meet the definition of a business in ASU2017-01 "*Business Combinations (Topic 805) Clarifying the*

Definition of a Business" are recorded as asset purchases. Asset purchases are recognized based on their cost to acquire, including transaction costs. The cost to acquire an asset group is allocated to the individual assets acquired based on their relative fair value with no goodwill recognized.

Estimates of the fair value include discounted estimated cash flows to be generated by the assets and their expected useful lives based on historical experience, market trends and any synergies believed to be achieved from the acquisition. Acquisitions may include contingent consideration, the fair value of which is estimated as of the acquisition date as the present value of the expected contingent payments as determined using weighted probabilities of the payment amounts. The fair value measurement is based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in in Note 14, Fair Value Measurements.

We may retain a third-party appraiser to estimate the fair value of the acquired net assets as of the acquisition date. As part of the valuation and appraisal process, the third-party appraiser prepares a report assigning estimated fair values to the various assets acquired. These fair value estimates are subjective in nature and require careful consideration and judgment. Management reviews the third-party reports for reasonableness of the assigned values. We believe that these valuations and analysis provide appropriate estimates of the fair value for the net assets acquired as of the acquisition date.

The initial valuations for business acquisitions are subject to refinement during the measurement period, which may be up to one year from the acquisition date. During this measurement period, we may retroactively record adjustments to the net assets acquired based on additional information obtained for items that existed as of the acquisition date. Upon the conclusion of the measurement period, any adjustments are reflected in our Consolidated Statements of Operations. To date, we have not recorded adjustments to the estimated fair values used in our business acquisition consideration during or after the measurement period.

Property and equipment are recorded at the estimated fair value and depreciated on a straight-line basis over their estimated useful lives. Finite-lived intangible assets are recorded at their estimated fair value and amortized on a straight-line basis over their estimated useful lives. Goodwill, which represents the organizational systems and procedures in place to ensure the effective operation of the entity, may also be recorded and tested for impairment.

Costs associated with business acquisitions, such as consulting and legal fees, are expensed as incurred. We recognized costs associated with acquisitions of $0.1 million during the year ended December 31, 2019 compared to $0.2 million during the year ended December 31, 2018, which are included in unallocated corporate expenses in the accompanying Consolidated Statements of Operations.

Contingent Earn-Out Consideration

Our acquisitions may include contingent earn-out consideration as part of the purchase price under which we will make future payments to the seller upon the achievement of certain benchmarks. The fair value of the contingent earn-out consideration is estimated as of the acquisition date at the present value of the expected contingent payments to be made using a probability-weighted discounted cash flow model for probabilities of possible future payments. The present value of the expected future payouts is accreted to interest expense over the earn-out period. The fair value estimates use unobservable inputs that reflect our own assumptions as to the ability of the acquired business to meet the targeted benchmarks and discount rates used in the calculations. The unobservable inputs are defined in FASB ASC Topic 820, "*Fair Value Measurements and Disclosures,"* as Level 3 inputs discussed in detail in Note 14, Fair Value Measurements and Disclosures.

We review the probabilities of possible future payments to the estimated fair value of any contingent earn-out consideration on a quarterly basis over the earn-out period. Actual results are compared to the estimates and probabilities of achievement used in our forecasts. Should actual results of the acquired business increase or decrease as compared to our estimates and assumptions, the estimated fair value of the contingent earn-out consideration liability will increase or decrease, up to the contracted limit, as applicable. Changes in the estimated fair value of the contingent earn-out consideration are reflected in our results of operations in the period in which they are identified. Changes in the estimated fair value of the contingent earn-out consideration may materially impact and cause volatility in our operating results.

At December 31, 2019, our estimated contingent earn-out was $19,000 compared to $55,000 at December 31, 2018. We recorded a net decrease to our estimated contingent earn-out liabilities of $41,000 for the year ended December 31, 2019 and a net increase of $76,000 for the year ended December 31, 2018. The changes in our estimate of the contingent earn-out reflect volatility from variables, including revenue growth, page views or session time. We made no cash payments for contingent earn-out consideration during the year ended December 31, 2019 compared to $0.1 million paid in the prior year.

Partial Self-Insurance on Employee Health Plan

We provide health insurance benefits to eligible employees under a self-insured plan whereby we pay actual medical claims subject to certain stop loss limits. We record self-insurance liabilities based on actual claims filed and an estimate of those claims incurred but not reported. Our estimates are based on historical data and probabilities. Any projection of losses concerning our liability is subject to a high degree of variability. Among the causes of this variability are unpredictable external factors such as future inflation rates, changes in severity, benefit level changes, medical costs and claim settlement patterns. Should the actual amount of claims increase or decrease beyond what was anticipated, we may adjust our future reserves. Our self-insurance liability was $0.6 million and $0.8 million at December 31, 2019 and 2018, respectively. We have not modified our estimate methodology and we have not historically recognized significant losses from changes in our estimates.

The following table presents the changes in our partial self-insurance reserves.

	Year Ended December 31,	
	2018	**2019**
	(Dollars in thousands)	
Balance, beginning of period	$ 747	**$ 828**
Self-funded costs	9,336	**8,087**
Claims paid	(9,255)	**(8,275)**
Ending period balance	$ 828	**$ 640**

Derivative Instruments

We are exposed to market risk from changes in interest rates. We actively monitor these fluctuations and may use derivative instruments primarily for the purpose of reducing the impact of changing interest rates on our variable rate debt and to reduce the impact of changing fair market values on our fixed rate debt. In accordance with our risk management strategy, we may use derivative instruments only for the purpose of managing risk associated with an asset, liability, committed transaction, or probable forecasted transaction that is identified by management. Our use of derivative instruments may result in short-term gains or losses that may increase the volatility of our earnings.

Under FASB ASC Topic 815, "*Derivatives and Hedging,"* the effective portion of the gain or loss on a derivative instrument designated and qualifying as a cash flow hedging instrument shall be reported as a component of other comprehensive income (outside earnings) and reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. The remaining gain or loss on the derivative instrument, if any, shall be recognized currently in earnings.

As of December 31, 2019, we did not have any outstanding derivative instruments.

Fair Value Measurements and Disclosures

As of December 31, 2019, the carrying value of cash and cash equivalents, trade accounts receivables, accounts payable, accrued expenses and accrued interest approximates fair value due to the short-term nature of such instruments. The carrying value of the ABL approximates fair value as the related interest rates approximate rates currently available to the company. The carrying amount of the Notes at December 31, 2019 was $219.8 million, compared to the estimated fair value of $203.9 million based on the prevailing interest rates and trading activity of our Notes. See Note 14, Fair Value Measurements and Disclosures.

Long-term Debt and Debt Covenant Compliance

Our classification of outstanding borrowings on our Notes as long-term debt on our balance sheet is based on our assessment that, under the Indenture and after considering our projected operating results and cash flows for the coming year, no principal payments are required to be made within the next twelve months. The Notes have a term of seven years, maturing on June 1, 2024. We may redeem the Notes, in whole or in part, at any time on or before June 1, 2020 at a price equal to 100% of the principal amount of the Notes plus a “make-whole” premium as of, and accrued and unpaid interest, if any, to, but not including, the redemption date. At any time on or after June 1, 2020, we may redeem some or all of the Notes at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth in the Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date. In addition, we may redeem up to 35% of the aggregate principal amount of the Notes before June 1, 2020 with the net cash proceeds from certain equity offerings at a redemption price of 106.75% of the principal amount plus accrued and unpaid interest, if any, to, but not including, the redemption date. See Note 16, Commitments and Contingencies.

Reserves for Royalty Advances

Royalties due to book authors are paid in advance and capitalized. Royalties are expensed as the related book revenues are earned or when we determine that future recovery of the royalty is not likely. We reviewed historical data associated with royalty advances, earnings and recoverability based on actual results of Regnery® Publishing. Historically, the longer the unearned portion of an advance remains outstanding, the less likely it is that we will recover the advance through the sale of the book. We apply this historical experience to outstanding royalty advances to estimate the likelihood of recovery. A provision was established to expense the balance of any unearned advance which we believe is not recoverable. Our analysis also considers other discrete factors, such as death of an author, any decision to not pursue publication of a title, poor market demand or other relevant factors. We have not modified our estimate methodology and we have not historically recognized significant losses from changes in our estimates. We believe that our estimates and assumptions are reasonable and that our reserves are accurately reflected.

Contingency Reserves

In the ordinary course of business, we are involved in various legal proceedings, lawsuits, arbitration and other claims which are complex in nature and have outcomes that are difficult to predict. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters.

We record contingency reserves to the extent we conclude that it is probable that a liability has been incurred and the amount of the related loss can be reasonably estimated. The establishment of the reserve is based on a review of all relevant factors, the advice of legal counsel, and the subjective judgment of management. The reserves we have recorded to date have not been material to our consolidated financial position, results of operations or cash flows. We believe that our estimates and assumptions are reasonable and that our reserves are accurately reflected.

While we believe that the final resolution of any known maters, individually and in the aggregate, will not have a material adverse effect upon our consolidated financial position, results of operations or cash flows, it is possible that we could incur additional losses. We maintain insurance that may provide coverage for such matters. Future claims against us, whether meritorious or not, could have a material adverse effect upon our consolidated financial position, results of operations or cash flows, including losses due to costly litigation and losses due to matters that require significant amounts of management time that can result in the diversion of significant operational resources. See Note 16, Commitments and Contingencies.

Revenue Recognition

We adopted ASC Topic 606, "*Revenue from Contracts with Customers"* ("ASC 606") on January 1, 2018 using the modified retrospective method. Our operating results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts continue to be reported in accordance with our historic accounting under Topic 605. The timing and measurement of our revenues under ASC 606 is similar to that recognized under previous guidance, accordingly, the adoption of ASC 606 did not have a material impact on our financial position, results of operations, cash flows, or presentation thereof at adoption or in the current period. There were no changes in our opening retained earnings balance as a result of the adoption of ASC 606.

ASC 606 is a comprehensive revenue recognition model that requires revenue to be recognized when control of the promised goods or services are transferred to our customers at an amount that reflects the consideration that we expect to receive. Application of ASC 606 requires us to use more judgment and make more estimates than under former guidance. Application of ASC 606 requires a five-step model as discussed in Note 5, Revenue Recognition.

Stock-Based Compensation

We account for stock-based compensation under the provisions of FASB ASC Topic 718, "*Compensation—Stock Compensation*." We record equity awards with stock-based compensation measured at the fair value of the award as of the grant date. We determine the fair value of our options using the Black-Scholes option-pricing model that requires the input of highly subjective assumptions, including the expected stock price volatility and expected term of the options granted. The exercise price for options is equal to the closing market price of Salem Media Group common stock as of the date of grant. We use the straight-line attribution method to recognize share-based compensation costs over the expected service period of the award. Upon exercise, cancellation, forfeiture, or expiration of stock options, or upon vesting or forfeiture of restricted stock awards, deferred tax assets for options and restricted stock awards with multiple vesting dates are eliminated for each vesting period on a first-in, first-out basis as if each vesting period was a separate award. See Note 17, Stock Incentive Plan.

Advertising and Promotional Cost

Costs of media advertising and associated production costs are expensed as incurred and amounted to approximately $9.2 million and $10.9 million for each of the years ended December 31, 2019 and 2018.

Leases

We adopted ASC 842 "*Leases*," on January 1, 2019 using the modified retrospective basis and did not restate comparative periods as permitted under Accounting Standards Update ("ASU") 2018-11. ASC 842 supersedes nearly all existing lease accounting guidance under GAAP issued by the FASB including ASC Topic 840, Leases. ASC 842 requires that lessees recognize ROU assets and lease liabilities calculated based on the present value of lease payments for all lease agreements with terms that are greater than twelve months. ASC 842 distinguishes leases as either a finance lease or an operating lease that affects how the leases are measured and presented in the statement of operations and statement of cash flows.

For operating leases, we calculated ROU assets and lease liabilities based on the present value of the remaining lease payments as of the date of adoption using the IBR as of that date. There were no changes in our capital lease portfolio, which are now titled “finance leases” under ASC 842, other than the reclassification of the assets acquired under capital leases from their respective property and equipment category and long-term debt to ROU assets and lease liabilities.

The adoption of ASC 842 resulted in recording a non-cash transitional adjustment to operating lease ROU assets and operating lease liabilities of $65.0 million and $74.4 million, respectively. The difference between the operating lease ROU assets and operating lease liabilities at transition represented existing deferred rent expense and prepaid rent that was derecognized. The adoption of ASC 842 did not materially impact our results of operations, cash flows, or presentation thereof. Refer to Note 8, Operating and Finance Lease Right-of-Use Assets, for more information.

The FASB issued practical expedients and accounting policy elections that we have applied as described below.

Practical Expedients

ASC 842 provides a package of three practical expedients that must be adopted together and applied to all lease agreements. We elected the package of practical expedients as follows for all leases:

Whether expired or existing contracts contain leases under the new definition of a lease.

Because the accounting for operating leases and service contracts was similar under ASC 840, there was no accounting reason to separate lease agreements from service contracts in order to account for them correctly. We reviewed existing service contracts to determine if the agreement contained an embedded lease to be accounted for on the balance sheet under ASC 842.

Lease classification for expired or existing leases.

Leases that were capital leases under ASC 840 are accounted for as financing leases under ASC 842 while leases that were operating leases under ASC 840 are accounted for as operating leases under ASC 842.

Whether previously capitalized initial direct costs would meet the definition of initial direct costs under the new standard guidance.

The definition of initial direct costs is more restrictive under ASC 842 than under ASC 840. Entities that do not elect the practical expedient are required to reassess capitalized initial direct costs under ASC 840 and record an equity adjustment for those that are not capitalizable under ASC 842.

Land Easement Practical Expedient

We elected the practical expedient that permits us to continue applying our current policy of accounting for land easements that existed as of, or expired before, the effective date of ASC 842. We have applied this policy to all of our existing land easements that were not previously accounted for under ASC 840.

Accounting Policy Elections

Lease Term

We calculate the term for each lease agreement to include the noncancellable period specified in the agreement together with (1) the periods covered by options to extend the lease if we are reasonably certain to exercise that option, (2) periods covered by an option to terminate if we are reasonably certain not to exercise that option and (3) period covered by an option to extend (or not terminate) if controlled by the lessor.

The assessment of whether we are reasonably certain to exercise an option to extend a lease requires significant judgement surrounding contract-based factors, asset-based factors, entity-based factors and market-based factors. These factors are described in our Critical Accounting Policies, Judgments and Estimates in Item 2 in this quarterly report on Form 10-Q.

Lease Payments

Lease payments consist of the following payments (as applicable) related to the use of the underlying asset during the lease term:

- Fixed payments, including in substance fixed payments, less any lease incentives paid or payable to the lessee
- Variable lease payments that depend on an index or a rate, such as the Consumer Price Index or a market interest rate, initially measured using the index or rate at the commencement date of January 1, 2019.
- The exercise price of an option to purchase the underlying asset if the lessee is reasonably certain to exercise that option.
- Payments for penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.
- Fees paid by the lessee to the owners of a special-purpose entity for structuring the transaction
- For a lessee only, amounts probable of being owed by the lessee under residual value guarantees

Short-Term Lease Exemption

We elected to exclude short-term leases, or leases with a term of twelve months or less that do not contain a purchase option that we are reasonably certain to exercise, from our ROU asset and lease liability calculations.

We considered the applicability of the short-term exception on month-to-month leases with perpetual or rolling renewals as we are “reasonably certain” to continue the lease. For example, we lease various storage facilities under agreements with month-to-month terms that have continued over several years. The standard terms and conditions for a majority of these agreements allow either party to terminate within a notice period ranging from 10 to 30 days. There are no cancellation penalties other than the potential loss of a one-month rent or a security deposit if the termination terms are not adhered to.

We believe that these month-to-month leases qualify for the short-term exception to ASC 842 because either party can terminate the agreement without permission from the other party with no more than an insignificant penalty, therefore, the arrangements do not create enforceable rights and obligations. Additionally, the cost to move to a new location or find comparable facilities is low as there are no unique features of the storage facilities that impact our business or operations. We considered termination clauses, costs associated with moving and costs associated with finding alternative facilities to exclude month-to-month leases that have perpetually renewed.

Service Agreements with an Embedded Lease Component

We elected to exclude certain service agreements that contain embedded leases for equipment based on the immaterial impact of these agreements. Our analysis included cable and satellite television service agreements for which our monthly payment may include equipment rentals, coffee and water service at certain facilities that may include equipment rentals (we often meet minimum requirements and just pay for product used), security services that include a monthly fee for cameras or equipment, and other similar arrangements. Based on the insignificant amount of the monthly lease costs, we elected to exclude these agreements from our ROU asset and liability calculations due to the immaterial impact to our financial statements.

Index or Rate Applicable to Operating Lease Liabilities

We elected to measure lease liabilities for variable lease payments using the current rate or index in effect at the time of transition on January 1, 2019. Using the current index or rate is consistent with how we calculated and presented future minimum lease payments under ASC 840. Therefore, there is no change in accounting policy applicable to this election.

Incremental Borrowing Rate

The ROU asset and related lease liabilities recorded under ASC 842 are calculated based on the present value of the lease payments using (1) the rate implicit in the lease or (2) the lessee's IBR, defined as the rate of interest that a lessee would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. We performed an analysis as of January 1, 2019 to estimate the IBR applicable to Salem upon transition to ASC 842. Our analysis required the use of significant judgement and estimates, including the estimated value of the underlying leased asset, as described in are described in our Critical Accounting Policies, Judgments and Estimates in Item 2 in this quarterly report on Form 10-Q.

Portfolio Approach

We elected to use a portfolio approach by applying a single IBR to leases with reasonably similar characteristics, including the remaining lease term, the underlying assets and the economic environment. We believe that applying the portfolio approach is acceptable because the results do not materially differ from the application of the leases model to the individual leases in that portfolio.

Sales Taxes and Other Similar Taxes

We elected not to evaluate whether sales taxes or other similar taxes imposed by a governmental authority on a specific lease revenue-producing transaction that are collected by the lessor from the lessee are the primary obligation of the lessor as owner of the underlying leased asset. A lessor that makes this election will exclude these taxes from the measurement of lease revenue and the associated expense. Taxes assessed on a lessor's total gross receipts or on the lessor as owner of the underlying asset (e.g., property taxes) are excluded from the scope of the policy election. A lessor must apply the election to all taxes in the scope of the policy election and would provide certain disclosures.

Separating Consideration between Lease and Non-Lease Components

We elected to include the lease and non-lease components (or the fixed and variable consideration) as a single component accounted for as a lease. This practical expedient is elected by class of underlying assets as an accounting policy election and applies to all arrangements in that class of underlying assets that qualify for the expedient. ASC 842 provides this expedient to alleviate concerns that the costs and administrative burden of allocating consideration to the separate lease and non-lease components may not justify the benefit of more precisely reflecting the ROU asset and the lease liability.

Contracts that include lease and non-lease components that are accounted for under the election not to separate require that all components that qualify for the practical expedient be combined. The components that do not qualify, such as those for which the timing and pattern of transfer of the lease and associated non-lease components are not the same, are accounted for separately.

Accounting for a lease component of a contract and its associated non-lease components as a single lease component results in an allocation of the total contract consideration to the lease component. Therefore, the initial and subsequent measurement of the lease liability and ROU asset is greater than if the policy election was not applied. The greater ROU asset value is considered in our impairment analysis.

Impairment of ROU Assets

ROU assets are reviewed for impairment when indicators of impairment are present. ROU assets from operating and finance leases are subject to the impairment guidance in ASC 360, "*Property, Plant, and Equipment*," as ROU assets are long-lived nonfinancial assets.

ROU assets are tested for impairment individually or as part of an asset group if the cash flows related to the ROU asset are not independent from the cash flows of other assets and liabilities. An asset group is the unit of accounting for long-lived assets to be held and used, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities.

After a careful analysis of the guidance, we concluded that the appropriate unit of accounting for testing ROU assets for impairment is the broadcast market cluster level for radio station operations and the entity or division level for digital media entities, publishing entities and networks. Corporate ROU assets are tested on a consolidated level with consideration given to all cash flows of the company as corporate functions do not generate cash flows and are funded by revenue-producing activities at lower levels of the entity.

ASC 360 requires three steps to identify, recognize and measure the impairment of a long-lived asset (asset group) to be held and used:

Step 1—Consider whether Indicators of Impairment are Present

As detailed in ASC 360-10-35-21, the following are examples of impairment indicators:

- A significant decrease in the market price of a long-lived asset (asset group)
- A significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition
- A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator
- An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group)
- A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group)
- A current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50 percent.

Other indicators should be considered if we believe that the carrying amount of an asset (asset group) may not be recoverable.

Step 2—Test for Recoverability

If indicators of impairment are present, we are required to perform a recoverability test comparing the sum of the estimated undiscounted cash flows attributable to the long-lived asset or asset group in question to the carrying amount of the long-lived asset or asset group.

ASC 360 does not specifically address how operating lease liabilities and future cash outflows for lease payments should be considered in the recoverability test. Under ASC 360, financial liabilities, or long-term debt, generally are excluded from an asset group while operating liabilities, such as accounts payable, generally are included. ASC 842 characterizes operating lease liabilities as operating liabilities. Because operating lease liabilities may be viewed as having attributes of finance liabilities as well as operating liabilities, it is generally acceptable for a lessee to either include or exclude operating lease liabilities from an asset group when testing whether the carrying amount of an asset group is recoverable provided the approach is applied consistently for all operating leases and when performing Steps 2 and 3 of the impairment model in ASC 360.

In cases where we have received lease incentives, including operating lease liabilities in an asset group may result in the long-lived asset or asset group having a zero or negative carrying amount because the incentives reduce our ROU assets. We elected to exclude operating lease liabilities from the carrying amount of the asset group such that we test ROU assets for operating leases in the same manner that we test ROU assets for financing leases.

Undiscounted Future Cash Flows

The undiscounted future cash flows in Step 2 are based on our own assumptions rather than a market participant. If an election is made to exclude operating lease liabilities from the asset or asset group, all future cash lease payments for the lease should also be excluded. The standard requires lessees to exclude certain variable lease payments from lease payments and, therefore, from the measurement of a lessee's lease liabilities. Because these variable payments do not reduce the lease liability, we include the variable payments we expect to make in our estimate of the undiscounted cash flows in the recoverability test (Step 2) using a probability-weighted approach.

Step 3—Measurement of an Impairment Loss

If the undiscounted cash flows used in the recoverability test are less than the carrying amount of the long-lived asset (asset group), we are required to estimate the fair value of the long-lived asset or asset group and recognize an impairment loss when the carrying amount of the long-lived asset or asset group exceeds the estimated fair value. We elected to exclude operating lease liabilities from the estimated fair value, consistent with the recoverability test. Any impairment loss for an asset group must reduce only the carrying amounts of a long-lived asset or assets of the group, including the ROU assets. The loss must be allocated to the long-lived assets of the group on a pro rata basis using the relative carrying amounts of those assets, except that the loss allocated to an individual long-lived asset of the group must not reduce the carrying amount of that asset below its fair value whenever the fair value is determinable without undue cost and effort. ASC 360 prohibits the subsequent reversal of an impairment loss for an asset held and used.

Fair Value Considerations

When determining the fair value of a ROU asset, we must estimate what market participants would pay to lease the asset or what a market participant would pay up front in one payment for the ROU asset, assuming no additional lease payments would be due. The ROU asset must be valued assuming its highest and best use, in its current form, even if that use differs from the current or intended use. If no market exists for an asset in its current form, but there is a market for a transformed asset, the costs to transform the asset are considered in the fair value estimate. Refer to Note 14, Fair Value Measurements and Disclosures.

There were no indications of impairment during the period ended December 31, 2019.

Leasehold Improvements

We may construct or otherwise invest in leasehold improvements to properties. The costs of these leasehold improvements are capitalized and depreciated over the shorter of the estimated useful life of the improvement or the lease term including anticipated renewal periods.

(Gain) Loss on the Disposition of Assets

We record gains or losses on the disposition of assets equal to the proceeds, if any, as compared to the net book value. Exchange transactions are accounted for in accordance with FASB ASC Topic 845 "*Non-Monetary Transactions*."

During the year ended December 31, 2019 we recorded a $9.4 million pre-tax loss for the sale of nine radio stations, WAFS-AM in Atlanta, Georgia, WWDJ-AM in Boston, Massachusetts, WHKZ-AM in Cleveland, Ohio, KEXB-AM (formerly KTNO-AM) in Dallas, Texas, KDMT-AM in Denver, Colorado, KTEK-AM in Houston, Texas, KRDY-AM in San Antonio, Texas and KXFN-AM and WSDZ-AM in St. Louis, Missouri, a $4.7 million pre-tax loss from the sale of four radio stations, WWMI-AM and WLCC-AM in Tampa, Florida and WZAB-AM and WOCN-AM (formerly WKAT-AM) in Miami, Florida, a $3.8 million pre-tax loss on the sale of radio station WSPZ-AM in Washington, D.C., a $1.6 million pre-tax loss from the sale of radio station WDYZ-AM (formerly WORL-AM) in Orlando, Florida, a $1.3 million pre-tax loss on the exchange of radio station KKOL-AM in Seattle, Washington for KPAM-AM in Portland, Oregon, a $0.2 million pre-tax loss on the sale Mike Turner's line of investment products, a $0.2 million pre-tax loss on the sale of HumanEvents.com and a $1.5 million estimated pre-tax loss for the pending sale of radio station WBZW-AM in Orlando, Florida that was partially offset by a $0.4 million pre-tax gain on the sale of a portion of land on our transmitter site in Miami, Florida and a $0.1 million pre-tax gain on the sale of Newport Natural Health.

During the year ended December 31, 2018, we recorded a $4.7 million pre-tax loss that includes a $2.4 million pre-tax loss on the sale of radio station KGBI-FM in Omaha, Nebraska, a $1.8 million pre-tax loss on the sale of radio stations KCRO-AM and KOTK-AM in Omaha, Nebraska, a $0.3 million pre-tax loss on the sale of land in Lakeside, California, and a $0.2 million pre-tax loss on the sale of land in Covina, California offset by a $0.2 million pre-tax gain on the sale of radio station WBIX-AM in Boston, Massachusetts.

Discontinued Operations

We regularly review underperforming assets to determine if a sale or disposal might be a better way to monetize the assets. When a station, group of stations, or other asset group is considered for sale or disposal, we review the transaction to determine if or when the entity qualifies as a discontinued operation in accordance with the criteria of FASB ASC Topic 205-20 "*Discontinued Operations*."

Basic and Diluted Net Earnings Per Share

Basic net earnings per share has been computed using the weighted average number of Class A and Class B shares of common stock outstanding during the period. Diluted net earnings per share is computed using the weighted average number of shares of Class A and Class B common stock outstanding during the period plus the dilutive effects of stock options.

Options to purchase 1,860,722 and 1,980,972 shares of Class A common stock were outstanding at December 31, 2019 and 2018. Diluted weighted average shares outstanding exclude outstanding stock options whose exercise price is in excess of the average price of the company's stock price. These options are excluded from the respective computations of diluted net income or loss per share because their effect would be anti-dilutive.

The following table sets forth the shares used to compute basic and diluted net earnings per share for the periods indicated:

	Year Ended December 31,	
	2018	**2019**
Weighted average shares	26,179,702	**26,502,934**
Effect of dilutive securities—stock options	—	**—**
Weighted average shares adjusted for dilutive securities	26,179,702	**26,502,934**

Segments

We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which also qualify as reportable segments. Our operating segments reflect how our chief operating decision makers, which we define as a collective group of senior executives, assesses the performance of each operating segment and determines the appropriate allocations of resources to each segment. We continually review our operating segment classifications to align with operational changes in our business and may make changes as necessary.

We measure and evaluate our operating segments based on operating income and operating expenses that do not include allocations of costs related to corporate functions, such as accounting and finance, human resources, legal, tax and treasury, which are reported as unallocated corporate expenses in our consolidated statements of operations included in this annual report on Form 10-K. We also exclude costs such as amortization, depreciation, taxes and interest expense.

Variable Interest Entities

We may enter into agreements or investments with other entities that could qualify as variable interest entities ("VIEs") in accordance with FASB ASC Topic 810 "*Consolidation"* ("ASC 810.") A VIE is consolidated in the financial statements if we are deemed to be the primary beneficiary. The primary beneficiary is the entity that holds the majority of the beneficial interests in the VIE, either explicitly or implicitly. A VIE is an entity for which the primary beneficiary's interest in the entity can change with variations in factors other than the amount of investment in the entity. We perform our evaluation for VIE's upon entry into the agreement or investment. We re-evaluate the VIE when or if events occur that could change the status of the VIE.

We may enter into lease arrangements with entities controlled by our principal stockholders or other related parties. We believe that the requirements of FASB ASC 810 do not apply to these entities because the lease arrangements do not contain explicit guarantees of the residual value of the real estate, do not contain purchase options or similar provisions and the leases are at terms that do not vary materially from leases that would have been available with unaffiliated parties. Additionally, we do not have an equity interest in the entities controlled by our principal stockholders or other related parties and we do not guarantee debt of the entities controlled by our principal stockholders or other related parties.

We also enter into Local Marketing Agreements ("LMAs") or Time Brokerage Agreements ("TBAs") contemporaneously with entering into an Asset Purchase Agreement ("APA") to acquire or sell a radio station. Typically, both LMAs and TBAs are contractual agreements under which the station owner/licensee makes airtime available to a programmer/licensee in exchange for a fee and reimbursement of certain expenses. LMAs and TBAs are subject to compliance with the antitrust laws and the communications laws, including the requirement that the licensee must maintain independent control over the station and, in particular, its personnel, programming, and finances. The FCC has held that such agreements do not violate the communications laws as long as the licensee of the station receiving programming from another station maintains ultimate responsibility for, and control over, station operations and otherwise ensures compliance with the communications laws.

The requirements of FASB ASC 810 may apply to entities under LMAs or TBAs, depending on the facts and circumstances related to each transaction. As of December 31, 2019, we did not have implicit or explicit arrangements that required consolidation under the guidance in FASB ASC 810.

Concentrations of Business Risks

We derive a substantial part of our total revenues from the sale of advertising. For the years ended December 31, 2019 and 2018, 35.3% and 36.4%, respectively, of our total broadcast revenues were generated from the sale of broadcast advertising. We are particularly dependent on revenue from stations in the Los Angeles and Dallas markets, which generated 15.0% and 20.4% for the year ended December 31, 2019 and 14.8% and 19.6% for the year ended December 31, 2018. Because substantial portions of our revenues are derived from local advertisers in these key markets, our ability to generate revenues in those markets could be adversely affected by local or regional economic downturns.

Concentrations of Credit Risks

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents; trade accounts receivable and derivative instruments. We place our cash and cash equivalents with high quality financial institutions. Such balances may be in excess of the Federal Deposit Insurance Corporation insured limits. To manage the related credit exposure, we continually monitor the credit worthiness of the financial institutions where we have deposits. Concentrations of credit risk with respect to trade accounts receivable are limited due to the wide variety of customers and markets in which we provide services, as well as the dispersion of our operations across many geographic areas. We perform ongoing credit evaluations of our customers, but generally do not require collateral to support customer receivables. We establish an allowance for doubtful accounts based on various factors including the credit risk of specific customers, age of receivables outstanding, historical trends, economic conditions and other information. Historically, our bad debt expense has been within management's expectations.

These estimates require the use of judgment as future events and the effect of these events cannot be predicted with certainty. The estimates will change as new events occur, as more experience is acquired and as more information is obtained. We evaluate and update our assumptions and estimates on an ongoing basis and we may consult outside experts to assist as considered necessary.

Recent Accounting Pronouncements

Changes to accounting principles are established by the FASB in the form of ASUs to the FASB's Codification. We consider the applicability and impact of all ASUs on our financial position, results of operations, cash flows, or presentation thereof. Described below are ASUs that are not yet effective, but may be applicable to our financial position, results of operations, cash flows, or presentation thereof. ASUs not listed below were assessed and determined to not be applicable to our financial position, results of operations, cash flows, or presentation thereof.

In January 2020, the FASB issued ASU2020-01, "Investments—Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)." ASU 2020-01 clarifies the interaction between accounting standards related to equity securities, equity method investments, and certain derivatives. We will adopt this standard on its effective date of January 1, 2022. We do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In December 2019, the FASB issued ASU2019-12, "*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*," to simplify various aspects of accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and clarifies and amends existing guidance to improve consistent application. We will adopt this standard on its effective date of January 1, 2022. We do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In November 2018, the FASB issued ASU2018-18, "*Collaborative Arrangements (Tope 818): Clarifying the Interaction Between Topic 808 and Topic 606*," which clarifies when transactions between participants in a collaborative arrangement are within the scope of the FASB's revenue standard, Topic 606. The standard is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. We adopted this standard on its effective date of January 1, 2020. The adoption of this ASU did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In October 2018, the FASB issued ASU2018-17, "*Targeted Improvements to Related Party Guidance for Variable Interest Entities*," that changes the guidance for determining whether a decision-making fee paid to a decision makers and service providers are variable interests. The guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. We adopted this standard on its effective date of January 1, 2020. The adoption of this ASU did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In August 2018, the FASB issued ASU2018-15, "*Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract."* ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. We adopted this standard on its effective date of January 1, 2020. The adoption of this ASU did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In August 2018, the FASB issued ASU2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement."* ASU 2018-13 removes or modifies certain disclosures and in certain instances requires additional disclosures. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. We adopted this standard on its effective date of January 1, 2020. The adoption of this ASU did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In July 2018, the FASB issued ASU2018-09, "*Codification Improvements*." ASU 2018-09 provides minor corrections and clarifications that affect a variety of topics in the Codification. Several updates are effective upon issuance of the update while others have transition guidance for effective dates in the future. We do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In June 2016, the FASB issued ASU2016-13, "*Financial Instruments-Credit Losses,"* which changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that will replace today's "incurred loss" model and generally will result in the earlier recognition of allowances for losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to current practice, except that the losses will be recognized as an allowance. Subsequent to issuing ASU 2016-13, the FASB issued ASU2018-19, "*Codification Improvements to Topic 326, Financial Instruments—Credit Losses*," for the purpose of clarifying certain aspects of ASU2016-13. ASU 2018-19 has the same effective date and transition requirements as ASU 2016-13. In April 2019, the FASB issued ASU 2019-04, "*Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*," which is effective with the adoption of ASU2016-13. In May 2019, the FASB issued ASU2019-05, "*Financial Instruments —Credit Losses (Topic 326)*," which is also effective with the adoption of ASU2016-13. In October 2019, the FASB voted to delay the implementation date for certain companies, including those that qualify as a smaller reporting company under SEC rules, until January 1, 2023, with revised ASU's expected to be issued in November 2019. We will adopt this ASU on its effective date of January 1, 2023. We do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

NOTE 3. RECENT TRANSACTIONS

During the year ended December 31, 2019, we completed or entered into the following transactions:

2019 Debt Transactions

During the year ended December 31, 2019, we completed repurchases of $18.7 million of the Notes for $16.8 million in cash, recognizing a net gain of $1.7 million after adjusting for bond issuance costs as detailed in Note 13—Long-Term Debt.

2019 Equity Transactions

Dividends of $5.8 million were declared and paid throughout the year ended December 31, 2019 based upon the Board of Directors' then current assessment of our business as detailed in Note 20 – Equity Transactions.

2019 Acquisitions

On September 27, 2019, we closed on the acquisition ofKPAM-AM in Portland, Oregon, valued at $1.0 million, in anon-cash exchange for radio station KKOL-AM in Seattle, Washington. We began operatingKPAM-AM under a LMA on January 2, 2018. The accompanying Consolidated Statement of Operations reflects the operating results of this station as of the LMA date within our broadcast segment.

On September 9, 2019, we closed on the acquisition of a construction permit for an FM translator in Louisville, Kentucky, for $35,000 in cash. The FM translator will be used by WGTK-AM in Louisville, Kentucky.

On July 25, 2019, we acquired the Journeyboxmedia.com website and related assets for $0.5 million in cash. We recorded goodwill of approximately $4,000 associated with the expected synergies to be realized upon combining the operations of Journeyboxmedia.com into our digital media platform within Salem Web Network ("SWN") and from brand loyalty from its existing subscriber base that is not a separately identifiable intangible asset. The accompanying Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.

On July 10, 2019 we acquired selected assets from the digital content library from Steelehouse Productions, Inc. for $0.1 million in cash. We recorded goodwill of approximately $2,000 associated with the expected synergies to be realized upon combining the operations of Steelehouse Productions into our digital media platform with SWN and from brand loyalty from its existing subscriber base that is not a separately identifiable intangible asset. The accompanying Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.

On June 6, 2019, we acquired the InvestmentHouse.com website and the related financial newsletter assets and deferred subscription liabilities for $0.6 million in cash. As part of the purchase agreement, we may pay an additional incentive payment equal to 10% of revenue earned in excess of a predetermined amount during the incentive period ending May 31, 2020. Using a probability-weighted discounted cash flow model based on our own assumptions as to the ability of InvestmentHouse.com to achieve revenue in excess of the targets at the time of closing, we estimated the fair value of the contingent earn-out consideration to be $2,500, which approximated the present value based on theearn-out period of less than twelve months. The accompanying Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.

On March 18, 2019, we acquired the pjmedia.com website for $0.1 million in cash. The accompanying Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.

A summary of our business acquisitions and asset purchases during the year ended December 31, 2019, none of which were individually or in the aggregate material to our consolidated financial position as of the respective date of acquisition, is as follows:

Acquisition Date	Description	Total Consideration
		(Dollars in thousands)
September 27, 2019	KPAM-AM, Portland Oregon (asset acquisition)	**$ 965**
September 9, 2019	FM Translator construction permit, Louisville, Kentucky (asset acquisition)	**35**
July 25, 2019	Journeyboxmedia.com (business acquisition)	**500**
July 10, 2019	Steelehouse Productions, Inc. (business acquisition)	**100**
June 6, 2019	InvestmentHouse.com (business acquisition)	**553**
March 18, 2019	pjmedia.com (asset acquisition)	**100**
		$ 2,253

Under the acquisition method of accounting as specified in FASB ASC Topic 805, "*Business Combinations*," the total acquisition consideration of a business is allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the date of the transaction. Transactions that do not meet the definition of a business in ASU 2017-01 "*Business Combinations (Topic 805) Clarifying the Definition of a Business"* are recorded as asset purchases. Asset purchases are recognized based on their cost to acquire, including transaction costs. The cost to acquire an asset group is allocated to the individual assets acquired based on their relative fair value with no goodwill recognized.

Fair value estimates include the discounted cash flows expected to be generated by the assets over their expected useful lives based on historical experience, market trends and the impact of any synergies believed to be achieved from the acquisition. Acquisitions may include contingent consideration, the fair value of which is estimated as of the acquisition date as the present value of the expected contingent payments as determined using weighted probabilities of the payment amounts.

We may retain a third-party appraiser to estimate the fair value of the net assets acquired as of the acquisition date. As part of this valuation and appraisal process, the third-party appraiser prepares a report assigning estimated fair values to the various assets acquired. These fair value estimates are subjective in nature and require careful consideration and judgment. Management reviews the third-party reports for reasonableness of the assigned values. We believe that these valuations and analysis provide appropriate estimates of the fair value for the net assets acquired as of the acquisition date.

The initial valuations for business acquisitions are subject to refinement during the measurement period, which may be up to one year from the acquisition date. During this measurement period, we may record adjustments to the net assets acquired based on additional information obtained for items that existed as of the acquisition date. Upon the conclusion of the measurement period, any adjustments are reflected in our Consolidated Statements of

Operations. To date, we have not recorded adjustments to the estimated fair values used in our business acquisition consideration during or after the measurement period.

Property and equipment are recorded at the estimated fair value and depreciated on a straight-line basis over their estimated useful lives. Finite-lived intangible assets are recorded at their estimated fair value and amortized on a straight-line basis over their estimated useful lives. Goodwill, which represents the organizational systems and procedures in place to ensure the effective operation of the entity, may also be recorded and tested for impairment. Costs associated with business acquisitions, such as consulting and legal fees, are expensed as incurred. We recognized costs associated with acquisitions of $0.1 million during the year ended December 31, 2019 compared to $0.2 million during the prior year, which are included in unallocated corporate expenses or broadcast operating expense based on the nature of the acquisition in the accompanying Consolidated Statements of Operations.

The total acquisition consideration is equal to the sum of all cash payments, the fair value of any deferred payments and promissory notes, and the present value of any estimated contingent earn-out consideration. We estimate the fair value of contingentearn-out consideration using a probability-weighted discounted cash flow model as discussed in Note 4, Contingent Earn Out Consideration. The fair value measurement is based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in Note 14, Fair Value Measurements and Disclosures.

A summary of our business acquisitions and asset purchases during the year ended December 31, 2019, none of which were individually or in the aggregate material to our consolidated financial position as of the respective date of acquisition, is as follows:

Description	Total Consideration
	(Dollars in thousands)
Cash payments made upon closing	**$ 1,285**
Non-cash consideration (asset exchange)	**965**
Present value of estimated fair value of contingent earn-out consideration	**3**
Total purchase price consideration	**$ 2,253**

The fair value of the net assets acquired was allocated as follows:

	Net Broadcast Assets Acquired	Net Digital Assets Acquired	Total Net Assets
		(Dollars in thousands)	
Assets			
Property and equipment	$ 348	$ 373	$ 721
Broadcast licenses	617	—	652
FM Translators	35		35
Goodwill	—	6	6
Customer lists and contracts	—	322	322
Domain and brand names	—	99	99
Subscriber base and lists	—	471	471
Non-compete agreements	—	10	10
	$ 1,000	**$ 1,281**	**$ 2,281**
Liabilities			
Contract liabilities, short-term	—	(28)	(28)
	$ 1,000	**$ 1,253**	**$ 2,253**

2019 Divestitures

On November 14, 2019, we closed on the sale of nine radio stations, WAFS-AM in Atlanta, Georgia, WWDJ-AM in Boston, Massachusetts, WHKZ-AM in Cleveland, Ohio, KEXB-AM (formerly KTNO-AM) in Dallas, Texas, KDMT-AM in Denver, Colorado, KTEK-AM in Houston, Texas, KRDY-AM in San Antonio, Texas and KXFN-AM and WSDZ-AM in St. Louis, Missouri for $8.7 million in cash. We recognized an estimated pre-tax loss of $9.9 million in the third quarter of 2019, which reflects the sales price as compared to the carrying value of the assets of the radio stations and the estimated closing costs. We adjusted the pre-tax loss by $0.5 million to $9.4 million upon closing in the fourth quarter of 2019 based on the actual closing costs incurred and a reconciliation of total station assets to assets included in the sale. The accompanying Consolidated Statements of Operations excludes the operating results of these stations as of the closing date from the broadcast operating segment.

On September 27, 2019, we closed on the exchange of radio station KKOL-AM, in Seattle, Washington for KPAM-AM in Portland, Oregon. No cash was exchanged for the assets. We recognized a non-cash pre-tax loss of $1.3 million on the exchange based on the estimated fair value of KPAM-AM as compared to the carrying value of KKOL-AM and the closing costs. The accompanying Consolidated Statements of Operations excludes the operating results of KKOL-AM as of the closing date from the broadcast operating segment. We programmed radio stations KPAM-AM and KKOV-AM in Portland, Oregon under LMAs beginning on January 2, 2018. The LMA's terminated on March 30, 2018 when the radio stations were sold to another party. We entered a second LMA with the new owner as of March 30, 2018 to continue programming radio station KPAM-AM. The accompanying Consolidated Statements of Operations reflects the operating results of these stations during the LMA terms in the broadcast operating segment.

On September 26, 2019, we closed on the sale of four radio stations, WWMI-AM and WLCC-AM in Tampa, Florida and WZAB-AM and WOCN-AM (formerly WKAT-AM) in Miami, Florida for $8.2 million in cash. We recognized a pre-tax loss of $4.7 million, which reflects the sales price as compared to the carrying value of the assets of the radio stations and the closing costs. We received $0.4 million in cash upon closing. The remaining $7.8 million in cash was held in escrow until October 23, 2019 pending finalization of the assignment applications with the Federal Communications Commission ("FCC"). The accompanying Consolidated Statements of Operations excludes the operating results of these stations as of the closing date from the broadcast operating segment.

On September 18, 2019, we sold radio station WDYZ-AM (formerly WORL-AM) in Orlando, Florida for $0.9 million in cash. We recognized a pre-tax loss of $1.6 million, which reflects the sales price as compared to the carrying value of the radio station assets and the closing costs. The accompanying Consolidated Statements of Operations excludes the operating results of WDYZ-AM (formerly WORL-AM) as of the closing date from the broadcast operating segment. We received $0.8 million in cash upon closing. The remaining $0.1 million is payable in four installments with the final payment due December 18, 2020.

On August 15, 2019 we closed on the exchange of FM Translator W276CR, in Bradenton, FL for FM Translator W262CP in Bayonet Point, FL. No cash was exchanged for the assets.

On June 27, 2019, we sold a portion of land on our transmitter site in Miami, Florida, for $0.9 million in cash. We recognized a pre-tax gain of $0.4 million reflecting the sales price as compared to the carrying value of the land.

On May 14, 2019, we sold radio station WSPZ-AM (previously WWRC-AM) in Washington D.C. for $0.8 million in cash. The buyer began programming the station under a Time Brokerage Agreement ("TBA") on April 12, 2019. We recorded an estimated pre-tax loss of $3.8 million on March 19, 2019, based on our plan to sell the station and the probability of the sale, which reflected the sales price as compared to the carrying value of the radio station assets and the estimated closing costs. We recorded an additional pre-tax loss of $32,000 at closing based on the actual costs incurred. The accompanying Consolidated Statements of Operations excludes the operating results of this station as of TBA date from the broadcast operating segment.

On March 21, 2019, we sold Newport Natural Health, an e-commerce website operated by Eagle Wellness for $0.9 million in cash. We recognized a pre-tax gain of $0.1 million associated with the sale reflecting the sales price as compared to the carrying value of the assets and the closing costs. The accompanying Consolidated Statements of Operations excludes the operating results of this entity as of the closing date from the digital media operating segment.

On February 28, 2019, we sold Mike Turner's line of investment products, including TurnerTrends.com and other domain names and related assets. We received no cash from the buyer, who assumed all deferred subscription liabilities for Mike Turner's investment products. We recognized a pre-tax loss of $0.2 million associated with the sale reflecting the sales price as compared to the carrying value of the assets and the closing costs. The accompanying Consolidated Statements of Operations excludes the operating results of this entity as of the closing date from the digital media operating segment.

On February 27, 2019, we sold HumanEvents.com, a conservative opinion website for $0.3 million in cash. We recognized a pre-tax loss of $0.2 million associated with the sale reflecting the sales price as compared to the carrying value of the assets and the closing costs. The accompanying Consolidated Statements of Operations excludes the operating results of this entity as of the closing date from the digital media operating segment.

Pending Transactions

On October 31, 2019, we entered into an agreement to sell radio station WBZW-AM and an FM translator construction permit in Orlando, Florida, for $0.2 million in cash. We recognized an estimated pre-tax loss of approximately $1.5 million in the fourth quarter of 2019, which reflects the sale price as compared to the carrying value of the assets less the estimated closing costs. The buyer began programming the stations under an LMA on March 1, 2020. The transaction is subject to the approval of the FCC and is expected to close later in 2020.

On January 3, 2017, Word Broadcasting began operating our Louisville radio stations (WFIA-AM; WFIA-FM; WGTK-AM) under a twenty-four month TBA. We received $0.5 million in cash associated with an option for Word Broadcasting Network to acquire the radio stations during the term. In December 2018, Word Broadcasting notified us of their intent to purchase our Louisville radio stations. The TBA contained an extension clause that allows Word Broadcasting to continue operating the station until the purchase agreement is executed and the transaction closes. On June 28, 2019, the TBA was amended to include an additional 24 months under which Word Broadcasting will program the radio stations with the option to acquire the stations extended to December 31, 2020.

During the year ended December 31, 2018, we completed or entered into the following transactions:

2018 Debt Transactions

During the year ended December 31, 2018, we completed repurchases of $16.4 million of the Notes for $15.4 million in cash, recognizing a net gain of $0.6 million after adjusting for bond issuance costs as detailed in Note 13—Long-Term Debt.

2018 Equity Transactions

Dividends of $6.8 million were declared and paid throughout the year ended December 31, 2018 based upon the Board of Directors' then current assessment of our business as detailed in Note 20—Equity Transactions.

2018 Acquisitions—Broadcast

On September 11, 2018, we acquired radio station KTRB-AM in San Francisco for $5.1 million in cash from a related party. The acquisition was accounted for as an asset purchase to include $0.2 million of transaction costs.

We operated the radio station under an LMA that began on June 24, 2016. The accompanying Consolidated Statements of Operations reflect the operating results of this station as of the LMA date within the broadcast operating segment.

On July 25, 2018, we acquired radio station KZTS-AM (formerly KDXE-AM) and an FM Translator in Little Rock, Arkansas for $0.2 million in cash. The acquisition was accounted for as an asset purchase to include $30,000 of transaction cost. The radio station is currently operated under an LMA agreement with another party and is not reflected in the accompanying Consolidated Statements of Operations.

On June 25, 2018, we acquired KDXE-FM (formerly KZTS-FM) in Little Rock, Arkansas for $1.1 million in cash. We operated the radio station under an LMA beginning on April 1, 2018. We recorded goodwill of approximately $7,400 attributable to the additional audience reach obtained and the expected synergies to be realized when combining the operations of this station into our existing cluster in this market. The accompanying Consolidated Statements of Operations reflect the operating results of this station as of the LMA date within the broadcast operating segment.

2018 Acquisitions—Digital Media

On August 9, 2018, we acquired the Hilary Kramer Financial Newsletter and related assets valued at $2.0 million and we assumed deferred subscription liabilities valued at $1.5 million. We paid $0.4 million in cash upon closing and may pay up to an additional $0.1 million of contingent earn-out consideration over the next two years based on the achievement of certain revenue benchmarks as part of the purchase agreement. Using a probability-weighted discounted cash flow model based on our own assumptions as to the ability of the Hilary Kramer Financial Newsletter to achieve the income targets at the time of closing, we estimated the fair value of the contingent earn-out consideration to be $40,617, which was recorded at the discounted present value of $39,360. The discount will be accreted to interest expense over the two year earn-out period. We recorded goodwill of $0.3 million attributable to the expected synergies to be realized when combining the operations of this entity into our existing operations.

On August 7, 2018, we acquired the Just1Word mobile applications and related assets for $0.3 million in cash upon closing. We may pay up to an additional $0.1 million of contingent earn-out consideration over the next two years based on the achievement of certain revenue benchmarks as part of the purchase agreement. Using a probability-weighted discounted cash flow model based on our own assumptions as to the ability of Just1Word to achieve the income targets at the time of closing, we estimated the fair value of the contingent earn-out consideration to be $12,750, which was recorded at the discounted present value of $12,212. The discount will be accreted to interest expense over the two year earn-out period.

On July 24, 2018, we acquired the Childrens-Ministry-Deals.com website and related assets for $3.7 million in cash. We paid $3.5 million in cash upon closing and may pay an additional $0.2 million in cash within twelve months from the closing date provided that the seller meets certain post-closing requirements with regard to intellectual property. We recorded goodwill of $0.7 million attributable to the expected synergies to be realized when combining the operations of this entity into our existing operations.

On April 19, 2018, we acquired the HearItFirst.com domain name and related social media assets for $70,000 in cash.

A summary of our business acquisitions and asset purchases during the year ended December 31, 2018, none of which were individually or in the aggregate material to our consolidated financial position as of the respective date of acquisition, is as follows:

Acquisition Date	Description	Total Consideration (Dollars in thousands)
September 11, 2018	KTRB-AM, San Francisco, California (asset purchase)	$ 5,349
August 9, 2018	Hilary Kramer Financial Newsletter (business acquisition)	439
August 7, 2018	Just1Word (business acquisition)	312
July 25, 2018	KZTS-AM (formerly KDXE-AM), Little Rock, Arkansas (asset purchase)	210
July 24, 2018	Childrens-Ministry-Deals.com (business acquisition)	3,700
June 25, 2018	KDXE-FM (formerly KZTS-FM), Little Rock, Arkansas (business acquisition)	1,100
April 19, 2018	HearItFirst.com (asset purchase)	70
		$ 11,180

Costs associated with business acquisitions, such as consulting and legal fees, are expensed as incurred. During the year ended December 31, 2018, we recognized costs associated with acquisitions of $0.2 million, which are included in unallocated corporate expenses in the accompanying Consolidated Statements of Operations compared to $0.1 million in the prior year.

The total acquisition consideration is equal to the sum of all cash payments, the fair value of any deferred payments and promissory notes, and the present value of any estimated contingent earn-out consideration. We estimate the fair value of contingentearn-out consideration using a probability-weighted discounted cash flow model. The fair value measurement is based on significant inputs that are not observable in the market and thus represent a Level 3 measurement as defined in Note 14, Fair Value Measurements and Disclosures.

The following table summarizes the total acquisition consideration for the year ended December 31, 2018:

Description	Total Consideration (Dollars in thousands)
Cash payments made upon closing	$ 10,854
Deferred payments	150
Present value of estimated fair value of contingent earn-out consideration	51
Closing costs accrued for asset acquisitions	125
Total purchase price consideration	$ 11,180

The fair value of the net assets acquired was allocated as follows:

	Net Broadcast Assets Acquired	Net Digital Media Assets Acquired	Net Total Assets Acquired
		(Dollars in thousands)	
Assets			
Property and equipment	$ 371	$ 715	$ 1,086
Broadcast licenses	6,281	—	6,281
Goodwill	7	986	993
Customer lists and contracts	—	1,882	1,882
Domain and brand names	—	1,252	1,252
Subscriber base and lists	—	875	875
Non-compete agreements	—	19	19
Other amortizable intangible assets	—	334	334
	$ 6,659	**$ 6,063**	**$ 12,722**
Liabilities			
Contract liabilities, long-term	**$ —**	**$ (1,542)**	**$ (1,542)**
	$ 6,659	**4,521**	**11,180**

2018 Divestitures

On October 31, 2018, we closed on the sale of radio stationsKCRO-AM and KOTK-AM in Omaha, Nebraska for $1.4 million in cash. The buyer began programming the stations under an LMA on August 8, 2018. Based on our plan to sell the stations, we recorded an estimated pre-tax loss on the sale of assets of $1.6 million at June 30, 2018, reflecting the sales price as compared to the carrying value of the assets and the estimated cost to sell. We recorded an additional loss of $0.1 million at closing based on the final agreement and actual costs. The buyer began programming the stations under an LMA on August 8, 2018. The accompanying Consolidated Statements of Operations excludes the operating results of this station as of the LMA date from the broadcast operating segment

On August 28, 2018, we closed on the sale of radio stationWQVN-AM (formerly WKAT-AM) in Miami, Florida for $3.5 million in cash. The buyer had been operating the radio station under an LMA since December 1, 2017. We recorded an estimated pre-tax loss on the sale of assets of $4.7 million as of December 31, 2017, based on the probability of the sale at that time, which reflected the sales price as compared to the carrying value of the assets and the estimated costs of the sale. The accompanying Consolidated Statements of Operations excludes the operating results of this station as of the LMA date from the broadcast operating segment.

On August 6, 2018, we closed on the sale of radio stationKGBI-FM in Omaha, Nebraska for $3.2 million in cash. We recorded an estimatedpre-tax loss on the sale of $3.2 million since June 30, 2018, based on the sales price as compared to the carrying value of the assets and the estimated cost to sell. At the closing date, we revised the loss on the sale to $2.4 million, based on the actual assets sold and a reduction in liabilities associated with the radio station. The accompanying Consolidated Statements of Operations excludes the operating results of this station as of the closing date from the broadcast operating segment.

On June 28, 2018, we closed on the sale of land in Lakeside, California for $0.3 million in cash.

On June 20, 2018, we closed on the sale of radio stationWBIX-AM in Boston, Massachusetts for $0.7 million in cash. The buyer had been operating the station under an LMA since January 8, 2018. We recorded a pre-tax gain on the sale of $0.2 million. The accompanying Consolidated Statements of Operations excludes the operating results of this station as of the LMA date from the broadcast operating segment

On May 24, 2018, we closed on the sale of land in Covina, California for $0.8 million in cash. The original APA was for $1.0 million and was to close in the latter half of 2020. We accepted the revised purchase price of $0.8 million and recorded a $0.2 million pre-tax loss based on the earlier closing date. The land, which was not used in operations, was recorded in long-term land held for sale based on the original APA term.

2018—Other Transactions

On April 30, 2018, we ceased programming radio station KHTE-FM, in Little Rock, Arkansas. We programmed the station under a TBA beginning on April 1, 2015. We had the option to acquire the station for $1.2 million in cash during the TBA period. We paid the licensee a $0.1 million fee for not exercising our purchase option for the station. The accompanying Consolidated Statements of Operations reflect the operating results of this station as of the LMA date within the broadcast operating segment.

On January 2, 2018, we began programming radio station KKOV-AM in Portland, Oregon under a LMA entered on December 29, 2017, with an original term of up to 12 months. The LMA terminated on March 30, 2018 when the radio station was sold to another party.

NOTE 4. CONTINGENT EARN-OUT CONSIDERATION

Our acquisitions may include contingent earn-out consideration as part of the purchase price under which we will make future payments to the seller upon the achievement of certain benchmarks. The fair value of the contingent earn-out consideration is estimated as of the acquisition date at the present value of the expected contingent payments to be made using a probability-weighted discounted cash flow model for probabilities of possible future payments. The present value of the expected future payouts is accreted to interest expense over the earn-out period. The fair value estimates use unobservable inputs that reflect our own assumptions as to the ability of the acquired business to meet the targeted benchmarks and discount rates used in the calculations. The unobservable inputs are defined in FASB ASC Topic 820, "*Fair Value Measurements and Disclosures,"* as Level 3 inputs discussed in detail in Note 14.

We review the probabilities of possible future payments to the estimated fair value of any contingent earn-out consideration on a quarterly basis over the earn-out period. Actual results are compared to the estimates and probabilities of achievement used in our forecasts. Should actual results of the acquired business increase or decrease as compared to our estimates and assumptions, the estimated fair value of the contingent earn-out consideration liability will increase or decrease, up to the contracted limit, as applicable. Changes in the estimated fair value of the contingent earn-out consideration are reflected in our results of operations in the period in which they are identified. Changes in the estimated fair value of the contingent earn-out consideration may materially impact and cause volatility in our operating results.

At December 31, 2019, our estimated contingent earn-out was $19,000 compared to $55,000 at December 31, 2018. We recorded a net decrease to our estimated contingent earn-out liabilities of $41,000 for the year ended December 31, 2019 and a net increase of $76,000 for the year ended December 31, 2018. The changes in our estimate of the contingent earn-out reflect volatility from variables, including revenue growth, page views or session time. We made no cash payments for contingent earn-out consideration during the year ended December 31, 2019 compared to $0.1 million paid in the prior year.

NOTE 5. REVENUE RECOGNITION

We recognize revenue in accordance with ASC 606, "*Revenue from Contracts with Customers"* ("ASC 606"). ASC 606 is a comprehensive revenue recognition model that requires revenue to be recognized when control of the promised goods or services are transferred to our customers at an amount that reflects the consideration that we expect to receive. The application of ASC 606 requires us to use significant judgment and estimates. Application of ASC 606 requires a five-step model applicable to all revenue streams as follows:

Identification of the contract, or contracts, with a customer

A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance and, (iii) we determine that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration.

We apply judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

Identification of the performance obligations in the contract

Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or service either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract.

When a contract includes multiple promised goods or services, we apply judgment to determine whether the promised goods or services are capable of being distinct and are distinct within the context of the contract. If these criteria are not met, the promised goods or services are accounted for as a combined performance obligation.

Determination of the transaction price

The transaction price is determined based on the consideration to which we will be entitled to receive in exchange for transferring goods or services to our customer. We estimate any variable consideration included in the transaction price using the expected value method that requires the use of significant estimates for discounts, cancellation periods, refunds and returns. Variable consideration is described in detail below.

Allocation of the transaction price to the performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative Stand-Alone Selling Price ("SSP,") basis. We determine SSP based on the price at which the performance obligation would be sold separately. If the SSP is not observable, we estimate the SSP based on available information, including market conditions and any applicable internally approved pricing guidelines.

Recognition of revenue when, or as, we satisfy a performance obligation

We recognize revenue at the point in time that the related performance obligation is satisfied by transferring the promised goods or services to our customer.

Principal versus Agent Considerations

When another party is involved in providing goods or services to our customer, we apply the principal versus agent guidance in ASC 606 to determine if we are the principal or an agent to the transaction. When we control the specified goods or services before they are transferred to our customer, we report revenue gross, as principal. If we do not control the goods or services before they are transferred to our customer, revenue is reported net of the fees paid to the other party, as agent. Our evaluation to determine if we control the goods or services within ASC 606 includes the following indicators:

We are primarily responsible for fulfilling the promise to provide the specified good or service.

When we are primarily responsible for providing the goods and services, such as when the other party is acting on our behalf, we have indication that we are the principal to the transaction. We consider if we may terminate our relationship with the other party at any time without penalty or without permission from our customer.

We have inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.

We may commit to obtaining the services of another party with or without an existing contract with our customer. In these situations, we have risk of loss as principal for any amount due to the other party regardless of the amount(s) we earn as revenue from our customer.

The entity has discretion in establishing the price for the specified good or service.

We have discretion in establishing the price our customer pays for the specified goods or services.

Contract Assets

Contract Assets—Costs to Obtain a Contract: We capitalize commissions paid to sales personnel in our self-publishing business when customer contracts are signed and advance payment is received. These capitalized costs are recorded as prepaid commission expense in the Consolidated Balance Sheets. The amount capitalized is incremental to the contract and would not have been incurred absent the execution of the customer contract. Commissions paid upon the initial acquisition of a contract are expensed at the point in time that related revenue is recognized. Prepaid commission expenses are periodically reviewed for impairment. At December 31, 2019, our prepaid commission expense was $0.6 million.

Contract Liabilities

Contract liabilities consist of customer advance payments and billings in excess of revenue recognized. We may receive payments from our customers in advance of completing our performance obligations. Additionally, new customers, existing customers without approved credit terms and authors purchasing specific self-publishing services, are required to make payments in advance of the delivery of the products or performance of the services. We record contract liabilities equal to the amount of payments received in excess of revenue recognized, including payments that are refundable if the customer cancels the contract according to the contract terms. Contract liabilities were historically recorded under the caption “deferred revenue” and are reported as current liabilities on our consolidated financial statements when the time to fulfill the performance obligations under terms of our contracts is less than one year. Long-term contract liabilities represent the amount of payments received in excess of revenue earned, including those that are refundable, when the time to fulfill the performance obligation is greater than one year. Our long-term liabilities consist of subscriptions with a term of two-years for which some customers have purchased and paid for multiple years.

Significant changes in our contract liabilities balances during the period are as follows:

	Short Term	Long-Term
	(Dollars in thousands)	
Balance, beginning of period January 1, 2019	$ 11,537	$ 1,379
Revenue recognized during the period that was included in the beginning balance of contract liabilities	(8,156)	—
Additional amounts recognized during the period	19,341	664
Revenue recognized during the period that was recorded during the period	(13,528)	—
Transfers	299	(299)
Balance, end of period December 31, 2019	$ 9,493	$ 1,744
Amount refundable at beginning of period	$ 11,410	$ 1,379
Amount refundable at end of period	$ 9,403	$ 1,744

We expect to satisfy these performance obligations as follows:

For the Year Ended December 31,	Amount (Dollars in thousands)
2020	$ 9,493
2021	1,006
2022	286
2023	205
2024	121
Thereafter	126
	$ 11,237

Significant Financing Component

The length of our typical sales agreement is less than 12 months; however, we may sell subscriptions with a two-year term. The balance of our long-term contract liabilities represents the unsatisfied performance obligations for subscriptions with a remaining term in excess of one year. We review long-term contract liabilities that are expected to be completed in excess of one year to assess whether the contract contains a significant financing component. The balance includes subscriptions that will be satisfied at various dates between January 1, 2020 and December 31, 2024. The difference between the promised consideration and the cash selling price of the publications is not significant. Therefore, we have concluded that subscriptions do not contain a significant financing component under ASC 606.

Our self-publishing contracts may exceed a one year term due to the length of time for an author to submit and approve a manuscript for publication. The author may pay for publishing services in installments over the production time line with payments due in advance of performance. The timing of the transfer of goods and services under self-publishing arrangements are at the discretion of the author and based on future events that are not substantially within our control. We require advance payments to provide us with protection from incurring costs for products that are unique and only sellable to the author. Based on these considerations, we have concluded that our self-publishing contracts do not contain a significant financing component under ASC 606.

Variable Consideration

Similar to former revenue recognition guidance, we continue to make significant estimates related to variable consideration at the point of sale, including estimates for refunds and product returns. Under ASC 606, estimates of variable consideration are to be recognized before contingencies are resolved in certain circumstances, including when it is probable that a significant reversal in the amount of any estimated cumulative revenue will not occur.

We enter into agreements under which the amount of revenue we earn is contingent upon the amount of money raised by our customer over the contract term. Our customer is typically a charity or programmer that purchases blocks of programming time or spots to generate revenue from our audience members. Contract terms can range from a few weeks to a few months, depending the charity or programmer. If the campaign does not generate a pre-determined level of donations or revenue to our customer, the consideration that we expect to be entitled to may vary above a minimum base level per the contract. Historically, under ASC Topic 605, we reported variable consideration as revenue when the amount was fixed and determinable. Under ASC 606, variable consideration is to be estimated using the expected value or the most likely amount to the extent it is probable that a significant reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Based on the constraints for using estimates of variable consideration within ASC 606, and our historical experience with these campaigns, we will continue to recognize revenue at the base amount of the campaign with variable consideration recognized when the uncertainty of each campaign is resolved. These constraints include: (1) the amount of consideration received is highly susceptible to factors outside of our influence, specifically the extent to which our audience donates or contributes to our customer or programmer, (2) the length of time in which the uncertainty about the amount of consideration expected is to be resolved, and (3) our experience has shown these contracts have a large number and broad range of possible outcomes.

Trade and Barter Transactions

In broadcasting, trade or barter agreements are commonly used to reduce cash expenses by exchanging advertising time for goods or services. We may enter barter agreements to exchange airtime or digital advertising for goods or services that can be used in our business or that can be sold to our audience under Listener Purchase Programs. The terms of these barter agreements permit us to preempt the barter airtime or digital campaign in favor of customers who purchase the airtime or digital campaign for cash. The value of these non-cash exchanges is included in revenue in an amount equal to the fair value of the goods or services we receive. Each transaction must be reviewed to determine that the products, supplies and/or services we receive have economic substance, or value to us. We record barter operating expenses upon receipt and usage of the products, supplies and services, as applicable. We record barter revenue as advertising spots or digital campaigns are delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Barter revenue is recorded on a gross basis unless an agency represents the programmer, in which case, revenue is reported net of the commission retained by the agency.

Trade and barter revenues and expenses were as follows:

	Year Ended December 31,	
	2018	**2019**
Net broadcast barter revenue	$6,702	**$5,625**
Net digital media barter revenue	124	—
Net publishing barter revenue	11	**63**
Net broadcast barter expense	$6,161	**$5,055**
Net digital media barter expense	3	—
Net publishing barter expense	20	**20**

Practical Expedients and Exemptions

We have elected certain practical expedients and policy elections as permitted under ASC 606 as follows:

- We applied the transitional guidance to contracts that were not complete at the date of our initial application of ASC 606 on January 1, 2018.

- We adopted the practical expedient related to not adjusting the promised amount of consideration for the effects of a significant financing component if the period between transfer of product and customer payment is expected to be less than one year at the time of contract inception;
- We made the accounting policy election to not assess promised goods or services as performance obligations if they are immaterial in the context of the contract with the customer;
- We made the accounting policy election to exclude sales and similar taxes from the transaction price;
- We made the accounting policy election to treat shipping and handling costs that occur after control transfers as fulfillment activities instead of assessing such activities as separate performance obligations; and
- We adopted the practical expedient not to disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less.

	Year Ended December 31, 2019			
	Broadcast	**Digital Media**	**Publishing**	**Consolidated**
	(dollars in thousands)			
By Source of Revenue:				
Block Programming—National	$ 48,465	$ —	$ —	$ 48,465
Block Programming—Local	30,502	—	—	30,502
Spot Advertising—National	16,352	—	—	16,352
Spot Advertising—Local	51,824	—	—	51,824
Infomercials	1,409	—	—	1,409
Network	19,078	—	—	19,078
Digital Advertising	12,582	20,454	405	33,441
Digital Streaming	825	3,873	—	4,698
Digital Downloads and eBooks	—	5,694	1,428	7,122
Subscriptions	1,107	8,044	763	9,914
Book Sales and e-commerce, net of estimated sales returns and allowances	378	480	11,679	12,537
Self-Publishing Fees	—	—	5,474	5,474
Print Advertising	28	—	609	637
Other Revenues	10,789	620	1,036	12,445
	$193,339	**$ 39,165**	**$ 21,394**	**$ 253,898**
Timing of Revenue Recognition				
Point in Time	$191,010	$ 39,103	$ 21,394	$ 251,507
Rental Income (1)	2,329	62	—	2,391
	$193,339	**$ 39,165**	**$ 21,394**	**$ 253,898**

	Year Ended December 31, 2018			
	Broadcast	**Digital Media**	**Publishing**	**Consolidated**
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming—National	$ 49,864	$ —	$ —	$ 49,864
Block Programming—Local	33,274	—	—	33,274
Spot Advertising—National	16,333	—	—	16,333
Spot Advertising—Local	55,863	—	—	55,863
Infomercials	1,824	—	—	1,824
Network	19,293	—	—	19,293
Digital Advertising	7,172	22,351	473	29,996
Digital Streaming	752	4,347	—	5,099
Digital Downloads and eBooks	—	5,354	1,481	6,835
Subscriptions	1,056	8,205	907	10,168
Book Sales and e-commerce, net of estimated sales returns and allowances	483	1,949	11,866	14,298
Self-Publishing fees	—	—	5,609	5,609
Advertising - Print	42	—	574	616
Other Revenues	12,546	389	776	13,711
	$198,502	**$ 42,595**	**21,686**	**262,783**
Timing of Revenue Recognition				
Point in Time	$196,187	42,500	21,640	260,327
Rental Income(1)	2,315	95	46	2,456
	$198,502	**$ 42,595**	**21,686**	**262,783**

(1) Rental income is not applicable to ASC 606, but shown for the purpose of identifying each revenue source presented in total revenue on our Consolidated Financial Statements within this report on Form 10-K.

A summary of each of our revenue streams under ASC 606 is as follows:

Block Programming. We recognize revenue from the sale of blocks of airtime to program producers that typically range from 12/2, 25 or 50-minutes of time. We separate block program revenue into three categories, National, Local and Infomercial revenue. Our stations are classified by format, including Christian Teaching and Talk, News Talk, Contemporary Christian Music, Spanish Language Christian Teaching and Talk and Business. National and local programming content is complementary to our station format while infomercials are closely associated with long-form advertisements. Block Programming revenue may include variable consideration for charities and programmers that purchase blocks of airtime to generate donations and contributions from our audience. Block programming revenue is recognized at the time of broadcast, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Programming revenue is recorded on a gross basis unless an agency represents the programmer, in which case, revenue is reported net of the commission retained by the agency.

Spot Advertising. We recognize revenue from the sale of airtime to local and national advertisers who purchase spot commercials of varying lengths. Spot Advertising may include variable consideration for charities and programmers that purchase spots to generate donations and contributions from our audience. Advertising revenue is recognized at the time of broadcast, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Advertising revenue is recorded on a gross basis unless an agency represents the advertiser, in which case, revenue is reported net of the commission retained by the agency.

Network Revenue. Network revenue includes the sale of advertising time on our national network and fees earned from the syndication of programming on our national network. Network revenue is recognized at the time of broadcast, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Network revenue is recorded on a gross basis unless an agency represents the customer, in which case, revenue is reported net of the commission retained by the agency.

Digital Advertising. We recognize revenue from the sale of banner advertising on our owned and operated websites and on our own and operated mobile applications. Each of our radio stations, our digital media entities and certain publishing entities have custom websites and mobile applications that generate digital advertising revenue. Digital advertising revenue is recognized at the time that the banner display is delivered, or the number of impressions delivered meets the previously agreed-upon performance criteria, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Digital advertising revenue is reported on a gross basis unless an agency represents the customer, in which case, revenue is reported net of the commission retained by the agency.

Broadcast digital advertising revenue consists of local digital advertising, such as the sale of banner advertisements on our owned and operated websites, the sale of advertisements on our own and operated mobile applications, and advertisements in digital newsletters that we produce, as well an national digital advertising, or the sale of custom digital advertising solutions, such as web pages and social media campaigns, that we offer to our customers. Advertising revenue is recorded on a gross basis unless an agency represents the advertiser, in which case, revenue is reported net of the commission retained by the agency.

During 2018, we launched a national multimedia advertising agency with locations in 34 markets across the United States. Salem Surround offers a comprehensive suite of digital marketing services to develop and execute audience-based marketing strategies for clients on both the national and local level. Salem Surround specializes in digital marketing services for each of our radio stations and websites as well as provides a full-service digital marketing strategy for each of our clients. In our role as a digital agency, our sales team provides our customers with integrated digital advertising solutions that optimize the performance of their campaign, which we view as one performance obligation. Our advertising campaigns are designed to be "white label" agreements between Salem and our advertiser, meaning we provide special care and attention to the details of the campaign. We provide custom digital product offerings, including tools for metasearch, retargeting, website design, reputation management, online listing services, and social media marketing. Digital advertising solutions may include third-party websites, such as Google or Facebook, which can be included in a digital advertising social media campaign. We manage all aspects of the digital campaign, including social media placements, review and approval of target audiences, and the monitoring of actual results to make modifications as needed. We may contract directly with a third-party, however, we are responsible for delivering the campaign results to our customer with or without the third-party. We are responsible for any payments due to the third-party regardless of the campaign results and without regard to the status of payment from our customer. We have discretion in setting the price to our customer without input or approval from the third-party. Accordingly, revenue is reported gross, as principal, as the performance obligation is delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation.

Digital Streaming. We recognize revenue from the sale of advertisements and from the placement of ministry content that is streamed on our owned and operated websites and on our owned and operated mobile applications. Each of our radio stations, our digital media entities and certain publishing entities have custom websites and mobile applications that generate streaming revenue. Digital streaming revenue is recognized at the time that the content is delivered, or when the number of impressions delivered meets the previously agreed-upon performance criteria. Delivery of the content represents the point in time that control is transferred to the customer thereby completing our performance obligation. Streaming revenue is reported on a gross basis unless an agency represents the customer, in which case, revenue is reported net of the commission retained by the agency.

Digital Downloads and e-books. We recognize revenue from sale of downloaded materials, including videos, song tracks, sermons, content archives and e-books. Payments for downloaded materials are due in advance of the download, however, the download is often instant upon confirmation of payment. Digital download revenue is recognized at the time of download, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Revenue is recorded at the gross amount due from the customer. All sales are final with no allowances made for returns.

Subscriptions. We recognize revenue from the sale of subscriptions for financial publication digital newsletters, digital magazines, podcast subscriptions for on-air content, and subscriptions to our print magazine. Subscription terms typically range from three months to two years, with a money-back guarantee for the first 30 days. Refunds after the first 30 day period are considered on a pro-rata basis based on the number of publications issued and delivered. Payments are due in advance of delivery and can be made in full upon subscribing or in quarterly installments. Cash received in advance of the subscription term, including amounts that are refundable, is recorded in contract labilities. Revenue is recognized ratably over the subscription term at the point in time that each publication is transmitted or shipped, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Revenue is reported net of estimated cancellations, which are based on our experience and historical cancellation rates during the cancellable period.

Book Sales. We recognize revenue from the sale of books upon shipment, which represents the point in time that control is transferred to the customer thereby completing the performance obligation. Revenue is recorded at the gross amount due from the customer, net of estimated sales returns and allowances based on our historical experience. Major new title releases represent a significant portion of the revenue in the current period. Print-based consumer books are sold on a fully-returnable basis. We do not record assets or inventory for the value of returned books as they are considered used regardless of the condition returned. Our experience with unsold or returned books is that their resale value is insignificant and they are often destroyed or disposed of.

e-Commerce. We recognize revenue from the sale of products sold through our digital platform. Payments for products are due in advance shipping. We record a contract liability when we receive customer payments in advance of shipment. The time frame from receipt of payment to shipment is typically one business day based on the time that an order is placed as compared to fulfillment. E-Commerce revenue is recognized at the time of shipment, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Revenue is reported net of estimated returns, which are based on our experience and historical return rates. Returned products are recorded in inventory if they are unopened and re-saleable with a corresponding reduction in the cost of goods sold.

Self-Publishing Fees. We recognize revenue from self-publishing services through Salem Author Services (“SAS”), including book publishing and support services to independent authors. Services include book cover design, interior layout, printing, distribution, marketing services and editing for print books and eBooks. As each book and related support services are unique to each author, authors must make payments in advance of the performance. Payments are typically made in installments over the expected production time line for each publication. We record contract liabilities equal to the amount of payments received, including those amounts that are fully or partially refundable. Contract liabilities were historically recorded under the caption “deferred revenue” and are reported as current liabilities or long term liabilities on our consolidated financial statements based on the time to fulfill the performance obligations under terms of the contract. Refunds are limited based on the percentage completion of each publishing project.

Revenue is recognized upon completion of each performance obligation, which represents the point in time that control of the product is transferred to the author, thereby completing our performance obligation. Revenue is recorded at the net amount due from the author, including discounts based on the service package.

Advertising—Print. We recognize revenue from the sale of print magazine advertisements. Revenue is recognized upon delivery of the print magazine which represents the point in time that control is transferred to the customer thereby completing the performance obligation. Revenue is reported on a gross basis unless an agency represents the customer, in which case, revenue is reported net of the commission retained by the agency.

Other Revenues. Other revenues include various sources, such as event revenue, listener purchase programs, talent fees for on-air hosts, rental income for studios and towers, production services, and shipping and handling fees. We recognize event revenue, including fees earned for ticket sales and sponsorships, when the event occurs, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Revenue for all other products and services is recorded as the products or services are delivered or performed, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Other revenue is reported on a gross basis unless an agency represents the customer, in which case, revenue is reported net of the commission retained by the agency.

NOTE 6. INVENTORIES

Inventories consist of finished goods including books from Regnery® Publishing and for the prior year wellness products. All inventories are valued at the lower of cost or net realizable value as determined on a First-In First-Out cost method and reported net of estimated reserves for obsolescence.

The following table provides details of inventory on hand by segment:

	As of December 31, 2018	As of December 31, 2019
	(Dollars in thousands)	
Regnery® Publishing book inventories	$1,317	**$ 1,988**
Reserve for obsolescence—Regnery® Publishing	(930)	**(1,271)**
Inventory, net—Regnery® Publishing	387	**717**
Wellness products	$ 354	**$ —**
Reserve for obsolescence—Wellness products	(64)	**—**
Inventory, net—Wellness products	290	**—**
Consolidated inventories, net	$ 677	**$ 717**

NOTE 7. PROPERTY AND EQUIPMENT

We account for property and equipment in accordance with FASB ASC Topic 360-10, "*Property, Plant and Equipment.*"

The following is a summary of the categories of our property and equipment:

	As of December 31, 2018	As of December 31, 2019
	(Dollars in thousands)	
Land	$ 31,822	**$ 30,936**
Buildings	30,104	**30,283**
Office furnishings and equipment	36,756	**36,855**
Antennae, towers and transmitting equipment	85,998	**78,312**
Studio, production and mobile equipment	29,040	**30,164**
Computer software and website development costs	27,603	**29,595**
Record and tape libraries	17	**17**
Automobiles	1,570	**1,509**
Leasehold improvements	19,357	**18,834**
Construction-in-progress	4,833	**4,290**
	$ 267,100	**$ 260,795**
Less accumulated depreciation	(170,756)	**(173,122)**
	$ 96,344	**$ 87,673**

Depreciation expense was approximately $11.3 million and $12.0 million for the years ended December 31, 2019 and 2018. We periodically review long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. This review requires us to estimate the fair value of the assets using significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value, including assumptions about risk. If actual future results are less favorable than the assumptions and estimates we used, we are subject to future impairment charges, the amount of which may be material. There were no indications of impairment during the period ended December 31, 2019.

NOTE 8. OPERATING AND FINANCE LEASE RIGHT-OF-USE ASSETS

Leasing Transactions

Our leased assets include offices and studios, transmitter locations, antenna sites, tower and tower sites or land. Our current lease portfolio has remaining terms from less than one-year up to twenty years. Many of these leases contain options under which we can extend the term for five to twenty years. Renewal options are excluded from our calculation of lease liabilities unless we are reasonably assured to exercise the renewal option. Our lease agreements do not contain residual value guarantees or material restrictive covenants. We lease certain property from our principal stockholders or trusts and partnerships created for the benefit of the principal stockholders and their families. These leases are designated as Related Party leases in the details provided.

Operating leases are reflected on our balance sheet within operating lease ROU assets and the related current and non-current operating lease liabilities. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from lease agreement. Operating lease ROU assets and liabilities are recognized at the commencement date, or the date on which the lessor makes the underlying asset available for use, based upon the present value of the lease payments over the respective lease term. Lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectation regarding the terms. Variable lease costs such as common area maintenance, property taxes and insurance are expensed as incurred.

Balance Sheet

The adoption of ASC 842 resulted in recording a non-cash transitional adjustment to operating lease ROU assets and operating lease liabilities of $65.0 million and $74.4 million, respectively. The difference between the operating lease ROU assets and operating lease liabilities at transition represented existing deferred rent expense and prepaid rent that was derecognized upon adoption. During the year ended December 31, 2019, we recorded additional ROU assets and corresponding lease liabilities of $1.9 million.

Supplemental balance sheet information related to leases was as follows:

	December 31, 2019 (Dollars in thousands)		
	Related Party	Other	Total
Operating Leases			
Operating leases ROU assets	$ 7,964	$ 46,586	$ 54,550
Operating lease liabilities (current)	$ 971	$ 7,514	$ 8,485
Operating lease liabilities (non-current)	7,210	46,840	54,050
Total operating lease liabilities	$ 8,181	$ 54,354	$ 62,535

Weighted Average Remaining Lease Term	
Operating leases	8.6 years
Finance leases	3.4 years
Weighted Average Discount Rate	
Operating leases	8.21%
Finance leases	4.61%

Lease Expense

The components of lease expense were as follows:

	Twelve Months Ended December 31, 2019 (Dollars in thousands)
Amortization of finance lease ROU Assets	$ 96
Interest on finance lease liabilities	9
Finance lease expense	105
Operating lease expense	13,845
Variable lease expense	922
Short-term lease expense	822
Total lease expense	$ 15,694

Supplemental Cash Flow

Supplemental cash flow information related to leases was as follows:

	Twelve Months Ended December 31, 2019 (Dollars in thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 14,279
Operating cash flows from finance leases	8
Financing cash flows from finance leases	83
Leased assets obtained in exchange for new operating lease liabilities	$ 1,882
Leased assets obtained in exchange for new finance lease liabilities	24

Maturities

Future minimum lease payments under leases that had initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2019, are as follows:

	Operating Leases				
	Related Party	Other	Total	Finance Leases	Total
	(Dollars in thousands)				
2020	$ 1,601	$ 12,637	$ 14,238	$ 75	$ 14,313
2021	1,619	11,481	13,100	55	13,155
2022	1,613	9,935	11,548	46	11,594
2023	1,169	8,858	10,027	25	10,052
2024	1,015	6,497	7,512	7	7,519
Thereafter	5,097	30,863	35,960	—	35,960
Undiscounted Cash Flows	$12,114	$ 80,271	$ 92,385	$ 208	$ 92,593
Less: imputed interest	(3,933)	(25,917)	(29,850)	(15)	(29,865)
Total	$ 8,181	$ 54,354	$ 62,535	$ 193	$ 62,728
Reconciliation to lease liabilities:					
Lease liabilities—current	$ 971	$ 7,514	$ 8,485	$ 69	$ 8,554
Lease liabilities—long-term	7,210	46,840	54,050	124	54,174
Total Lease Liabilities	$ 8,181	$ 54,354	$ 62,535	$ 193	$ 62,728

Future minimum lease payments under leases that had initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2018, based on the former accounting guidance for leases, were as follows:

	Operating Leases				
	Related Party	Other	Total	Finance Leases	Total
	(Dollars in thousands)				
2019	$ 1,730	$ 11,633	$ 13,363	$ 58	$ 13,421
2020	1,763	11,592	13,355	39	13,394
2021	1,767	10,596	12,363	31	12,394
2022	1,730	9,490	11,220	27	11,247
2023	1,234	8,584	9,818	8	9,826
Thereafter	13,364	48,109	61,473	—	61,473
	$ 21,588	$100,004	$121,592	$ 163	$121,755

NOTE 9. BROADCAST LICENSES

We account for broadcast licenses in accordance with FASB ASC Topic 350 "*Intangibles—Goodwill and Other*." We do not amortize broadcast licenses, but rather test for impairment annually or more frequently if events or circumstances indicate that the value may be impaired. In the case of our broadcast radio stations, we would not be able to operate the properties without the related broadcast license for each property. Broadcast licenses are renewed with the FCC every eight years for a nominal fee that is expensed as incurred. We continually monitor our stations' compliance with the various regulatory requirements that are necessary for the FCC renewal and all of our broadcast licenses have been renewed. We expect all of our broadcast licenses to be renewed in the future and therefore, we consider our broadcast licenses to be indefinite-lived intangible assets. We are not aware of any legal, competitive, economic or other factors that materially limit the useful life of our broadcast licenses. The weighted-average period before the next renewal of our broadcasting licenses is 1.9 years.

The following table presents the changes in broadcasting licenses that include acquisitions and divestitures of radio stations and FM translators as described in Note 3 – Recent Transactions.

	Year Ended December 31,	
	2018	**2019**
	(Dollars in thousands)	
Balance, beginning of period before cumulative loss on impairment	$ 486,455	**$ 484,691**
Accumulated loss on impairment	(105,541)	**(108,375)**
Balance, beginning of period after cumulative loss on impairment	380,914	**376,316**
Acquisitions of radio stations	6,270	**617**
Acquisitions of FM translators and construction permits	19	**35**
Capital Projects	—	**300**
Abandoned capital projects	(40)	**—**
Disposition of radio stations	(8,013)	**(36,502)**
Impairments based on the estimated fair value of broadcast licenses	(2,834)	**(2,908)**
Balance, end of period after cumulative loss on impairment	$ 376,316	**$ 337,858**
Balance, end of period before cumulative loss on impairment	$ 484,691	**$ 441,143**
Accumulated loss on impairment	(108,375)	**(103,285)**
Balance, end of period after cumulative loss on impairment	$ 376,316	**$ 337,858**

Broadcast Licenses Impairment Test

We perform our annual impairment testing during the fourth quarter of each year, which coincides with our budget and planning process for the upcoming year. The unit of accounting we use to test broadcast licenses is the cluster level, which we define as a group of radio stations operating in the same geographic market, sharing the same building and equipment and managed by a single general manager. The cluster level is the lowest level for which discrete financial information and cash flows are available and the level reviewed by management to analyze operating results.

The first step of our impairment testing is to perform a qualitative assessment as to whether it is more likely than not that a broadcast license is impaired. This qualitative assessment requires significant judgment when considering the events and circumstances that may affect the estimated fair value of our broadcast licenses. We review the significant assumptions and key estimates applicable to our prior year estimated fair value calculations to assess if events and circumstances have occurred that could affect these assumptions and key estimates. We also review internal benchmarks and the economic performance for each market cluster to assess if it is more likely than not that impairment exists.

As part of our qualitative assessment, we calculate the excess fair value, or the amount by which our prior year estimated fair value exceeds the current year carrying value. Based on our analysis and review, including the financial performance of each market, we believe that a 25% excess fair value margin is a reasonable benchmark for our qualitative analysis. Markets with an excess fair value of 25% or more, which have had no significant changes in the prior year assumptions and key estimates, are not likely to be impaired.

Of the 26 markets for which an independent third party fair value appraisal was obtained in the prior year, one market was sold, leaving 25 markets applicable to the current year. The table below presents the percentage within a range by which our prior year start-up income estimated fair value exceeds the current year carrying value of our broadcasting licenses:

	Geographic Market Clusters as of December 31, 2019 Percentage Range By Which 2018 Estimated Fair Value Exceeds 2019 Carrying Value			
	£ 25%	>26%-50%	>51% to 75%	> +than 76%
Number of accounting units	**10**	**5**	**2**	**8**
Broadcast license carrying value (in thousands)	**$138,730**	**$ 76,364**	**$ 8,150**	**$ 63,869**

During the third quarter of 2019 we performed an interim review of broadcast licenses in seven markets that reported revenues that were trending below the amounts forecasted in the 2018 year-end valuations. At that time, we also noted station sales indicating potential declines in market-dependent multiples and we believed that downward revenue trends noted during the first half of 2019 were more likely to prevail throughout the remainder of 2019 as compared to earlier quarters when the trends were not as prevalent. Based on our interim review and analysis, we recorded an impairment charge of $1.9 million to the value of broadcast licenses in Louisville, Philadelphia, Portland and San Francisco. The table below presents the percentage within a range by which our September 30, 2019 start-up income estimated fair value exceeds the current year carrying value of our broadcasting licenses:

	Geographic Market Clusters as of December 31, 2019 Percentage Range By Which September 2019 Estimated Fair Value Exceeds 2019 Carrying Value			
	£ 25%	>26%-50%	>51% to 75%	> +than 76%
Number of accounting units	**7**	—	—	—
Broadcast license carrying value (in thousands)	**$ 101,948**	**$** —	**$** —	**$** —

The second part of our qualitative assessment consists of a review of the financial operating results for each market cluster. Radio stations are often sold on the basis of a multiple of projected cash flow, or Station Operating Income (“SOI”) defined as net broadcast revenue less broadcast operating expenses. See Item 6 – Selected Financial Data within this annual report for information on SOI, a non-GAAP measure. Numerous trade organizations and analysts review these radio station sales to track SOI multiples applicable to each transaction. Based on published reports and analysis of market transactions, we believe industry benchmarks to be in the six to seven times cash flow range. We elected an SOI benchmark of four as a reasonable indicator of fair value. Based on this qualitative review, we identified 6 markets subject to further testing that were not tested in the prior year and one market for which a valuation was obtained as part of the broadcast goodwill testing.

The table below shows the percentage within a range by which our estimated fair value exceeded the carrying value of our broadcasting licenses for these 6 remaining market clusters:

	Geographic Market Clusters as of December 31, 2019 Tested due to SOI Multiple and length of time from prior valuation —Percentage Range by Which Prior Valuation Exceeded 2019 Carrying Value			
	£ 25%	>26%-50%	>51% to 75%	> +than 76%
Number of accounting units	—	**1**	**4**	**1**
Broadcast license carrying value (in thousands)	**$** —	**$ 9,333**	**$ 37,945**	**$ 4,281**

Based on our assessment we engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us with determining the enterprise value of 16 of our market clusters. The estimated fair value of each market cluster was determined using the Greenfield Method, a form of the income approach. The premise of the Greenfield Method is that the value of a broadcast license is equivalent to a hypothetical start-up in which the only asset owned by the station as of the valuation date is the broadcast license. This approach eliminates factors that are unique to our operation of the station, including its format and historical financial performance. The method then assumes the entity has to purchase, build, or rent all of the other assets needed to operate a comparable station to the one in which the broadcast license is being utilized as of the valuation date. Cash flows are estimated and netted against all start-up costs, expenses and investments necessary to achieve a normalized and mature state of operations, thus reflecting only the cash flows directly attributable to the broadcast license. A multi-year discounted cash flow approach is then used to determine the net present value of these cash flows to derive an indication of fair value. For cash flows beyond the projection period, a terminal value is calculated using the Gordon constant growth model and long-term industry growth rate assumptions based on long-term industry growth and Gross Domestic Product ("GDP") inflation rates.

The primary assumptions used in the Greenfield Method are:

(1) gross operating revenue in the station's designated market area,

(2) normalized market share,

(3) normalized profit margin,

(4) duration of the "ramp-up" period to reach normalized operations, (which was assumed to be three years),

(5) estimated start-up costs (based on market size),

(6) ongoing replacement costs of fixed assets and working capital,

(7) the calculations of yearly net free cash flows to invested capital; and

(8) amortization of the intangible asset, or the broadcast license.

The assumptions used reflect those of a hypothetical market participant and not necessarily the actual or projected results of Salem. The key estimates and assumptions used in the start-up income valuation for the broadcast licenses tested in each period were as follows:

Broadcast Licenses	December 31, 2018	September 30, 2019	**December 31, 2019**
Risk-adjusted discount rate	9.0%	9.0%	**9.0%**
Operating profit margin ranges	4.4% - 34.5%	4.3% - 30.7%	**4.0% - 33.8%**
Long-term revenue growth rates	0.5% - 1.2%	0.7% - 1.1%	**0.7% - 1.1%**

The risk-adjusted discount rate reflects the Weighted Average Cost of Capital ("WACC") developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Based on our review and analysis, we determined that the carrying value of broadcast licenses in one of our market clusters was impaired as of the annual testing period ending December 31, 2019. We recorded an impairment charge of $1.0 million to the value of the broadcast licenses in Tampa. The impairment charge was driven by a decrease in the projected long-term revenue growth rates for the broadcast industry and a decline in market revenue share for this market. We believe that this decrease is indicative of trends in the industry as a whole and not unique to our company or operations.

The table below presents the results of our impairment testing under the start-up income approach at December 31, 2019:

Market Cluster	Excess Fair Value December 31, 2019 Estimate
Atlanta, GA	73.7%
Boston, MA	31.4%
Chicago, IL	11.2%
Cleveland, OH	1.2%
Col Springs, CO	43.8%
Columbus, OH	40.7%
Little Rock	40.6%
Louisville, KY	6.4%
Miami FL	1071.7%
Minneapolis, MN	125.1%
Orlando FL	62.1%
Philadelphia, PA	15.21
Portland, OR	6.1%
Sacramento, CA	12.2%
San Francisco, CA	28.4%
Tampa, FL	(12.5%)

NOTE 10. GOODWILL

We account for goodwill in accordance with FASB ASC Topic 350 "*Intangibles—Goodwill and Other.*" We do not amortize goodwill, but rather test for impairment annually or more frequently if events or circumstances indicate that an asset may be impaired. We perform our annual impairment testing during the fourth quarter of each year, which coincides with our budget and planning process for the upcoming year.

The following table presents the changes in goodwill including business acquisitions as described in Note 3—Recent Transactions.

	Year Ended December 31, 2018	**2019**
	(Dollars in thousands)	
Balance, beginning of period before cumulative loss on impairment,	$ 28,453	**$ 28,818**
Accumulated loss on impairment	(2,029)	**(2,029)**
Balance, beginning of period after cumulative loss on impairment	26,424	**26,789**
Acquisitions of radio stations	7	**—**
Acquisitions of digital media entities	986	**6**
Disposition of radio stations	(628)	**(29)**
Disposition of digital media entities	—	**(341)**
Impairments based on the estimated fair value goodwill	—	**(2,427)**
Ending period balance	$ 26,789	**$ 23,998**
Balance, end of period before cumulative loss on impairment	28,818	**28,454**
Accumulated loss on impairment	(2,029)	**(4,456)**
Ending period balance	$ 26,789	**$ 23,998**

Goodwill Impairment Testing

When performing our annual impairment testing for goodwill, the fair value of each applicable accounting unit is estimated using a discounted cash flow analysis, which is a form of the income approach. The discounted cash flow analysis utilizes a five to ten year projection period to derive operating cash flow projections from a market participant view. We make certain assumptions regarding future revenue growth based on industry market data, historical performance and our expectations of future performance. We also make assumptions regarding working capital requirements and ongoing capital expenditures for fixed assets. Future net free cash flows are calculated on a debt free basis and discounted to present value using a risk adjusted discount rate. The terminal year value is calculated using the Gordon constant growth method and long-term growth rate assumptions based on long-term industry growth and GDP inflation rates. The resulting fair value estimates, net of any interest bearing debt, are then compared to the carrying value of each reporting unit's net assets.

The first step of our impairment testing is to perform a qualitative assessment to determine if events and circumstances have occurred that indicate it is more likely than not that the fair value of the assets, including goodwill, are less than their carrying values. We review the significant inputs used in our prior year fair value estimates to determine if any changes to those inputs should be made. We estimate the fair value using a market approach and compare the estimated fair value of each entity to its carrying value, including goodwill. Under the market approach, we apply a multiple of four to each entities operating income to estimate the fair value. We believe that a multiple of four is a reasonable indicator of fair value as described above.

If the results of our qualitative assessment indicate that the fair value of a reporting unit may be less than its carrying value, we perform a second quantitative review of the reporting unit. We engage an independent third-party appraisal and valuation firm to assist us with determining the enterprise value as part of this quantitative review.

Goodwill—Broadcast Markets

The unit of accounting we use to test goodwill associated with our radio stations is the cluster level, which we define as a group of radio stations operating in the same geographic market, sharing the same building and equipment and managed by a single general manager. The cluster level is the lowest level for which discrete financial information and cash flows are available and the level reviewed by management to analyze operating results. Fifteen of our 32 market clusters have goodwill associated with them as of our annual testing period ended December 31, 2019.

The key estimates and assumptions used for our enterprise valuations are as follows:

Broadcast Markets Enterprise Valuations	December 31, 2018	**December 31, 2019**
Risk-adjusted discount rate	9.0%	**9.0%**
Operating profit margin ranges	(4.1%) - 45.1%	**(31.1%) - 38.7%**
Long-term revenue growth rates	0.5% - 1.1%	**0.7% - 0.9%**

The risk-adjusted discount rate reflects the WACC developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Based on our qualitative review, we tested three of these market clusters for impairment of goodwill. We engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the enterprise of value our market clusters to test goodwill for impairment. The enterprise valuation assumes that the subject assets are installed as part of an operating business rather than as a hypothetical start-up. The analysis includes both an income and cost approach to valuation. The income approach uses a discounted cash flow projection while the cost approach, or "stick" value of the underlying assets is used.

Based on our review and analysis, we determined that no impairment charges were necessary to the carrying value of our broadcast market goodwill as of the annual testing period ended December 31, 2019.

The tables below present the percentage within a range by which the estimated fair value exceeded the carrying value of each of our market clusters, including goodwill:

	Broadcast Market Clusters as of December 31, 2019 Percentage Range By Which Estimated Fair Value Exceeds Carrying Value Including Goodwill			
	< 10%	>11% to 20%	>21% to 50%	> than 51%
Number of accounting units	—	—	**2**	**1**
Carrying value including goodwill (*in thousands*)	$ —	$ —	**$ 62,480**	**$ 2,021**

Goodwill—Broadcast Networks

The unit of accounting we use to test goodwill in our radio networks is the entity level, which includes Salem Radio Network™ ("SRN™"), Todays Christian Music ("TCM") and Singing News® Radio. The entity level is the level reviewed by management and the lowest level for which discrete financial information is available. One of our networks has goodwill associated with it as of our annual testing period ended December 31, 2019. The first step of our qualitative review, in which we calculate excess fair value, or the amount by which the prior year estimated fair value exceeds the current year carrying value, when there are no significant changes in the prior year assumptions and key estimates, we determined that the value of broadcast network goodwill is not likely to be impaired.

Based on our analysis and review, the estimated fair value of the reporting unit exceeds the carrying value and Step 2 of the impairment testing was not necessary. We did not perform a sensitivity analysis for the current year, as such changes in the assumptions would have no impact on the carrying value of goodwill associated with our broadcast networks.

Goodwill—Digital Media

The unit of accounting we use to test goodwill in our digital media segment is the entity level, which includes SWN, SWN Spanish, Townhall.com®, and Eagle Financial Publications. The financial statements for SWN include the operating results and cash flows for our Christian content websites and our church product websites. The financial statements for Townhall.com® reflect the operating results for each of our conservative opinion websites. Eagle Financial Publications include our investing websites and related digital publications. The entity level is the level reviewed by management and the lowest level for which discrete financial information is available.

Three of our four digital entities have goodwill associated with them as of our annual testing period ended December 31, 2019. We tested two of the entities for impairment because they were not tested in the prior year and we tested one of the entities because the margin by which the prior year estimated fair value exceeded the carrying value for one of the entities was less than 25%. We engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the enterprise of value of these entities to test goodwill for impairment. The enterprise valuation assumes that the subject assets are installed as part of an operating business rather than as a hypothetical start-up.

The key estimates and assumptions used for our enterprise valuations are as follows:

Digital Media Enterprise Valuations	December 31, 2018	December 31, 2019
Risk adjusted discount rate	10.0%	**10.0%**
Operating profit margin ranges	8.5% - 17.2%	**3.7% - 28.8%**
Long-term revenue growth rates	1.0%	**0.5% - 1.0%**

The risk-adjusted discount rate reflects the WACC developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Based on our review and analysis, we recorded an impairment charge of $2.1 million to the carrying value of goodwill associated with Eagle Financial Publications. The impairment charge was driven by a decrease in the projected long-term revenue growth rates within the industry. We believe that this decrease is indicative of trends in the industry as a whole and not unique to our company or operations.

The table below presents the percentage within a range by which the estimated fair value exceeded the carrying value of the remaining accounting units, including goodwill.

	Digital Media Entities as of December 31, 2019 Percentage Range By Which Estimated Fair Value Exceeds Carrying Value Including Goodwill			
	< 10%	>10% to 20%	>21% to 50%	> than 51%
Number of accounting units	**1**	**—**	**—**	**1**
Carrying value including goodwill (*in thousands*)	**$3,253**	**$ —**	**$ —**	**$ 25,671**

Goodwill—Publishing

The unit of accounting we use to test goodwill in our publishing segment is the entity level, which includes Regnery® Publishing, Salem Author Services and *Singing News®*. Regnery® Publishing is a book publisher based in Washington DC that operates from a stand-alone facility under one general manager, with operating results and cash flows of reported at the entity level. Salem Author Services operates from a stand-alone facility in Orlando, Florida under one general manager who is responsible for the operating results and cash flows. *Singing News®* produces and distributes a print magazine. The entity level is the level reviewed by management and the lowest level for which discrete financial information is available.

Two of our publishing entities have goodwill associated with them as of our annual testing period ended December 31, 2019. We tested one of these entities because it had not been tested in the prior year. We engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the enterprise of value this publishing entity to test goodwill for impairment. The enterprise valuation assumes that the subject assets are installed as part of an operating business rather than as a hypothetical start-up.

The key estimates and assumptions used for our enterprise valuations are as follows:

Publishing Enterprise Valuations	December 31, 2018	**December 31, 2019**
Risk adjusted discount rate	10.0%	**10.0%**
Operating margin ranges	4.0% - 5.0%	**1.5% - 3.9%**
Long-term revenue growth rates	1.0%	**0.5%**

The risk-adjusted discount rate reflects the WACC developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Based on our review and analysis, we recorded an impairment charge of $0.3 million to the carrying value of goodwill associated with Salem Author Services. The impairment charge was driven by a decrease in the projected long-term revenue growth rates within the industry. We believe that this decrease is indicative of trends in the industry as a whole and not unique to our company or operations.

The table below presents the percentage within a range by which the estimated fair value exceeded the carrying value of our remaining accounting units, including goodwill.

	Publishing Entities as of December 31, 2019 Percentage Range By Which Estimated Fair Value Exceeds Carrying Value Including Goodwill			
	< 10%	>11% to 20%	>21% to 50%	> than 51%
Number of accounting units	—	—	—	**1**
Carrying value including goodwill (*in thousands*)	**$ —**	**$ —**	**$ —**	**$ 686**

NOTE 11. OTHER INDEFINITE-LIVED INTANGIBLE ASSETS

Other indefinite-lived intangible consists of mastheads, or the graphic elements that identify our publications to readers and advertisers. These include customized typeset page headers, section headers, and column graphics as well as other name and identity stylized elements within the body of each publication. We account for mastheads in accordance with FASB ASC Topic 350 *Intangibles—Goodwill and Other*. We do not amortize mastheads, but rather test for impairment annually or more frequently if events or circumstances indicate that an asset may be impaired. We are not aware of any legal, competitive, economic or other factors that materially limit the useful life of our mastheads.

We test the value of mastheads at the publishing entity level, which is the lowest level for which discrete financial information and cash flows are available and the level reviewed by management to analyze operating results. We print one magazine as of the testing period ended December 31, 2019 for which we have recorded masthead value. We regularly perform quantitative reviews of mastheads due to the low margins by which the estimated fair value has exceeded our carrying value. We engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the fair value of mastheads as of the annual testing period ended December 31, 2019. The estimated fair value of mastheads is determined using a Relief from Royalty method, a form of the income approach.

When performing a quantitative analysis to estimate the fair value of mastheads, the Relief from Royalty method is used. The Relief from Royalty method estimates the fair value of mastheads through use of a discounted cash flow model that incorporates a hypothetical "royalty rate" that a third-party owner would be willing to pay in lieu of owning the asset. The royalty rate is based on observed royalty rates for comparable assets as of the measurement date. We adjust the selected royalty rate to account for a percentage of the royalty fee that could be attributed to the use of other intangibles, such as goodwill, time in existence, trade secrets and industry expertise. The adjusted royalty rate represents the royalty fee remaining that could be attributed to the use of the masthead only.

Pre-tax royalty income is based on a 10-year revenue forecast and assumed to carry on into perpetuity. Revenue beyond the projection period (terminal year) is based on estimated long-term industry growth rates. The analysis also incorporates the present value of the tax amortization benefit associated with mastheads. The key estimates and assumptions are as follows:

Mastheads	December 31, 2018	**December 31, 2019**
Risk-adjusted discount rate	10.0%	**10.0%**
Long-term revenue growth rates	(4.0%) - (1.0%)	**(4.0%) - (1.0%)**
Royalty rate	3.0%	**3.0%**

The risk-adjusted discount rate reflects the WACC developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Based on our review and analysis, we recorded an impairment charge to mastheads of $17,300 as of the annual testing period ended December 31, 2019. The impairment charge was driven by decreases in the projected long-term revenue growth rates for the print magazine industry. We believe that these decreases are indicative of trends in the industry as a whole and not unique to our company or operations.

NOTE 12. AMORTIZABLE INTANGIBLE ASSETS

The following tables provide a summary of our significant classes of amortizable intangible assets:

	As of December 31, 2019		
	Cost	Accumulated Amortization	Net
	(Dollars in thousands)		
Customer lists and contracts	**$23,833**	**$ (21,823)**	**$2,010**
Domain and brand names	**20,332**	**(17,727)**	**2,605**
Favorable and assigned leases	**2,188**	**(1,920)**	**268**
Subscriber base and lists	**9,886**	**(8,251)**	**1,635**
Author relationships	**2,771**	**(2,609)**	**162**
Non-compete agreements	**2,041**	**(1,798)**	**243**
Other amortizable intangible assets	**1,666**	**(1,489)**	**177**
	$62,717	**$ (55,617)**	**$7,100**

	As of December 31, 2018		
	Cost	**Accumulated Amortization**	**Net**
	(Dollars in thousands)		
Customer lists and contracts	$24,673	$ (21,798)	$ 2,875
Domain and brand names	21,358	(16,758)	4,600
Favorable and assigned leases	2,256	(1,953)	303
Subscriber base and lists	9,672	(7,198)	2,474
Author relationships	2,771	(2,454)	317
Non-compete agreements	2,048	(1,641)	407
Other amortizable intangible assets	1,666	(1,378)	288
	$64,444	$ (53,180)	$11,264

Amortization expense was approximately $4.6 million and $6.2 million for the years ended December 31, 2019 and 2018. Based on the amortizable intangible assets as of December 31, 2019, we estimate amortization expense for the next five years to be as follows:

Year ended December 31,	**Amortization Expense**
	(Dollars in thousands)
2020	$ 3,265
2021	1,782
2022	1,146
2023	627
2024	78
Thereafter	202
Total	$ 7,100

NOTE 13. LONG-TERM DEBT

Salem Media Group, Inc. has no independent assets or operations, the subsidiary guarantees relating to certain debt are full and unconditional and joint and several, and any subsidiaries of Salem Media Group, Inc. other than the subsidiary guarantors are minor.

6.75% Senior Secured Notes

On May 19, 2017, we issued in a private placement the Notes, which are guaranteed on a senior secured basis by our existing subsidiaries (the “Subsidiary Guarantors”). The Notes bear interest at a rate of 6.75% per year and mature on June 1, 2024, unless they are earlier redeemed or repurchased. Interest initially accrued on the Notes from May 19, 2017 and is payable semi-annually, in cash in arrears, on June 1 and December 1 of each year, commencing December 1, 2017.

The Notes are secured by a first-priority lien on substantially all assets of ours and the Subsidiary Guarantors (the “Notes Priority Collateral”). There is no direct lien on our FCC licenses to the extent prohibited by law or regulation.

We may redeem the Notes, in whole or in part, at any time on or before June 1, 2020 at a price equal to 100% of the principal amount of the Notes plus a “make-whole” premium as of, and accrued and unpaid interest, if any, to, but not including, the redemption date. At any time on or after June 1, 2020, we may redeem some or all of the Notes at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth in the Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date. In addition, we may redeem up to 35% of the aggregate principal amount of the Notes before June 1, 2020 with the net cash proceeds from certain equity offerings at a redemption price of 106.75% of the principal amount plus accrued and unpaid interest, if any, to, but not including, the redemption date. We may also redeem up to 10% of the aggregate original principal amount of the Notes per twelve-month period before June 1, 2020 at a redemption price of 103% of the principal amount plus accrued and unpaid interest to, but not including, the redemption date.

The indenture relating to the Notes (the “Indenture”) contains covenants that, among other things and subject in each case to certain specified exceptions, limit our ability and the ability of our restricted subsidiaries to: (i) incur additional debt; (ii) declare or pay dividends, redeem stock or make other distributions to stockholders; (iii) make investments; (iv) create liens or use assets as security in other transactions; (v) merge or consolidate, or sell, transfer, lease or dispose of substantially all of our assets; (vi) engage in transactions with affiliates; and (vii) sell or transfer assets.

The Indenture provides for the following events of default (each, an “Event of Default”): (i) default in payment of principal or premium on the Notes at maturity, upon repurchase, acceleration, optional redemption or otherwise; (ii) default for 30 days in payment of interest on the Notes; (iii) the failure by us or certain restricted subsidiaries to comply with other agreements in the Indenture or the Notes, in certain cases subject to notice and lapse of time; (iv) the failure of any guarantee by certain significant Subsidiary Guarantors to be in full force and effect and enforceable in accordance with its terms, subject to notice and lapse of time; (v) certain accelerations (including failure to pay within any grace period) of other indebtedness of ours or any restricted subsidiary if the amount accelerated (or so unpaid) is at least $15 million; (vi) certain judgments for the payment of money in excess of $15 million; (vii) certain events of bankruptcy or insolvency with respect to us or any significant subsidiary; and (vii) certain defaults with respect to any collateral having a fair market value in excess of $15 million. If an Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the outstanding Notes may declare the principal of the Notes and any accrued interest on the Notes to be due and payable immediately, subject to remedy or cure in certain cases. Certain events of bankruptcy or insolvency are Events of Default which will result in the Notes being due and payable immediately upon the occurrence of such Events of Default.

Based on the balance of the Notes currently outstanding, we are required to pay $14.8 million per year in interest on the Notes. As of December 31, 2019, accrued interest on the Notes was $1.2 million.

We incurred debt issuance costs of $6.3 million that were recorded as a reduction of the debt proceeds that are being amortized to non-cash interest expense over the life of the Notes using the effective interest method. During the years ended December 31, 2019 and 2018, $0.9 million of debt issuance costs associated with the Notes was amortized to interest expense.

We may from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to repurchase the Notes in open market transactions, privately negotiated transactions, by tender offer or otherwise, as market conditions warrant.

Based on the then existing market conditions, we completed repurchases of our 6.75% Senior Secured Notes at amounts less than face value as follows:

Date	Principal Repurchased	Cash Paid	% of Face Value	Bond Issue Costs	Net Gain
			(Dollars in thousands)		
December 27, 2019	$ 3,090	$ 2,874	93.00%	$ 48	$ 167
November 27, 2019	5,183	4,548	87.75%	82	553
November 15, 2019	3,791	3,206	84.58%	61	524
March 28, 2019	2,000	1,830	91.50%	37	134
March 28, 2019	2,300	2,125	92.38%	42	133
February 20, 2019	125	114	91.25%	2	9
February 19, 2019	350	319	91.25%	7	24
February 12, 2019	1,325	1,209	91.25%	25	91
January 10, 2019	570	526	92.25%	9	35
December 21, 2018	2,000	1,835	91.75%	38	127
December 21, 2018	1,850	1,702	92.00%	35	113
December 21, 2018	1,080	999	92.50%	21	60
November 17, 2018	1,500	1,357	90.50%	29	114
May 4, 2018	4,000	3,770	94.25%	86	144
April 10, 2018	4,000	3,850	96.25%	87	63
April 9, 2018	2,000	1,930	96.50%	43	27
	$ 35,164	$ 32,194		$ 652	$ 2,318

Asset-Based Revolving Credit Facility

On May 19, 2017, the Company entered into the Asset Based Loan ("ABL") Facility pursuant to a Credit Agreement (the "Credit Agreement") by and among us and our subsidiaries party thereto as borrowers, Wells Fargo Bank, National Association, as administrative agent and lead arranger, and the lenders that are parties thereto. We used the proceeds of the ABL Facility, together with the net proceeds from the Notes offering, to repay outstanding borrowings under our previously existing senior credit facilities, and related fees and expenses. Current proceeds from the ABL Facility are used to provide ongoing working capital and for other general corporate purposes, including permitted acquisitions.

The ABL Facility is a five-year $30.0 million revolving credit facility due May 19, 2022, which includes a $5.0 million subfacility for standby letters of credit and a $7.5 million subfacility for swingline loans. All borrowings under the ABL Facility accrue interest at a rate equal to a base rate or LIBOR rate plus a spread. The spread, which is based on an availability-based measure, ranges from 0.50% to 1.00% for base rate borrowings and 1.50% to 2.00% for LIBOR rate borrowings. If an event of default occurs, the interest rate may increase by 2.00% per annum. Amounts outstanding under the ABL Facility may be paid and then reborrowed at our discretion without penalty or premium. Additionally, we pay a commitment fee on the unused balance from 0.25% to 0.375% per year based on the level of borrowings. The LIBOR rate scheduled to be discontinued at the end of calendar year 2021 could result in all outstanding borrowings subject to the higher base rate borrowing. We expect to amend the ABL prior to the LIBOR phaseout based on the ABL maturity date of May 19, 2022.

Availability under the ABL is subject to a borrowing base consisting of (a) 85% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. As of December 31, 2019, the amount available under the ABL was $26.4 million of which $12.4 million was outstanding. The ABL Facility has a first-priority lien on our and the Subsidiary Guarantors' accounts receivable, inventory, deposit and securities accounts, certain real estate and related assets (the "ABL Priority Collateral") and by a second-priority lien on the Notes Priority Collateral. There is no direct lien on the Company's FCC licenses to the extent prohibited by law or regulation (other than the economic value and proceeds thereof).

The Credit Agreement includes a springing fixed charge coverage ratio of 1.0 to 1.0, which is tested during the period commencing on the last day of the fiscal month most recently ended prior to the date on which Availability (as defined in the Credit Agreement) is less than the greater of 15% of the Maximum Revolver Amount (as defined in the Credit Agreement) and $4.5 million and continuing for a period of 60 consecutive days after the first day on which Availability exceeds such threshold amount. The Credit Agreement also includes other negative covenants that are customary for credit facilities of this type, including covenants that, subject to exceptions described in the Credit Agreement, restrict the ability of the borrowers and their subsidiaries (i) to incur additional indebtedness; (ii) to make investments; (iii) to make distributions, loans or transfers of assets; (iv) to enter into, create, incur, assume or suffer to exist any liens, (v) to sell assets; (vi) to enter into transactions with affiliates; (vii) to merge or consolidate with, or dispose of all assets to a third party, except as permitted thereby; (viii) to prepay indebtedness; and (ix) to pay dividends.

The Credit Agreement provides for the following events of default: (i) default for non-payment of any principal or letter of credit reimbursement when due or any interest, fees or other amounts within five days of the due date; (ii) the failure by any borrower or any subsidiary to comply with any covenant or agreement contained in the Credit Agreement or any other loan document, in certain cases subject to applicable notice and lapse of time; (iii) any representation or warranty made pursuant to the Credit Agreement or any other loan document is incorrect in any material respect when made; (iv) certain defaults of other indebtedness of any borrower or any subsidiary of indebtedness of at least $10 million; (v) certain events of bankruptcy or insolvency with respect to any borrower or any subsidiary; (vi) certain judgments for the payment of money of $10 million or more; (vii) a change of control; and (viii) certain defaults relating to the loss of FCC licenses, cessation of broadcasting and termination of material station contracts. If an event of default occurs and is continuing, the Administrative Agent and the Lenders may accelerate the amounts outstanding under the ABL Facility and may exercise remedies in respect of the collateral.

We incurred debt issue costs of $0.8 million that were recorded as an asset and are being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. During the years ended December 31, 2019 and 2018, $0.2 million of debt issuance costs associated with the Notes was amortized to interest expense. At December 31, 2019, the blended interest rate on amounts outstanding under the ABL Facility was 3.98%.

We report outstanding balances on the ABL Facility as short-term regardless of the maturity date based on use of the ABL Facility to fund ordinary and customary operating cash needs with frequent repayments. We believe that our borrowing capacity under the ABL Facility allows us to meet our ongoing operating requirements, fund capital expenditures and satisfy our debt service requirements for at least the next twelve months.

Summary of long-term debt obligations

Long-term debt consisted of the following:

	As of December 31,	
	2018	**2019**
	(Dollars in thousands)	
6.75% Senior Secured Notes	$238,570	**$219,836**
Less unamortized debt issuance costs based on imputed interest rate of 7.08%	(4,540)	**(3,368)**
6.75% Senior Secured Notes net carrying value	234,030	**216,468**
Asset-Based Revolving Credit Facility principal outstanding	19,660	**12,426**
Long-term debt less unamortized debt issuance costs	253,690	**228,894**
Less current portion	(19,660)	**(12,426)**
Long-term debt less unamortized debt issuance costs, net of current portion	$234,030	**$216,468**

In addition to the outstanding amounts listed above, we also have interest payments related to our long-term debt as follows as of December 31, 2019:

- $12.4 million under the ABL Facility, with interest spread ranging from Base Rate plus 0.50% to 1.00% for base rate borrowings and LIBOR plus 1.50% to 2.00% for LIBOR rate borrowings;
- $219.8 million aggregate principal amount of Notes with semi-annual interest payments at an annual rate of 6.75%; and
- Commitment fee of 0.25% to 0.375% per annum on the unused portion of the ABL Facility.

Maturities of Long-Term Debt and Capital Lease Obligations

Principal repayment requirements under all long-term debt agreements outstanding at December 31, 2019 for each of the next five years and thereafter are as follows:

	Amount
	(Dollars in thousands)
For the Year Ended December 31,	
2020	$ 12,426
2021	—
2022	—
2023	—
2024	219,836
Thereafter	—
	$ 232,262

NOTE 14. FAIR VALUE MEASURMENTS AND DISCLOSURES

Fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” FASB ASC Topic 820 “*Fair Value Measurements and Disclosures,”* (“ASC 820”) established a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring fair value. This framework defines three levels of inputs to the fair value measurement process and requires that each fair value measurement be assigned to a level corresponding to the lowest level input that is significant to the fair value measurement in its entirety. The three broad levels of inputs defined by the ASC 820 hierarchy are as follows:

- *Level 1 Inputs*—quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- *Level 2 Inputs*—inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability; and
- *Level 3 Inputs*—unobservable inputs for the asset or liability. These unobservable inputs reflect the entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances (which might include the reporting entity's own data).

Under ASC 820, a fair value measurement of a nonfinancial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Therefore, fair value is a market-based measurement and not an entity-specific measurement. It is determined based on assumptions that market participants would use in pricing the asset or liability. The exit price objective of a fair value measurement applies regardless of the reporting entity's intent and/or ability to sell the asset or transfer the liability at the measurement date.

As of December 31, 2019, the carrying value of cash and cash equivalents, trade accounts receivables, accounts payable, accrued expenses and accrued interest approximates fair value due to the short-term nature of such instruments. The carrying amount of the Notes at December 31, 2019 was $219.8 million compared to the estimated fair value of $203.9 million, based on the prevailing interest rates and trading activity of our Notes.

We have certain assets that are measured at fair value on anon-recurring basis that are adjusted to fair value only when the carrying values exceed the fair values. The categorization of the framework used to price the assets is considered Level 3 due to the subjective nature of the unobservable inputs used when estimating the fair value.

The following table summarizes the fair value of our financial assets and liabilities that are measured at fair value:

	December 31, 2019			
	Carrying Value on Balance Sheet	Fair Value Measurement Category		
		Level 1	Level 2	Level 3
	(Dollars in thousands)			
Assets				
Estimated fair value of other indefinite-lived intangible assets	**$ 260**	$ —	$ —	$ 260
Liabilities:				
Estimated fair value of contingent earn-out consideration included in accrued expenses	**19**	—	—	19
Long-term debt less unamortized debt issuance costs	**$ 228,894**	—	$212,956	—

NOTE 15. INCOME TAXES

We recognize deferred tax assets and liabilities for future tax consequences attributable to differences between our consolidated financial statement carrying amount of assets and liabilities and their respective tax bases. We measure these deferred tax assets and liabilities using enacted tax rates expected to apply in the years in which these temporary differences are expected to reverse. We recognize the effect on deferred tax assets and liabilities resulting from a change in tax rates in income in the period that includes the date of the change.

For financial reporting purposes, we recorded a valuation allowance of $4.1 million as of December 31, 2019 to offset $28.6 million of the deferred tax assets related to the federal net operating loss carryforwards and $8.9 million of the deferred tax assets related to the state net operating loss carryforwards of $16.7 million. For financial reporting purposes, we recorded a valuation allowance of $13.0 million as of December 31, 2019 to offset the deferred tax assets related to the federal and state net operating loss carryforwards.

The consolidated provision for income taxes is as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2019
	(Dollars in thousands)	
Current:		
Federal	$ —	**$ —**
State	282	**471**
	282	**471**
Deferred:		
Federal	(658)	**(1,445)**
State	2,849	**4,951**
	2,191	**3,506**
Provision for income taxes	$ 2,473	**$ 3,977**

Consolidated deferred tax assets and liabilities consist of the following:

	As of December 31, 2018	As of December 31, 2019
	(Dollars in thousands)	
Deferred tax assets:		
Financial statement accruals not currently deductible	$ 6,822	**$ 4,652**
Net operating loss, AMT credit and other carryforwards	50,067	**45,521**
State taxes	124	**70**
Operating lease liabilities under ASC 842	—	**16,618**
Other	3,969	**6,847**
Total deferred tax assets	60,982	**73,708**
Valuation allowance for deferred tax assets	(5,371)	**(12,977)**
Net deferred tax assets	$ 55,611	**$ 60,731**
Deferred tax liabilities:		
Excess of net book value of property and equipment and software for financial reporting purposes over tax basis	$ 2,763	**$ 2,391**
Excess of net book value of intangible assets for financial reporting purposes over tax basis	88,112	**82,939**
Operating lease right-of-use assets under ASC 842	—	**14,179**
Other	8	**—**
Total deferred tax liabilities	90,883	**99,509**
Net deferred tax liabilities	$(35,272)	**$(38,778)**

The following table reconciles the above net deferred tax liabilities to the financial statements:

	As of December 31,	
	2018	**2019**
	(Dollars in thousands)	
Deferred income tax asset per balance sheet	$ —	**$ —**
Deferred income tax liability per balance sheet	(35,272)	**(38,778)**
	$(35,272)	**$(38,778)**

A reconciliation of the statutory federal income tax rate to the provision for income tax is as follows:

	Year Ended December 31,	
	2018	**2019**
	(Dollars in thousands)	
Statutory federal income tax (statutory tax rate)	$ (151)	**$ (5,045)**
Effect of state taxes, net of federal	2,284	**3,714**
Permanent items	318	**329**
State rate change	248	**668**
Valuation allowance	(147)	**4,105**
Tax Cuts and Jobs Act of 2017	—	**—**
Other, net	(79)	**206**
Provision for income taxes	$ 2,473	**$ 3,977**

At December 31, 2019, we had net operating loss carryforwards for federal income tax purposes of approximately $136.1 million that expire in years 2021 through 2038 and for state income tax purposes of approximately $793.7 million that expire in years 2020 through 2039. For financial reporting purposes at December 31, 2019, we had a valuation allowance of $8.9 million, net of federal benefit, to offset the deferred tax assets related to the state net operating loss carryforwards along with a valuation allowance of $4.1 million to offset the deferred tax assets related to the federal net operating loss carryforwards. As a result of our adjusted cumulative three-year pre-tax book loss as of December 31, 2019, we performed an assessment of positive and negative evidence with respect to the realization of our net deferred tax assets. This assessment included the evaluation of scheduled reversals of deferred tax liabilities, the availability of carryforwards and estimates of projected future taxable income. Based on this assessment, we concluded that additional deferred tax assets of $7.6 million are not likely to be realized. As such, an additional valuation allowance of $7.6 million which is comprised of an additional $4.1 million for federal tax purposes and $3.5 million for state tax purposes bringing the total valuation allowance from $5.4 million to $13.0 million, was recorded during the annual period ended December 31, 2019.

The Company has adopted ASC 842 using the modified retrospective basis and has reflected the ROU asset with corresponding lease liability in the balance sheet footnote of the deferred tax balances above. The entry resulted in primarily a full balance sheet reclass between the ROU asset, lease liability and deferred rent accounts. The result of the change resulted in an immaterial impact to the operations of the consolidated financial statements.

The amortization of our indefinite-lived intangible assets for tax purposes, but not for book purposes, creates deferred tax liabilities. A reversal of deferred tax liabilities may occur when indefinite-lived intangibles: (1) become impaired; or (2) are sold, which would typically only occur in connection with the sale of the assets of a station or groups of stations or the entire company in a taxable transaction. Due to the amortization for tax purposes and not book purposes of our indefinite-lived intangible assets, we expect to continue to generate deferred tax liabilities in future periods exclusive of any impairment losses in future periods. These deferred tax liabilities and net operating loss carryforwards result in differences between our provision for income tax and cash paid for taxes.

NOTE 16. COMMITMENTS AND CONTINGENCIES

The Company enters into various agreements in the normal course of business that contain minimum guarantees. Minimum guarantees are typically tied to future events, such as future revenue earned in excess of the contractual level. Accordingly, the fair value of these arrangements is zero.

The Company also records contingent earn-out consideration representing the estimated fair value of future liabilities associated with acquisitions that may have additional payments due upon the achievement of certain performance targets. The fair value of the contingent earn-out consideration is estimated as of the acquisition date as the present value of the expected contingent payments as determined using weighted probabilities of the expected payment amounts. We review the probabilities of possible future payments to estimate the fair value of any contingent earn-out consideration on a quarterly basis over the earn-out period. Actual results are compared to the estimates and probabilities of achievement used in our forecasts. Should actual results of the acquired business increase or decrease as compared to our estimates and assumptions, the estimated fair value of the contingent earn-out consideration liability will increase or decrease, up to the contracted limit, as applicable. Changes in the estimated fair value of the contingent earn-out consideration are reflected in our results of operations in the period in which they are identified. Changes in the estimated fair value of the contingent earn-out consideration may materially impact and cause volatility in our operating results.

The Company and its subsidiaries, incident to its business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance. The company evaluates claims based on what we believe to be both probable and reasonably estimable. The company maintains insurance that may provide coverage for such matters. Consequently, the company is unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters. The Company believes, at this time, that the final resolution of these matters, individually and in the aggregate, will not have a material adverse effect upon the Company's consolidated financial position, results of operations or cash flows.

NOTE 17. STOCK INCENTIVE PLAN

Our Amended and Restated 1999 Stock Incentive Plan (the "Plan") provides for grants of equity-based awards to employees,non-employee directors and officers, and advisors of the company ("Eligible Persons"). The Plan is designed to promote the interests of the company using equity investment interests to attract, motivate, and retain individuals.

At the annual meeting of the company held on May 8, 2019, the Company's stockholders approved a revision to the Plan increasing the number of shares authorized by 3,000,000. As a result, a maximum of 8,000,000 shares are authorized under the Plan. All awards have restriction periods tied primarily to employment and/or service. The Plan allows for accelerated or continued vesting in certain circumstances as defined in the Plan including death, disability, a change in control, and termination or retirement. The Board of Directors, or a committee appointed by the Board, has discretion subject to limits defined in the Plan, to modify the terms of any outstanding award.

Under the Plan, the Board, or a committee appointed by the Board, may impose restrictions on the exercise of awards duringpre-defined blackout periods. Insiders may participate in plans established pursuant to Rule 10b5-1 under the Exchange Act that allow them to exercise awards subject topre-established criteria.

We recognize non-cash stock-based compensation expense based on the estimated fair value of awards in accordance with FASB ASC Topic 718 "*Compensation—Stock Compensation*." Stock-based compensation expense fluctuates over time as a result of the vesting periods for outstanding awards and the number of awards that actually vest. The following table reflects the components of stock-based compensation expense recognized in the Consolidated Statements of Operations for the years ended December 31, 2019 and 2018:

	Year Ended December 31,	
	2018	**2019**
	(Dollars in thousands)	
Stock option compensation expense included in unallocated corporate expenses	$ 329	**$ 271**
Restricted stock shares compensation expense included in unallocated corporate expenses	—	**623**
Stock option compensation expense included in broadcast operating expenses	122	**111**
Restricted stock shares compensation expense included in broadcast operating expenses	—	**383**
Stock option compensation expense included in digital media operating expenses	77	**71**
Restricted stock shares compensation expense included in digital media operating expenses	—	**—**
Stock option compensation expense included in publishing operating expenses	15	**1**
Restricted stock shares compensation expense included in publishing operating expenses	—	**—**
Total stock-based compensation expense, pre-tax	$ 543	**$ 1,460**
Tax expense from stock-based compensation expense	(141)	**(380)**
Total stock-based compensation expense, net of tax	$ 402	**$ 1,080**

Stock option and restricted stock grants

Eligible employees may receive stock option awards annually with the number of shares and type of instrument generally determined by the employee's salary grade and performance level. Incentive and non-qualified stock option awards allow the recipient to purchase shares of our common stock at a set price, not to be less than the closing market price on the date of award, for no consideration payable by the recipient. The related number of shares underlying the stock option is fixed at the time of the grant. Options generally vest over a four-year period with a maximum term of five years from the vesting date. In addition, certain management and professional level employees may receive stock option awards upon the commencement of employment.

The Plan also allows for awards of restricted stock, which have been granted periodically tonon-employee directors of the company. Awards granted to non-employee directors are made in exchange for their services to the company as directors and therefore, the guidance in FASB ASC Topic505-50 *Equity Based Payments to Non Employees* is not applicable. Restricted stock awards contain transfer restrictions under which they cannot be sold, pledged, transferred or assigned until the period specified in the award, generally from one to five years. Restricted stock awards are independent of option grants and are granted at no cost to the recipient other than applicable taxes owed by the recipient. The awards are considered issued and outstanding from the date of grant.

The fair value of each award is estimated as of the date of the grant using the Black-Scholes valuation model. The expected volatility reflects the consideration of the historical volatility of our common stock as determined by the closing price over a six to ten year term commensurate with the expected term of the award. Expected dividends reflect the amount of quarterly distributions authorized and declared on our Class A and Class B common stock as of the grant date. The expected term of the awards is based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rates for periods within the expected term of the award are based on the U.S. Treasury yield curve in effect during the period the options were granted. We have used historical data to estimate future forfeiture rates to apply against the gross amount of compensation expense determined using the valuation model. These estimates have approximated our actual forfeiture rates.

The weighted-average assumptions used to estimate the fair value of the stock options using the Black-Scholes valuation model were as follows for the years ended December 31, 2019 and 2018:

	Year Ended December 31, 2018	**Year Ended December 31, 2019**
Expected volatility	41.84%	56.12%
Expected dividends	7.89%	16.27%
Expected term (in years)	7.4	6.7
Risk-free interest rate	2.93%	1.69%

Activity with respect to the company's option awards during the two years ended December 31, 2019 is as follows (Dollars in thousands, except weighted average exercise price and weighted average grant date fair value):

Options	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2018	1,428,462	$ 5.20	$ 2.96	3.7 years	$ 653
Granted	650,000	3.30	1.86		—
Exercised	(17,615)	2.49	2.11		35
Forfeited or expired	(79,875)	4.42	3.20		28
Outstanding at December 31, 2018	1,980,972	$ 4.63	$ 2.61	4.1 years	$ —
Exercisable at December 31, 2018	1,055,716	5.51	3.38	2.2 years	—
Expected to Vest	878,531	$ 4.65	$ 2.63	4.0 years	$ —
Outstanding at January 1, 2019	**1,980,972**	**$ 4.63**	**$ 2.61**	**4.1 years**	**$ —**
Granted	**88,750**	**1.63**	**0.44**		**—**
Exercised	**(200)**	**2.38**	**2.05**		**—**
Forfeited or expired	**(208,800)**	**5.77**	**4.06**		**2**
Outstanding at December 31, 2019	**1,860,722**	**$ 4.39**	**$ 2.37**	**3.6 years**	**$ —**
Exercisable at December 31, 2019	**1,248,844**	**4.93**	**2.78**	**2.3 years**	**—**
Expected to Vest	**580,978**	**$ 4.40**	**$ 2.38**	**3.5 years**	**$ —**

There were no restricted stock awards granted during the year ended December 31, 2018.

On October 5, 2019, we issued 66,667 restricted shares that vested immediately to our Chief Executive Officer under an election made pursuant to his employment agreement. The fair value of the restricted stock award was measured based on the grant date market price of our common shares. The restricted stock award contains transfer restrictions under which they cannot be sold, pledged, transferred or assigned for two years. The restricted stock awards provide all of the rights of absolute ownership of the restricted stock from the date of grant, including the right to vote the shares and to receive dividends. Restricted stock awards are independent of option grants and are granted at no cost to the recipient other than applicable taxes owed by the recipient. The awards are considered issued and outstanding from the date of grant.

On July 5, 2019, we issued 41,323 restricted shares that vested immediately to our Chief Executive Officer under an election made pursuant to his employment agreement. The fair value of the restricted stock award was measured based on the grant date market price of our common shares. The restricted stock award contains transfer restrictions under which they cannot be sold, pledged, transferred or assigned for two years. The restricted stock awards provide all of the rights of absolute ownership of the restricted stock from the date of grant, including the right to vote the shares and to receive dividends. Restricted stock awards are independent of option grants and are granted at no cost to the recipient other than applicable taxes owed by the recipient. The awards are considered issued and outstanding from the date of grant.

On May 14, 2019, a restricted stock award of 119,049 shares was granted to our Chief Executive Officer and Chairman of the board that vested immediately. The fair value of each restricted stock award was measured based on the grant date market price of our common shares and expensed as of the vesting date. These restricted stock awards contained transfer restrictions under which they could not be sold, pledged, transferred or assigned for 10 days. Recipients of these restricted stock awards were entitled to all the rights of absolute ownership of the restricted stock from the date of grant including the right to vote the shares and to receive dividends. Restricted stock awards are independent of option grants and are granted at no cost to the recipient other than applicable taxes owed by the recipient. The awards were considered issued and outstanding from the date of grant.

On May 8, 2019, a restricted stock award of 270,012 shares was granted to certain members of management that vested immediately. The fair value of each restricted stock award was measured based on the grant date market price of our common shares and expensed as of the vesting date. These restricted stock awards contained transfer restrictions under which they could not be sold, pledged, transferred or assigned for 10 days. Recipients of these restricted stock awards were entitled to all the rights of absolute ownership of the restricted stock from the date of grant including the right to vote the shares and to receive dividends. Restricted stock awards are independent of option grants and are granted at no cost to the recipient other than applicable taxes owed by the recipient. The awards were considered issued and outstanding from the date of grant.

Activity with respect to the company's restricted stock awards during the year ended December 31, 2019 is as follows:

Restricted Stock Awards	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Non-Vested at January 1, 2019	—	$ —	— years	$ —
Granted	497,051	2.02	—	1,006
Lapse of restrictions	(389,061)	2.07	—	919
Forfeited or expired	—	—	—	—
Outstanding at December 31, 2019	107,990	$ 1.85	1.67 years	$ 156

Additional information regarding options outstanding as of December 31, 2019, is as follows:

Range of Exercise Prices	Options	Weighted Average Contractual Life Remaining (Years)	Weighted Average Exercise Price	Exercisable Options	Weighted Average Exercise Price
\$2.38 - \$3.00	357,005	3.0	$ 2.43	268,255	$ 2.70
\$3.01 - \$3.28	565,000	5.7	3.25	176,500	3.25
\$3.29 - \$4.63	67,750	5.4	3.78	20,125	3.81
\$4.64 - \$4.85	411,792	3.7	4.85	324,789	4.85
\$4.86 - \$6.65	10,750	1.4	5.68	10,750	5.68
\$6.66 - \$8.76	448,425	1.1	7.00	448,425	7.00
	1,860,722	**3.6**	**$ 4.39**	**1,248,844**	**$ 4.93**

The aggregate intrinsic value represents the difference between the company's closing stock price on December 31, 2019 of $1.44 and the option exercise price of the shares for stock options that were in the money, multiplied by the number of shares underlying such options. The total fair value of options vested during the years ended December 31, 2019 and 2018 was $0.7 million and $0.3 million, respectively.

As of December 31, 2019, there was $0.1 million of total unrecognized compensation cost related tonon-vested stock option awards. This cost is expected to be recognized over a weighted-average period of 1.6 years.

NOTE 18. RELATED PARTY TRANSACTIONS

Our board of directors has adopted a written policy for review, approval and monitoring of transactions between Salem and its related parties. The policy applies to any transaction or series of transactions in which Salem is a participant, the amount involved exceeds $120,000 and a Related Party (as defined in Item 404(a) of SEC Regulation S-K) has a direct or indirect material interest, excluding, among other things, compensation arrangements with respect to employment and board membership. Related Parties includes our directors, executive officers, nominees to become a director, any person beneficially owning more than 5% of any class of our stock, immediate family members of any of the foregoing, and any entity in which any of the foregoing persons is employed or is a general partner or principal or in which the person has a 10% or greater beneficial ownership interest.

Under the Policy, related party transactions must be reported to our general counsel and be reviewed and approved or ratified by the board of directors in accordance with the terms of the Policy, prior to the effectiveness or consummation of the transaction, whenever practicable. The board of directors will review all relevant information available about the potential related party transaction and may, in its sole discretion, impose such conditions as it deems appropriate on Salem or the Related Party in connection with the approval of the related party transaction. We also poll our directors and executive officers on an annual basis with respect to related party transactions and their service as an officer or director of other entities. Any director involved in a related party transaction that is being reviewed or approved must recuse himself or herself from participation in any related deliberation or decision.

Other than compensation arrangements for our directors and executive officers, the following is a summary of transactions for the years ended December 31, 2019 and December 31, 2018, to which we have been a party in which the amount involved exceeds $120,000 annually and in which any of our then directors, executive officers or holders of more than 5% of any class of our stock at the time of such transaction, or any members of their immediate family, or is a general partner or principal or in which the person has a 10% or greater beneficial ownership interest, had or will have a direct or indirect material interest.

Leases with Principal Stockholders

A trust controlled by the Chief Executive Officer of the company, Edward G. Atsinger III, owns real estate on which assets of one radio station are located. Salem has entered into a lease agreement with this trust. Rental expense related to this lease included in operating expense for each of the year's ending December 31, 2019 and 2018 amounted to $203,000 and $197,000, respectively. Mr. Ted Atsinger, son of the CEO is the beneficiary and/or successor trustee.

Land and buildings occupied by various Salem radio stations are leased from entities owned by the company's CEO and its Chairman of the Board. Rental expense under these leases included in operating expense for each of the years ending December 31, 2019 and 2018 was $1.6 million and $1.5 million, respectively.

Truth For Life—Mr. Riddle

Truth For Life is a non-profit organization that is a customer of Salem Media Group, Inc. During 2019 and 2018, the company billed Truth For Life approximately $2.5 million and $2.4 million for airtime on its stations. The company had receivable balances of $0.2 million related to these sales at December 31, 2019 and 2018. Mr. Riddle, a director of the company, joined the Truth for Life board in October 2010. Mr. Riddle notified the company of his resignation from the Truth for Life board in June 2019.

Know the Truth—Mr. Riddle

Know the Truth is a non-profit organization that is a customer of Salem Media Group, Inc. During 2019 and 2018 the company billed Know the Truth approximately $0.8 million and $1.4 million for airtime on its stations. The company had receivable balances of $1.2 million and $1.1 million at December 31, 2019 and 2018. Mr. Riddle, a director of the company, joined the Know the Truth board in 2010 and remains a member of this board.

Split-Dollar Life Insurance

Salem has maintained split-dollar life insurance policies for its Chairman and Chief Executive Officer since 1997. Since 2003, the company has been the owner of the split-dollar life insurance policies and is entitled to recover all of the premiums paid on these policies. The company records an asset based on the lower of the aggregate premiums paid or the insurance cash surrender value. The premiums were $531,000 and $386,000 for each of the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019, and 2018, the company recorded the net cash surrender value of these policies as assets of $2.3 million and $1.8 million, respectively. The cumulative premiums paid on these policies were $3.5 million and $3.1 million, respectively. Benefits above and beyond the cumulative premiums paid will go to the beneficiary trusts established by each of the Chairman and Chief Executive Officer.

Transportation Services Supplied by Sun Air Jets

From time to time, the company rents aircraft from a company owned by Edward G. Atsinger III, Chief Executive Officer and director of Salem. As approved by the independent members of the company's board of directors, the company rents these aircraft on an hourly basis for general corporate needs. Total rental expense for these aircraft for the years ended December 31, 2019 and 2018 was approximately $135,000 and $198,000, respectively.

NOTE 19. DEFINED CONTRIBUTION PLAN

We maintain a 401(k) defined contribution plan (the "401(k) Plan"), which covers eligible employees as defined in the 401(k) Plan. Participants are allowed to make non-forfeitable contributions of up to 60% of their annual salary but may not exceed the annual maximum contribution limitations established by the Internal Revenue Service. The company match is currently 50% on the first 5% of the amounts contributed by each participant. During each of the years ended December 31, 2019 and 2018, the company contributed and expensed $1.9 million into the 401(k) Plan.

NOTE 20. EQUITY TRANSACTIONS

We account for stock-based compensation expense in accordance with FASB ASC Topic 718, "*Compensation-Stock Compensation.*" We recorded non-cash stock based compensation expense of $1.5 million and $0.5 million to additional paid-in capital during the years ended December 31, 2019 and 2018, respectively.

While we intend to pay regular quarterly distributions, the actual declaration of such future distributions and the establishment of the per share amount, record dates, and payment dates are subject to final determination by our Board of Directors and dependent upon future earnings, cash flows, financial and legal requirements, and other factors. Any future distributions are likely to be comparable to prior declarations unless there are changes in expected future earnings, cash flows, financial and legal requirements.

The following table shows distributions that have been declared and paid since January 1, 2018:

Announcement Date	Payment Date	Amount Per Share	Cash Distributed *(in thousands)*
December 10, 2019	December 30, 2019	$0.0250	$ 667
September 11, 2019	September 30, 2019	$0.0650	1,730
May 14, 2019	June 28, 2019	$0.0650	1,728
March 7, 2019	March 29, 2019	$0.0650	1,702
November 26, 2018	December 21, 2018	$0.0650	1,702
September 5, 2018	September 28, 2018	$0.0650	1,702
May 31, 2018	June 29, 2018	$0.0650	1,701
February 28, 2018	March 28, 2018	$0.0650	1,701

Based on the number of shares of Class A and Class B currently outstanding, we expect to pay total annual distributions of approximately $2.7 million for the year ended December 31, 2020.

NOTE 21. SEGMENT DATA

FASB ASC Topic 280, "*Segment Reporting*," requires companies to provide certain information about their operating segments. We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which also qualify as reportable segments. Our operating segments reflect how our chief operating decision makers, which we define as a collective group of senior executives, assesses the performance of each operating segment and determines the appropriate allocations of resources to each segment. We continually review our operating segment classifications to align with operational changes in our business and may make changes as necessary.

We measure and evaluate our operating segments based on operating income and operating expenses that do not include allocations of costs related to corporate functions, such as accounting and finance, human resources, legal, tax and treasury, which are reported as unallocated corporate expenses in our consolidated statements of operations included in this annual report on Form 10-K. We also exclude costs such as amortization, depreciation, taxes and interest expense.

Segment performance, as defined by Salem, is not necessarily comparable to other similarly titled captions of other companies.

Broadcasting

Our foundational business is radio broadcasting, which includes the ownership and operation of radio stations in large metropolitan markets. Our broadcasting segment includes our national networks and national sales firms. National companies often prefer to advertise across the United States as an efficient and cost effective way to reach their target audiences. Our national platform under which we offer radio airtime, digital campaigns and print advertisements can benefit national companies by reaching audiences throughout the United States.

Salem Radio Network™ ("SRN™"), based in Dallas, Texas, develops, produces and syndicates a broad range of programming specifically targeted to Christian and family-themed talk stations, music stations and News Talk stations. SRN™ delivers programming via satellite to approximately 3,100 affiliated radio stations throughout the United States, including several of our Salem-owned stations. SRN™ operates five divisions, SRN™ Talk, SRN™ News, SRN™ Websites, SRN™ Satellite Services and Salem Music Network that includes Today's Christian Music ("TCM") and Singing News® Radio.

Salem Media Representatives ("SMR") is our national advertising sales firm with offices in 13 U.S. cities. SMR specializes in placing national advertising on Christian and talk formatted radio stations as well as other commercial radio station formats. SMR sells commercial airtime to national advertisers on our radio stations and through our networks, as well as for independent radio station affiliates. SMR also contracts with independent radio stations to create custom advertising campaigns for national advertisers to reach multiple markets.

During 2018, we launched Salem Surround, a national multimedia advertising agency with locations in 34 markets across the United States. Salem Surround offers a comprehensive suite of digital marketing services to develop and execute audience-based marketing strategies for clients on both the national and local level. Salem Surround specializes in digital marketing services for each of our radio stations and websites as well as provides a full-service digital marketing strategy for each of our clients.

Digital Media

Our digital media based businesses provide Christian, conservative, investing and health-themed content, e-commerce, audio and video streaming, and other resources digitally through the web. SWN websites include Christian content websites; BibleStudyTools.com, Crosswalk.com®, GodVine.com, iBelieve.com, GodTube®.com, OnePlace™.com, Christianity.com, GodUpdates.com, CrossCards™.com, ChristianHeadlines.com, LightSource.com, AllCreated.com, ChristianRadio.com, CCMmagazine.com, SingingNews®.com and SouthernGospel.com and our conservative opinion websites; collectively known as Townhall Media, include Townhall.com®, HotAir™.com, Twitchy®.com, RedState®.com, BearingArms.com, ConservativeRadio.com and pjmedia.com. We also publish digital newsletters through Eagle Financial Publications, which provide market analysis and non-individualized investment strategies from financial commentators on a subscription basis.

Our church e-commerce websites, including SermonSearch™.com, ChurchStaffing.com, WorshipHouseMedia.com, SermonSpice™.com, WorshipHouseKids.com, Preaching.com, ChristianJobs.com, Youthworker.com, JourneyBoxMedia.com and Playblackmedia.com, offer a variety of digital resources including videos, song tracks, sermon archives and job listings to pastors and Church leaders.

Our web content is accessible through all of our radio station websites that feature content of interest to local audiences throughout the United States.

Publishing

Our publishing operating segment includes three businesses: (1) Regnery® Publishing, a traditional book publisher that has published dozens of bestselling books by leading conservative authors and personalities, including Ann Coulter, Newt Gingrich, David Limbaugh, Ed Klein, Mark Steyn and Dinesh D’Souza; (2) Salem Author Services, a self-publishing service for authors through Xulon Press and Mill City Press; and (3) *Singing News®,* which produces and distributes a print magazine.

The table below presents financial information for each operating segment as of December 31, 2019 and 2018 based on the composition of our operating segments:

	Broadcast	Digital Media	Publishing	Unallocated Corporate	Consolidated
			(Dollars in thousands)		
Year Ended December 31, 2019					
Net revenue	**$193,339**	**$39,165**	**$ 21,394**	**$ —**	**$ 253,898**
Operating expenses	**149,439**	**30,801**	**22,348**	**15,940**	**218,528**
Net operating income (loss) before depreciation, amortization, impairments, change in estimated fair value of contingent earn-out consideration and net (gain) loss on the disposition of assets	**$ 43,900**	**$ 8,364**	**$ (954)**	**$ (15,940)**	**$ 35,370**
Depreciation	**7,128**	**3,082**	**354**	**733**	**11,297**
Amortization	**35**	**3,757**	**844**	**1**	**4,637**
Impairment of indefinite-lived long-term assets other than goodwill	**2,908**	**—**	**17**	**—**	**2,925**
Impairment of goodwill	**—**	**2,089**	**338**	**—**	**2,427**
Change in estimated fair value of contingent earn-out consideration	**—**	**(41)**	**—**	**—**	**(41)**
Net (gain) loss on the disposition of assets	**22,056**	**260**	**10**	**—**	**22,326**
Operating income (loss)	**$ 11,773**	**$ (783)**	**$ (2,517)**	**$ (16,674)**	**$ (8,201)**

	Broadcast	Digital Media	Publishing	Unallocated Corporate	Consolidated
			(Dollars in thousands)		
Year Ended December 31, 2018					
Net revenue	$198,502	$42,595	$ 21,686	$ —	$ 262,783
Operating expenses	148,614	33,296	22,396	15,686	219,992
Net operating income (loss) before depreciation, amortization, impairments, change in estimated fair value of contingent earn-out consideration and net (gain) loss on the disposition of assets	$ 49,888	$ 9,299	$ (710)	$ (15,686)	$ 42,791
Depreciation	7,520	3,169	510	835	12,034
Amortization	38	5,227	926	1	6,192
Impairment of indefinite-lived long-term assets other than goodwill	2,834	—	36	—	2,870
Change in estimated fair value of contingent earn-out consideration	—	76	—	—	76
Net (gain) loss on the disposition of assets	4,653	—	—	—	4,653
Operating income (loss)	$ 34,843	$ 827	$ (2,182)	$ (16,522)	$ 16,966

	Broadcast	Digital Media	Publishing	Unallocated Corporate	Consolidated
			(Dollars in thousands)		
As of December 31, 2019					
Inventories, net	**$ —**	**$ —**	**$ 717**	**$ —**	**$ 717**
Property and equipment, net	**72,816**	**6,127**	**801**	**7,929**	**87,673**
Broadcast licenses	**337,858**	**—**	**—**	**—**	**337,858**
Goodwill	**2,930**	**19,509**	**1,551**	**8**	**23,998**
Other indefinite-lived intangible assets	**—**	**—**	**260**	**—**	**260**
Amortizable intangible assets, net	**268**	**5,653**	**1,178**	**1**	**7,100**
As of December 31, 2018					
Inventories, net	$ —	$ 290	$ 387	$ —	$ 677
Property and equipment, net	81,269	6,184	933	7,958	96,344
Broadcast licenses	376,316	—	—	—	376,316
Goodwill	2,960	21,933	1,888	8	26,789
Other indefinite-lived intangible assets	—	—	277	—	277
Amortizable intangible assets, net	303	8,937	2,021	3	11,264

NOTE 22. SUBSEQUENT EVENTS

On March 10, 2020, we announced a quarterly equity distribution in the amount of $0.0250 per share on Class A and Class B common stock. The equity distribution will be paid on March 31, 2020 to all Class A and Class B common stockholders of record as of March 24, 2020.

On February 5, 2020, we entered an APA with Word Broadcasting to sell radio stationsWFIA-AM, WFIA-FM and WGTK-AM in Louisville, Kentucky for $4.0 million with a $250,000 credit applied to the sale price if closing occurs before March 31, 2020. Additionally, the buyer will receive a credit toward the purchase price of a sum equal to the monthly fees paid under the TBA that began in January 2017 for months 4-29 of the TBA and a sum equal to $2,000 per month for each monthly fee payment for months 30 and thereafter of the TBA; and a credit of the $450,000 option payment. We estimate the loss on sale to be approximately $0.5 million net of tax if the sale closes by March 31, 2020 and $0.3 million net of tax if the sale closes later. The actual loss will be recorded in the period ending March 31, 2020.

Based on the then existing market conditions, we completed repurchases of the Notes at amounts less than face value as follows:

Date	Principal Repurchased	Cash Paid	% of Face Value	Bond Issue Costs	Net Gain
			(Dollars in thousands)		
January 30, 2020	$ 2,250	$2,194	97.50%	$ 35	$ 22
January 27, 2020	1,245	1,198	96.25%	19	27
	$ 3,495	$3,392		$ 54	$ 49

Subsequent events reflect all applicable transactions through the date of the filing.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) of the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined by Exchange Act Rule 13a-15(e)). Based upon the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2019, the end of the period covered by this report.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by our board of directors, management and other personnel, 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, and 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 managements 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.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Management has used the framework set forth in the 2013 report entitled “Internal Control—Integrated Framework” published by the Committee of Sponsoring Organizations (“COSO”) of the Treadway Commission to evaluate the effectiveness of the Company’s internal control over financial reporting. Management has concluded that the Company’s internal control over financial reporting was effective as of the end of the most recent fiscal year.

(c) Changes in Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting during the Company’s fourth fiscal quarter of 2019 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this item is incorporated by reference to our Definitive Proxy Statement under the heading "DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT," expected to be filed within 120 days of our fiscal year end.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference to our Definitive Proxy Statement under the heading "EXECUTIVE COMPENSATION," expected to be filed within 120 days of our fiscal year end.

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 our Definitive Proxy Statement under the heading "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS" expected to be filed within 120 days of our fiscal year end.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

The information required by this item relating to "Certain Relationships and Related Party Transactions" is incorporated by reference to our Definitive Proxy Statement under the heading "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" expected to be filed within 120 days of our fiscal year end.

The information required by this item relating to "Director Independence" is incorporated by reference to our Definitive Proxy Statement under the heading "DIRECTOR INDEPENDENCE" expected to be filed within 120 days of our fiscal year end.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item is incorporated by reference to our Definitive Proxy Statement under the heading "PRINCIPAL ACCOUNTING FEES AND SERVICES," expected to be filed within 120 days of our fiscal year end.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Financial Statements. The financial statements required to be filed hereunder are included in Item 8.

ITEM 16. FORM 10-K SUMMARY.

Not required for smaller reporting companies.

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

3. Exhibits.

EXHIBIT LIST

Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
3.01	Amended and Restated Certificate of Incorporation of the Company.	8-K	333-41733-29	04/14/99	3.1	
3.02	Certificate of Amendment of Certificate of Incorporation of the Company.	8-K	000-26497	02/23/15	3.1	
3.03	Second Amended and Restated Bylaws of the Company.	8-K	000-26497	02/23/15	3.2	
4.01	Specimen of Class A common stock certificate.	S-1/A	333-76649	Declared Effective 06/30/99	4.09	
4.02	Indenture, dated as of May 19, 2017, by and among Salem Media Group, Inc., the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee and collateral agent	8-K	000-26497	05/23/17	4.1	
4.03	Form of 6.750% Senior Secured Note due 2024	8-K	000-26497	05/23/17	4.2	
4.04	Security Agreement, dated as of May 19, 2017, among Salem Media Group, Inc., the subsidiary guarantors party thereto and U.S. Bank National Association, as collateral agent	8-K	000-26497	05/23/17	4.3	

4.05	Description of Debt Securities and Guarantees	—	—	—	—	X
10.00	Employment Agreement, dated July 1, 2019 between Salem Communications Holding Corporation and Edward G. Atsinger III.	8-K	000-26497	07/03/19	99.1	
10.01	Employment Agreement, dated July 1, 2019 between Salem Communications Holding Corporation and Stuart W. Epperson.	—	—	—	—	X
10.02	Employment Agreement dated January 1, 2020 between Salem Communications Holding Corporation and Evan D. Masyr.	8-K	000-26497	01/06/20	99.1	
10.03	Employment Agreement dated January 1, 2020 between Salem Communications Holding Corporation and David Santrella.	8-K	000-26497	01/06/20	99.2	
10.04	Employment Agreement, effective as of September 15, 2017, between Salem Communications Holding Corporation and David A.R. Evans.	8-K	000-26497	09/19/17	99.1	
10.05	Employment Agreement, effective as of July 1, 2018, between Salem Communications Holding Corporation and Christopher J. Henderson.	8-K	000-26497	05/15/18	99.1	
10.06.02	Antenna/tower/studio lease between Common Ground Broadcasting, Inc. (KKMS-AM/Eagan, Minnesota) and Messrs. Atsinger and Epperson expiring in 2036.	8-K	000-26497	09/08/16	10.2	

10.06.03	Antenna/tower lease (KFAX-FM/Hayward, California) and Salem Broadcasting Company, a partnership consisting of Messrs. Atsinger and Epperson, expiring in 2023.	8-K	000-26497	04/14/08	10.06.21
10.06.04	Antenna/tower lease between Salem Media of Texas, Inc. (KSLR-AM/San Antonio, Texas) and Epperson-Atsinger 1983 Family Trust expiring 2017.	S-4	333-41733-29	01/29/98	10.05.19
10.06.04.01	Amendment to Lease to Antenna/tower lease between Salem Media of Texas, Inc. (KSLR-AM/San Antonio, TX) and Epperson-Atsinger 1983 Family Trust expiring 2017.	10-K	000-26497	03/17/08	10.06.13.01
10.06.04.02	Second Amendment to Lease to Antenna/tower lease between Salem Media of Texas, Inc. (KSLR-AM/San Antonio, TX) and Epperson-Atsinger 1983 Family Trust expiring 2017.	10-K	000-26497	03/17/08	10.06.13.02
10.06.05	Antenna/tower lease between Inspiration Media, Inc. (KLFE-AM/Seattle, Washington) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring in 2023.	8-K	000-26497	04/14/08	10.06.22
10.06.06	Antenna/tower/studio lease between Pennsylvania Media Associates, Inc. (WNTP-AM/WFIL-AM/Philadelphia, Pennsylvania) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2023.	8-K	000-26497	04/14/08	10.06.27

10.06.07	Antenna/tower lease between New Inspiration Broadcasting Co., Inc.: as successor in interest to Radio 1210, Inc. (KPRZ-AM/San Marcos, California) and The Atsinger Family Trust expiring in 2028.	S-4/A	333-41733-29	01/29/98	10.05.12
10.06.08	Lease Agreement between Salem Media of Colorado, Inc. (KNUS-AM/Denver-Boulder, Colorado) and Messrs. Atsinger and Epperson expiring 2036.	8-K	000-26497	03/03/16	10.1
10.06.09	Antenna/tower lease between Salem Media of Oregon, Inc. (KPDQ-AM/FM/Portland, Oregon), and Messrs. Atsinger and Epperson expiring 2023.	8-K	000-26497	04/14/08	10.06.24
10.06.10	Antenna/tower lease between South Texas Broadcasting, Inc. (KNTH-AM/Houston-Galveston, Texas) and Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2023.	8-K	000-26497	04/14/08	10.06.23
10.06.11	Antenna/tower lease between New Inspiration Broadcasting Company, Inc. (KFIA-AM/Sacramento, California) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2036.	8-K	000-26497	09/08/16	10.1
10.06.12	Antenna/tower lease between Inspiration Media of Texas, Inc. (KTEK-AM/Alvin, Texas) and the Atsinger Family Trust and The Stuart W. Epperson Revocable Living Trust expiring 2018.	10-K	000-26497	03/31/99	10.05.23

10.06.13	Antenna/tower lease between Pennsylvania Media Associates Inc. (WORL-AM / Orlando, Florida) and Atsinger Family Trust and Stuart W. Epperson, revocable living trust expiring 2045.	10-K	000-26497	03/16/07	10.05.25
10.06.14	Lease Agreement, dated April 8, 2008, between Inspiration Media, Inc. (KDOW-AM/Palo Alto, CA) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.20
10.06.15	Lease Agreement, dated April 8, 2008, between New Inspiration Broadcasting Company, Inc. (KFAX-AM/San Francisco, CA) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.21
10.06.16	Lease Agreement, dated April 8, 2008, between Inspiration Media, Inc. (KLFE-AM/Seattle, WA) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.22
10.06.17	Lease Agreement, dated April 8, 2008, between South Texas Broadcasting, Inc. (KNTH-AM/Houston, TX) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.23
10.06.18	Lease Agreement, dated April 8, 2008, between Salem Media of Oregon, Inc. (KPDQ-AM/Portland, OR) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.24
10.06.19	Lease Agreement, dated April 8, 2008, between Common Ground Broadcasting, Inc. (KPXQ-AM/Glendale, AZ) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.25

10.06.20	Lease Agreement, dated April 8, 2008, between Salem Media of Texas, Inc. (KSLR-AM/San Antonio, TX/night sight) and Principal Shareholders expiring 2023.	8-K	000-26497	04/14/08	10.06.26
10.06.21	Lease Agreement, dated January 25, 2017, between Caron Broadcasting, Inc. (KTIE-AM/San Bernardino) and Principal Shareholders expiring 2036.	8-K	000-26497	01/27/2017	10.1
10.06.22	Lease Agreement dated March 1, 2017, between Salem Media of Texas, Inc. (KSLR-AM/San Antonio, TX) and Principal Shareholders expiring 2037.	8-K	000-26497	05/10/2017	10.1
10.07.03	Assignment and Assumption of Real Property Rights and Obligations under Asset Purchase Agreement dated September 12, 2017 between AM 570, LLC and Salem Radio Properties, Inc.	8-K	000-26497	09/20/17	10.1
10.07.04	Local Programming and Marketing Agreement dated September 15, 2017 between AM 570, LLC and Salem Media of Virginia, Inc.	8-K	000-26497	09/20/17	10.2
10.07.05	Asset Purchase Agreement dated September 15, 2017 between AM 570, LLC and Salem Media of Virginia, Inc.	8-K	000-26497	09/20/17	10.3
10.07.06	Transmitter Site Lease Agreement dated September 15, 2017 between Salem Radio Properties, Inc. and AM 570, LLC.	8-K	000-26497	09/20/17	10.4

10.08.01	Amended and Restated 1999 Stock Incentive Plan (as amended and restated through May 8, 2019).	DEFA14A	000-26497	04/22/19	Appendix A
10.08.02	Form of stock option grant for Amended and Restated 1999 Stock Incentive Plan.	10-K	000-26497	03/16/05	10.08.02
10.08.03	Form of restricted stock option grant for Amended and Restated 1999 Stock Incentive Plan.	10-Q	000-26497	11/09/05	10.01
10.09	Management Services Agreement by and among Salem and Salem Communications Holding Corporation, dated August 25, 2000 (incorporated by reference to previously filed exhibit 10.11).	10-Q	000-26497	05/15/01	10.11
10.10.01	Credit Agreement, dated as of March 14, 2013, by and among Salem Communications Corporation, as the borrower, Wells Fargo Bank, National Association, as Administrative Agent, Swing Line Lender and L/C Issuer and the other Lenders party thereto, Wells Fargo Securities, LLC, SunTrust Robinson Humphrey, Inc., and Rabobank, N.A., as Joint Lead Arrangers and Joint Bookrunners, SunTrust Bank, as Syndication Agent, and Rabobank, N.A. as Documentation Agent.	8-K	000-26497	03/14/13	10.1
10.10.02	Security Agreement, dated as of March 14, 2013, by and among Salem Communications Corporation, as Borrower and the Guarantors party thereto and Wells Fargo Bank, National Association, as Administrative Agent.	8-K	000-26497	03/14/13	10.2

10.10.03	Intercreditor Agreement, dated as of May 19, 2017, by and between Wells Fargo Bank, National Association, as administrative agent, and U.S. Bank National Association, as collateral agent.	8-K	000-26497	05/23/17	10.1	
10.10.04	Credit Agreement, dated as of May 19, 2017, by and among Salem Media Group, Inc., as parent and a borrower, the subsidiaries party thereto, as borrowers, Wells Fargo Bank, National Association, as administrative agent, Wells Fargo Bank, National Association, as lead arranger, and the lenders that are parties thereto.	8-K	000-26497	05/23/17	10.2	
10.10.05	Guaranty and Security Agreement, dated as of May 19, 2017, by and among Salem Media Group, Inc., the subsidiaries party thereto and Wells Fargo Bank, National Association, as administrative agent	8-K	000-26497	05/23/17	10.3	
10.10.06	Purchase Agreement, dated May 11, 2017, by and between Salem Media Group, Inc., the subsidiaries party thereto, Wells Fargo Securities, LLC, Barclays Capital Inc. and Noble Capital Markets, Inc.	10-Q	000-26497	08/08/17	10.5	
14	Code of Ethics	—	—	—	—	X
21	Subsidiaries of Salem Media Group, Inc.	—	—	—	—	X
23.1	Consent of Crowe LLP, Independent Registered Public Accounting Firm.	—	—	—	—	X
23.2	Consent of Bond & Pecaro.	—	—	—	—	X

31.1	Certification of Edward G. Atsinger III Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.	—	—	—	—	X
31.2	Certification of Evan D. Masyr Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.	—	—	—	—	X
32.1	Certification of Edward G. Atsinger III Pursuant to 18 U.S.C. Section 1350.	—	—	—	—	X
32.2	Certification of Evan D. Masyr Pursuant to 18 U.S.C. Section 1350.	—	—	—	—	X
101	The following financial information from the Annual Report on Form 10-K for the fiscal year ended December 31, 2019, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Consolidated Balance Sheets (ii) Consolidated Statements of Operations (iii) the Consolidated Statement of Stockholders' Equity (iv) the Consolidated Statements of Cash Flows (v) the Notes to the Consolidated Financial Statements.	—	—	—	—	X

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
4.05	Description of Debt Securities and Guarantees
10.01	Employment Agreement, dated July 1, 2019 between Salem Communications Holding Corporation and Stuart W. Epperson
14	Code of Ethics
21	Subsidiaries of Salem Media Group Inc.
23.1	Consent of Crowe LLP, Independent Registered Public Accounting Firm.
23.2	Consent of Bond & Pecaro
31.1	Certification of Edward G. Atsinger III Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.
31.2	Certification of Evan D. Masyr Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.
32.1	Certification of Edward G. Atsinger III Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Evan D. Masyr Pursuant to 18 U.S.C. Section 1350.
101	The following financial information from the Annual Report on Form10-K for the fiscal year ended December 31, 2019, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Consolidated Balance Sheets (ii) Consolidated Statements of Operations (iii) the Consolidated Statement of Stockholders' Equity (iv) the Consolidated Statements of Cash Flows (v) the Notes to the Consolidated Financial Statements.

SIGNATURES

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

	SALEM MEDIA GROUP, INC.
March 12, 2020	By: /s/ EDWARD G. ATSINGER III
	Edward G. Atsinger III Chief Executive Officer
March 12, 2020	By: /s/ EVAN D. MASYR
	Evan D. Masyr Executive Vice President and Chief Financial Officer

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

Signature	Title	Date
/s/ EDWARD G. ATSINGER III Edward G. Atsinger III	Chief Executive Officer (Principal Executive Officer)	March 12, 2020
/s/ EVAN D. MASYR Evan D. Masyr	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 12, 2020
/s/ STUART W. EPPERSON Stuart W. Epperson	Chairman	March 12, 2020
/s/ RICHARD A. RIDDLE Richard A. Riddle	Director	March 12, 2020
/s/ ERIC HALVORSON Eric Halvorson	Director	March 12, 2020
/s/ HEATHER W. GRIZZLE Heather W. Grizzle	Director	March 12, 2020

EXHIBIT 4.05

DESCRIPTION OF DEBT SECURITIES AND GUARANTEES

The following description summarizes certain general terms and provisions of the debt securities that we may offer under this prospectus and is qualified in its entirety by reference to the applicable indenture and its associated documents, including the form of note. When we offer to sell a particular series of debt securities, we will describe the specific terms of the series in the applicable prospectus supplement. If so described in a prospectus supplement, the terms of that series of debt securities may differ from the general description of terms presented below and the form of indenture filed as an exhibit to the registration statement of which this prospectus forms a part.

In this section entitled "Description of Debt Securities and Guarantees," references to the "Company," "we," "our" and "us" refer to Salem Media Group, Inc. and not to any subsidiaries, unless the context requires otherwise.

General

The indenture does not limit the aggregate principal amount of debt securities that may be issued thereunder. The debt securities may be issued from time to time in one or more series.

We will describe in the applicable prospectus supplement the terms relating to a series of debt securities, including:

- the title;
- the principal amount being offered, and, if a series, the total amount authorized and the total amount outstanding;
- any limit on the amount that may be used;
- whether or not we will issue the series of debt securities in global form and, if so, the terms and who the depositary will be;
- the maturity date(s);
- the principal amount due at maturity, and whether the debt securities will be issued with any original issue discount;
- whether and under what circumstances, if any, we will pay additional amounts on any debt securities held by a person who is not a U.S. person for tax purposes, and whether we can redeem the debt securities if we have to pay such additional amounts;
- the interest rate(s), which may be fixed or variable, or the method for determining the rate, the date interest will begin to accrue, the dates interest will be payable and the regular record dates for interest payment dates or the method for determining such dates;
- whether the debt securities will be secured or unsecured, and the terms of any secured debt;
- the terms of the subordination of any series of subordinated debt;
- the place where payments will be payable;
- restrictions on transfer, sale or other assignment, if any;
- our right, if any, to defer payment of interest and the maximum length of any such deferral period;
- the date, if any, after which, the conditions upon which, and the price at which we may, at our option, redeem the series of debt securities pursuant to any optional or provisional redemption provisions, and any other applicable terms of those redemption provisions;
- provisions for a sinking fund, purchase or other analogous fund, if any;

- the date, if any, on which, and the price at which we are obligated, pursuant to any mandatory sinking fund or analogous fund provisions or otherwise, to redeem, or at the holder's option to purchase, the series of debt securities;
- whether the indenture will require us to maintain any interest coverage, fixed charge, cash flow-based, asset-based or other financial ratios;
- whether the indenture will contain any additional covenants, or eliminate or change any existing covenants, that apply to the debt securities;
- a discussion of any material U.S. federal income tax considerations applicable to the debt securities;
- information describing any book-entry features;
- the procedures for any auction and remarketing, if any;
- the denominations in which we will issue the series of debt securities, if other than denominations of $2,000 and any integral multiple of $1,000 in excess thereof;
- if other than U.S. dollars, the currency in which the series of debt securities will be denominated;
- the identity of any guarantors and the terms of the guarantees; and
- any other specific terms, preferences, rights or limitations of, or restrictions on, the debt securities, including any events of default that are in addition to those described in this prospectus or any covenants, including restrictive covenants, provided with respect to the debt securities, and any terms which may be required by us or advisable under applicable laws or regulations or advisable in connection with the marketing of the debt securities.

Conversion or Exchange Rights

We will describe in the applicable prospectus supplement the terms on which a series of debt securities may be convertible into or exchangeable for Salem Media Class A common stock or other securities, including the conversion or exchange rate, as applicable, or how it will be calculated, and the applicable conversion or exchange period. We will include provisions as to whether conversion or exchange is mandatory, at the option of the holder or at our option. We may include provisions pursuant to which the number of our securities that the holders of the series of debt securities receive upon conversion or exchange would, under the circumstances described in those provisions, be subject to adjustment, or pursuant to which those holders would, under those circumstances, receive other property upon conversion or exchange, for example in the event of our merger or consolidation with another entity.

Certain Covenants

The indenture may include covenants of Salem Media or any of our subsidiaries, as the case may be. These covenants may impose limitations on our indebtedness, limitations on liens, limitations on the issuance of preferred stock of certain of our subsidiaries, limitations on certain distributions and limitations on transactions with our affiliates, or other limitations. Any such covenants applicable to a series of debt securities will be described in the applicable prospectus supplement.

Consolidation, Merger or Sale

The indenture in the form initially filed as an exhibit to the registration statement of which this prospectus is a part does not contain any covenant that restricts the ability of Salem Media or any of our subsidiaries to merge or consolidate, or sell, convey, transfer or otherwise dispose of all or substantially all of ours or their assets, as applicable. However, any successor of such entity or acquiror of such assets must assume all of the obligations of Salem Media or any of our subsidiaries, as applicable, under the indenture and the debt securities.

If the debt securities are convertible into other securities of Salem Media or any of its subsidiaries, as applicable, the person with whom such entity consolidates or merges or to whom such entity sells all of its property must make provisions for the conversion of the debt securities into securities similar to the securities that the holders of the debt securities would have received if they had converted the debt securities before the consolidation, merger or sale.

Guarantees

Salem Media has no independent assets or operations. To the extent provided in the applicable prospectus supplement, the debt securities offered and sold pursuant to this registration statement may be guaranteed by certain subsidiaries of Salem Media. These guarantees will be full and unconditional and joint and several obligations of the guarantors. If a series of debt securities is so guaranteed, an indenture, or a supplemental indenture thereto, will be executed by the guarantor. The obligations of each guarantor under its guarantee will be limited as necessary to prevent that guarantee from constituting a fraudulent conveyance under applicable law. The terms of the guarantee will be set forth in the applicable prospectus supplement.

Structural Subordination

We conduct all of our operations through our subsidiaries. As a result, we depend on dividends from the earnings of our subsidiaries to generate the funds necessary to meet our financial obligations, including the debt securities. These subsidiaries are separate and distinct legal entities and have no obligation whatsoever to pay any amounts due on our financial obligations, except to the extent that they have agreed to guarantee the obligations or to make funds available to us. The subsidiaries' ability to pay dividends or make other payments or advances to us will depend on their operating results and will be subject to applicable laws and contractual restrictions. Holders of our debt securities will have a position junior to the prior claims of creditors of our subsidiaries, including trade creditors, debt holders, secured creditors, taxing authorities and guarantee holders, and any preferred stockholders, except to the extent that we may be a creditor with recognized and unsubordinated claims against our subsidiaries. In addition, our subsidiaries may be prohibited or limited from time to time, under the terms of the instruments governing their indebtedness, from paying dividends or otherwise making payments or advances or transferring assets to us. If specified in the prospectus supplement, the guarantees will be general obligations of our subsidiaries that execute subsidiary guarantees. Unless otherwise specified in the prospectus supplement, such subsidiary guarantees will be unsecured obligations.

Events of Default Under the Indenture

Unless otherwise specified in the applicable prospectus supplement, the following are events of default under the indenture with respect to any series of debt securities that we may issue:

- default in the payment of principal of, or premium, if any, on any debt security when it is due and payable at maturity, upon acceleration, redemption or otherwise;
- default in the payment of interest on any debt security when it is due and payable, and such default continues for a period of 30 days;
- default in the performance or breach of the covenants contained in the indenture or under the debt securities, and such default or breach continues for a period of 90 consecutive days after written notice by the trustee or the holders of 25% or more in aggregate principal amount of the debt securities of the applicable series;
- if specified events of bankruptcy, insolvency or reorganization occur; and
- if certain other specified events occur, as described in the applicable prospectus supplement.

If an event of default with respect to debt securities of any series occurs and is continuing, other than an event of default specified in the penultimate bullet point above, the trustee or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series, by notice to us in writing, and to the trustee if notice is given by such holders, may, and the trustee at the request of the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series will, declare the unpaid principal, premium, if any, and accrued interest, if any, due and payable immediately. Upon a declaration of acceleration, such principal of, premium, if any, and accrued interest will be immediately due and payable. If an event of default specified in the penultimate bullet point above occurs with respect to us, the principal amount of and accrued interest, if any, of each series of debt securities then outstanding shall be due and payable without any notice or other action on the part of the trustee or any holder.

At any time after a declaration of acceleration with respect to debt securities of any series has been made, but before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of a majority in principal amount of the outstanding debt securities of that series may rescind and annul the acceleration if:

- we have paid or deposited with the trustee a sum sufficient to pay all matured installments of interest upon all the debt securities of that series and the principal of and premium, if any, on any and all debt securities of that series that shall have become due otherwise than by acceleration (with interest upon such principal and premium, if any, and, to the extent that such payment is enforceable under applicable law, upon overdue installments of interest, at the rate per annum expressed in the debt securities of that series to the date of such payment or deposit) and the amount payable to the trustee under the indenture; and
- all events of default, other than the non-payment of accelerated principal and interest, if any, with respect to debt securities of that series, have been cured or waived as provided in the indenture.

The holders of a majority in principal amount of the outstanding debt securities of an affected series may waive any default or event of default with respect to the series and its consequences, except that defaults or events of default regarding payment of principal, premium, if any, or interest, require the consent of each holder affected by such waiver; provided, however, that the holders of a majority in principal amount of the outstanding debt securities of any series may rescind an acceleration and its consequences, including any related payment default that resulted from the acceleration.

The holders of at least a majority in principal amount of the outstanding debt securities of any series may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee. However, the trustee may refuse to follow any direction that conflicts with law or the applicable indenture or that the trustee determines in good faith may, subject to the trustee's duties under the Trust Indenture Act of 1939, involve the trustee in personal liability or may be unduly prejudicial to the rights of holders not joining in the giving of such direction, and the trustee may take any other action it deems proper that is not inconsistent with any such direction received from holders of the applicable series of debt securities. A holder may not pursue any remedy with respect to the indenture or the debt securities unless:

- the holder gives the trustee written notice of a continuing event of default;
- the holders of at least 25% in aggregate principal amount of outstanding debt securities of the applicable series make a written request to the trustee to pursue the remedy;
- such holder or holders offer the trustee indemnity reasonably satisfactory to the trustee against any costs, losses, liability or expense;
- the trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

- during such 60-day period, the holders of a majority in aggregate principal amount of the outstanding debt securities of the applicable series do not give the trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any holder of a debt security to receive payment of the principal of, premium, if any, or interest on, such debt security or to bring suit for the enforcement of any such payment on or after the due date expressed in the debt security, which right shall not be impaired or affected without the consent of the holder.

We will periodically file statements with the trustee regarding our compliance with the covenants in the indenture.

Modifications of Indenture; Waiver

Subject to certain limited exceptions, modifications, waivers and amendments of the indenture, the debt securities and the debt security guarantees may be made with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding debt securities of each series that is affected (including consents obtained in connection with a tender offer or exchange offer for such debt securities) and any past default or compliance with any provisions may also be waived with the consent of the holders of a majority in principal amount of the outstanding debt securities of each series that is affected; provided that no such modification, waiver or amendment may, without the consent of each holder affected thereby:

- change the stated maturity of the principal of, or any installment of interest on, any debt security;
- reduce the principal amount of, or premium, if any, or rate of interest on, any debt security;
- change the currency of payment of principal of, or premium, if any, or interest on, any debt security;
- impair the right to institute suit for the enforcement of any payment on or after the stated maturity (or, in the case of a redemption, on or after the redemption date) of any debt security;
- reduce the percentage or aggregate principal amount of outstanding debt securities the consent of whose holders is necessary to modify or amend the indenture or to waive compliance with certain provisions of the indenture or certain defaults;
- waive a default in the payment of principal of, premium, if any, or interest on the debt security (except a rescission of acceleration of the debt securities of any series by the holders of at least a majority in aggregate principal amount of the then outstanding debt securities of that series and a waiver of the payment default that resulted from such acceleration); or
- voluntarily release a guarantor of the debt securities other than in accordance with the indenture.

Modifications, waivers and amendments of the indenture, the debt securities and the debt security guarantees may, without notice to or the consent of any holder, be made:

- to cure any ambiguity, defect, omission or inconsistency in the indenture or the debt securities as evidenced by an Officers' Certificate;
- to provide for the assumption of our or a guarantor's obligations to holders of the debt securities and the debt securities guarantees in the case of a merger or consolidation or sale of all or substantially all of our or such guarantor's assets to comply with the provisions under the caption "—Consolidation, Merger or Sale";
- to comply with any requirements of the SEC in connection with the qualification of the indenture under the Trust Indenture Act of 1939;
- to evidence and provide for the acceptance of an appointment by a successor trustee;

- to provide for uncertificated debt securities in addition to or in place of certificated debt securities; provided that the uncertificated debt securities are issued in registered form for purposes of Section 163(f) of the Internal Revenue Code of 1986, as amended;
- to provide for any guarantee of the debt securities, to secure the debt securities or to confirm and evidence the release, termination or discharge of any guarantee of or lien securing the debt securities when such release, termination or discharge is permitted by the indenture;
- to add to our covenants or the covenants of any guarantor for the benefit of the holders of the debt securities or to surrender any right or power conferred upon us or any guarantor;
- to provide for the issuance of additional debt securities in accordance with the terms of the indenture;
- to make any change that would provide any additional rights or benefits to the holders of the debt securities or that does not adversely affect the legal rights under the indenture of any holder;
- to conform the indenture, the debt securities and any debt security guarantees to any provision of this "Description of Debt Securities and Guarantees" section or any subsequent description of debt securities or guarantees contained in any prospectus supplement to the extent that such provision in this "Description of Debt Securities and Guarantees" section or any subsequent description of debt securities or guarantees contained in any prospectus supplement is intended to be a verbatim recitation of a provision of the indenture, the debt securities or the debt security guarantees, as applicable as evidenced by an Officers' Certificate;
- to make any amendment to the provisions of the indenture relating to the transfer and legending of debt securities; provided, however, that (a) compliance with the indenture as so amended would not result in debt securities being transferred in violation of the Securities Act or any other applicable securities law and (b) such amendment does not materially and adversely affect the rights of holders to transfer debt securities; or
- to make certain other modifications, waivers or amendments as described in the applicable prospectus supplement.

Defeasance and Discharge; Legal Defeasance and Covenant Defeasance

Each indenture will be discharged and will cease to be of further effect as to all debt securities issued thereunder, when:

1. either:

A. all debt securities that have been authenticated, except lost, stolen or destroyed debt securities that have been replaced or paid and debt securities for whose payment money has been deposited in trust and thereafter repaid to us, have been delivered to the trustee for cancellation; or

B. all debt securities that have not been delivered to the trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and we or any guarantor has irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable government securities, or a combination thereof, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the debt securities not delivered to the trustee for cancellation for principal of, premium on, if any, interest on, the debt securities to the date of maturity or redemption;

2. in respect of clause (1)(B) of this paragraph, no event of default has occurred and is continuing on the date of the deposit (other than an event of default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other indebtedness and, in each case, the granting of certain liens to secure such borrowings);

3. we or any guarantor has paid or caused to be paid all sums payable by it under the indenture; and

4. we have delivered irrevocable instructions to the trustee under the indenture to apply the deposited money toward the payment of the debt securities at maturity or on the redemption date, as the case may be.

We may, at our option at any time, elect to have all of our obligations discharged with respect to the outstanding debt securities of any series and all obligations of any guarantors discharged with respect to their guarantees of that series, or Legal Defeasance, except for:

- the rights of holders of outstanding debt securities of the applicable series to receive payments in respect of the principal of, premium on, if any, interest on, such debt securities when such payments are due from the trust referred to below;
- our obligations with respect to the debt securities of the applicable series concerning issuing temporary debt securities, registering the transfer and exchange of debt securities, replacing mutilated, destroyed, lost or stolen debt securities and maintaining an office or agency for presentation of debt securities for registration of transfer and exchange or payment and service of notices upon the Company in respect of the debt securities and the indenture;
- the rights, powers, trusts, duties and immunities of the trustee under the applicable indenture, and our and any guarantor's obligations in connection therewith; and
- the Legal Defeasance and Covenant Defeasance (as defined below) provisions of the applicable indenture.

In addition, we may, at our option and at any time, elect to have our obligations and the obligations of any guarantors released with respect to certain covenants to be described in the applicable indenture, or Covenant Defeasance, and thereafter any omission to comply with those covenants will not constitute a default or event of default with respect to the debt securities of the applicable series.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- we must irrevocably deposit with the trustee, in trust, for the benefit of the holders of the debt securities of the applicable series, cash in U.S. dollars, non-callable government securities, or a combination thereof, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, premium on, if any, and interest on, the outstanding debt securities of the applicable series on the stated date for payment thereof or on the applicable redemption date, as the case may be, and we must specify whether such debt securities are being defeased to such stated date for payment or to a particular redemption date;
- in the case of Legal Defeasance, we must deliver to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that (a) we have received from, or there has been published by, the Internal Revenue Service, or the IRS, a ruling or (b) since the date of the applicable indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding debt securities of the applicable series will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

- in the case of Covenant Defeasance, we must deliver to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that the holders of the outstanding debt securities of the applicable series will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- no default or event of default has occurred and is continuing on the date of such deposit (other than a default or event of default resulting from the borrowing of funds to be applied to such deposit (and any similar concurrent deposit relating to other indebtedness), and the granting of liens to secure such borrowings);
- such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the applicable indenture and the agreements governing any other indebtedness being defeased, discharged or replaced) to which we or any guarantor is a party or by which we or any guarantor is bound; and
- we must deliver to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Form, Exchange and Transfer

We will issue the debt securities of each series only in fully registered form without coupons and, unless we otherwise specify in the applicable prospectus supplement, in minimum denominations of $2,000 and any integral multiples of $1,000 in excess of $2,000. The indenture provides that we may issue debt securities of a series in temporary or permanent global form and as book-entry securities that will be deposited with a depositary named by us and identified in a prospectus supplement with respect to that series.

Subject to the terms of the indenture and the limitations applicable to global securities set forth in the applicable prospectus supplement, holders of the debt securities may present the debt securities for exchange or for registration of transfer, duly endorsed or with the form of transfer endorsed thereon duly executed if so required by us or the security registrar, at the office of the security registrar or at the office of any transfer agent designated by us for this purpose. Unless otherwise provided in the debt securities that the holder presents for transfer or exchange, the holder will be required to pay any related taxes or other governmental charges.

We will name in the applicable prospectus supplement the security registrar, and any transfer agent in addition to the security registrar, that we initially designate for any debt securities.

If we elect to redeem the debt securities of any series, we will not be required to:

- issue, register the transfer of, or exchange any debt securities of any series being redeemed in part during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any debt securities that may be selected for redemption and ending at the close of business on the day of the mailing; or
- register the transfer of or exchange any debt securities so selected for redemption, in whole or in part, except the unredeemed portion of any debt securities we are redeeming in part.

Information Concerning the Trustee

The trustee, other than during the occurrence and continuance of an event of default under the indenture, undertakes to perform only those duties as are specifically set forth in the indenture. Upon an event of default under the indenture, the trustee must use the same degree of care as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the trustee is under no obligation to exercise any of the powers given it by the indenture at the request of any holder of debt securities unless it is offered security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities that it might incur.

The indenture and provisions of the Trust Indenture Act of 1939 contain limitations on the rights of the trustee, should it become a creditor of us or any guarantor, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise.

The trustee may hold debt securities and is permitted to engage in other transactions with us and any of our subsidiaries or affiliates; provided that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Payment and Paying Agents

Unless we otherwise indicate in the applicable prospectus supplement, we will make payment of the interest on any debt securities on any interest payment date to the person in whose name the debt securities, or one or more predecessor securities, are registered at the close of business on the regular record date for the interest.

We will pay principal of, and any premium and interest on, the debt securities of a particular series at the office of the paying agents designated by us, except that, unless we otherwise indicate in the applicable prospectus supplement, we may make payments of principal or interest by check, which we will mail to the holder or by wire transfer to certain holders. The trustee will initially act as paying agent and registrar. We will name in the applicable prospectus supplement any other paying agents that we initially designate for the debt securities of a particular series.

Subject to applicable escheatment laws, any money deposited with the trustee or any paying agent, or then held by us, in trust for the payment of the principal of, premium on, if any, or interest on any debt security and remaining unclaimed for two years after such principal, premium, if any, or interest, has become due and payable shall be paid to us on our request or (if then held by us) will be discharged from such trust; and the holder of such debt security will thereafter be permitted to look only to us for payment thereof and all liability of the Trustee shall cease.

Governing Law

The indenture, the debt securities and any guarantees thereunder will be governed by and construed in accordance with the laws of the State of New York.

EXHIBIT 10.01

EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is entered into effective as of July 1, 2019, by and between **Stuart W. Epperson**, an individual ("Executive"), and **Salem Communications Holding Corporation**, a Delaware corporation (the "Company").

RECITALS

WHEREAS, the Executive and the Company are parties to an Employment Agreement, dated July 1, 2018 (the "Old Employment Agreement");

WHEREAS, the Executive and the Company wish to terminate the Old Employment Agreement, effective as of midnight on June 30, 2019;

WHEREAS, the Company desires to employ Executive in the capacity of Chairman of the Board of the Company on the terms and conditions set forth herein; and

WHEREAS, Executive desires to serve in such capacity on behalf of the Company and to provide to the Company the services described herein on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals, the terms and conditions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Executive and the Company hereby agree as follows:

1. Employment by the Company and Term.

(a) Duties. Subject to the terms set forth herein, the Company agrees to employ Executive as Chairman of the Board and Executive hereby accepts such employment. As Chairman of the Board, Executive shall have the authority, functions, duties, powers and responsibilities for Executive's corporate office and position as set forth in the Company's Bylaws from time to time and such other authority, functions, duties, powers and responsibilities as the Board of Directors of the Company (the "Board") may from time to time prescribe or delegate to Executive, in all cases to be consistent with Executive's corporate offices and positions. Notwithstanding the foregoing, the Board may change Executive's title, corporate office, positions, authority, functions, duties, powers and responsibilities from time to time if it, in its sole discretion, believes such change(s) to be in the best interest of the Company, provided that in no event shall Executive's status be of lesser stature than as non-executive Vice Chairman.

(b) Full Time and Best Efforts. During the Term, Executive shall apply, on a full-time basis, all of his skill and experience to the performance of his duties hereunder and shall not, without the prior consent of the Board, devote substantial amounts of time to outside business activities. The performance of Executive's duties shall be primarily in Winston-Salem, North Carolina and Jacksonville, Florida, subject to reasonable travel as the performance of his duties in the business may require. Notwithstanding the foregoing, Executive may devote a reasonable amount of his time to civic, community, charitable or passive investment activities in a manner which is reasonably consistent with his historic practices.

(c) Company Policies. The employment relationship between the parties shall be governed by the general employment policies and practices of the Company and of its parent, Salem Media Group, Inc., a Delaware corporation ("Parent"), including without limitation the policies described in Section 10 of this Agreement, except that when the terms of this Agreement differ from or are in conflict with the Company's or Parent's general employment policies or practices, this Agreement shall control.

(d) Term. Executive's term of employment under this Agreement shall commence as of the date hereof (the "Effective Date") and, subject to the terms hereof, shall terminate on such date (the "Termination Date") that is the earlier of: (1) June 30, 2020, or (2) the termination of Executive's employment pursuant to Section 4 of this Agreement. The period from the Effective Date until the Termination Date shall be defined herein as the "Term."

2. Compensation and Benefits.

(a) Cash Salary. Executive shall receive for services to be rendered hereunder an annual base salary (the "Base Salary"), at a rate of **Two Hundred Thousand Dollars ($200,000).**

(b) Participation in Benefit Plans. During the Term, Executive shall be entitled to participate in any group insurance, hospitalization, medical, dental, health and accident, disability, compensation or other plan or program of the Parent or Company now existing or established hereafter to the extent that he is eligible under the general provisions thereof. The Company may, in its sole discretion and from time to time, amend, eliminate or establish additional benefit programs as it deems appropriate. The availability and terms of such benefit plans shall be set by the Board of Directors of Parent, or its designated committee, and may change from time-to-time. Executive shall be required to comply with all conditions attendant to coverage by the benefit plans hereunder and shall be entitled to benefits only in accordance with the terms and conditions of such plans as they may be enumerated from time to time.

(c) Perquisites. During the Term, the Company shall provide Executive with the perquisites and other fringe benefits generally made available to senior executives of the Company and any such other benefits as the Board of Directors of Parent, or its designated committee, may elect to grant from time-to-time including the following:

(1) Automobile Allowance. The Company shall provide Executive, at no cost to Executive, the use of a company-owned or company-leased vehicle of a cost and quality reasonably acceptable to the Company but, in any event, equal to or exceeding the cost and quality of the vehicle presently used by Executive. The Company shall pay, or reimburse Executive for, all costs associated with operating, maintaining and insuring such automobile, provided such costs are itemized and presented to the company in writing and in a form as then prescribed by the Company in its policies for the reimbursement of employee business expenses;

(2) Life Insurance. The Company shall provide Executive the death benefit provided under a split-dollar life insurance policy pursuant to a separate Split Dollar Life Insurance Agreement dated January 10, 2011, and entered into by Executive and the Company;

(3) Regulatory Filings. The Company shall pay for all governmental and regulatory filings required by Executive solely as a result of his position as an officer or director of the Company or Parent, including, but not limited to, all Section 16 filings required by Executive. For avoidance of doubt, such filings would include SEC Forms 4 and 5 and Schedule 13G and FCC ownership reports and transfer applications and would not include other filings required in connection with the sale of company stock by Executive;

(4) Regulatory Filings/Fees Associated with Option Exercises. In the event Executive is required to make regulatory filings as a result of his exercise of options granted him by the Company for the purchase of stock of the Parent, the Company shall pay the cost of such filings, including any filing fee. The benefits provided in this Section 2(c)(4) shall include full reimbursement for any income and employment taxes applicable to such benefits;

(5) Travel and Entertainment Expenses. Reasonable, bona-fide Company-related entertainment and travel expenses incurred by Executive in accordance with the Employee Handbook, Code of Ethical Conduct, Financial Code of Conduct and other written policies, all as issued by the Company, relating thereto shall be reimbursed or paid by the Company; and,

(6) Health Benefit. Employer will pay the employee, spouse and dependents portions of the monthly group health care premiums on behalf of Executive.

3. Bonuses.

In addition to the other compensation of Executive as set forth herein, and subject to the provisions of Section 4 hereof, Executive shall be eligible for an annual merit bonus in an amount to be determined at the discretion of the Board of Directors of the Company, which bonus may be paid in cash, stock, stock options or a combination thereof.

4. Termination of Employment.

(a) Termination For Cause.

(1) Termination; Payment of Accrued Salary. The Board may terminate Executive's employment with the Company at any time for Cause (as hereinafter defined), immediately upon notice to Executive of the circumstances leading to such termination for Cause. In the event that Executive's employment is terminated for Cause, Executive shall receive payment for all accrued salary through the Termination Date, which in this event shall be the date upon which notice of termination is given. The Company shall have no further obligation to pay severance of any kind nor to make any payment in lieu of notice.

(2) Definition of Cause. For the purposes of this Agreement, "Cause" shall mean, without limitation, the following: (A) continued gross neglect, malfeasance or gross insubordination in performing duties assigned to Executive; (B) a conviction for a crime involving moral turpitude; (C) an egregious act of dishonesty (including without limitation theft or embezzlement) in connection with employment, or a malicious action by Executive toward Parent, Company, or their affiliates or related entities (together with Parent, collectively "Affiliates"); (D) a violation of the provisions of Section 6(a) hereof; (E) a willful breach of this Agreement; (F) disloyalty; and (G) material and repeated failure to carry out reasonably assigned duties or instructions consistent with Executive's position.

(b) Termination by Executive. Executive shall have the right, at his election, to terminate his employment with the Company by notice to the Company to that effect: (1) if the Company shall have failed to substantially perform a material condition or covenant of this Agreement ("Company's Material Breach") or (2) if the Company materially reduces or diminishes Executive's powers and responsibilities hereunder; provided, however, that a termination under clauses (1) and (2) of this Section 4(b) shall not be effective until Executive shall have given notice to the Company specifying the claimed breach and, provided such breach is curable, Company fails to correct the claimed breach within 30 days after the receipt of the applicable notice or such longer term as may be reasonably required by the Company due to the nature of the claimed breach (but within 10 days if the failure to perform is a failure to pay monies when due under the terms of this Agreement).

(c) Termination Upon Disability. The Company may terminate Executive's employment in the event Executive suffers any mental or physical impairment which prevents Executive at any time during the Term from performing the essential functions of his full duties for a period of 180 days within any 270 day period and Executive thereafter fails to return to work within 10 days of notice by the Company of intention to terminate ("Disability"). After the Termination Date, which in the event of a Disability shall be the date upon which notice of termination is given, no further compensation shall be payable under this Agreement except that Executive shall receive the accrued portion of any salary and bonus through the Termination Date, less standard withholdings for tax and social security purposes, payable, in the case of a bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan plus severance equal to 100% of his then Base Salary for 15 months without offset for any disability payments Executive may receive, payable in equal monthly installments. After the Termination Date following a Disability, any then unvested or time-vested stock options previously granted to Executive by the Company shall become immediately one hundred percent (100%) vested.

(d) Termination Without Cause. In the event that, during the Term, Executive's employment is terminated by the Company other than pursuant to Section 4(a) or 4(c), or by Executive pursuant to Section 4(b), the Company shall pay Executive as severance an amount equal to his then Base Salary for the longer of six months or the remainder of the Term, less standard withholdings for tax and social security purposes, payable in equal installments over six consecutive months, or, if longer, the number of months remaining in the Term, commencing immediately following termination, in monthly pro rata payments commencing as of the Termination Date, plus the accrued portion of any bonus through the Termination Date, less standard withholdings for tax and social security purposes, payable, in the case of a bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan.

(e) Benefits Upon Termination. All benefits provided under Section 2(b) hereof shall be extended at the Executive's cost, to the extent permitted by the Company's insurance policies and benefit plans, for six months after Executive's Termination Date, except (i) as required by law (*e.g.* COBRA health insurance continuation election) or (ii) in the event of a termination by the Company pursuant to Section 4(a).

(f) Termination Upon Death. If Executive dies prior to the expiration of the Term, the Company shall (1) continue coverage of Executive's dependents (if any) under all applicable benefit plans or programs of the type listed above in Section 2(b) herein for a period of 12 months, to the extent permitted by the Company's insurance policies and benefit plans, and (2) pay to Executive's estate the accrued portion of any salary and bonus through the Termination Date, less standard withholdings for tax and social security purposes, payable, in the case of a bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan. After the Termination Date, which in this event shall be the date of Executive's death, any then unvested or time-vested stock options previously granted to Executive by the Company shall become immediately one hundred percent (100%) vested.

(g) No Offset. Executive shall have no duty to mitigate any of his damages or losses and the Company shall not be entitled to reduce or offset any payments owed to Executive hereunder for any reason.

5. Right of First Refusal on Corporate Opportunities.

During the Term, Executive agrees that he shall, prior to exploiting a Corporate Opportunity (hereafter defined) for his own account or for the benefit of an immediate family member's account, offer the Company a right of first refusal with respect to such Corporate Opportunity. For purposes of this Section 5, "Corporate Opportunity" shall mean any business opportunity that is in the same or a related business as any of the businesses in which the Company or any of its Affiliates is involved. The determination as to whether a business opportunity constitutes a Corporate Opportunity shall be made by the Nominating and Corporate Governance Committee of Parent or a majority of the disinterested and independent members of the Board, and their determination shall be based on an evaluation of: (a) the extent to which the Corporate Opportunity is within the Company's or any of its Affiliates' existing lines of business or its existing plans to expand; (b) the extent to which the Corporate Opportunity supplements the Company's or any of its Affiliates' existing lines of activity or complements the Company's or any of its Affiliates' existing methods of service; (c) whether the Company has available resources that can be utilized in connection with the Corporate Opportunity; (d) whether the Company is legally or contractually barred from utilizing the Corporate Opportunity; (e) the extent to which utilization of the Corporate Opportunity by Executive would create conflicts of interest with the Company or any of its Affiliates; and (f) any other factors the Nominating and Corporate Governance Committee or such disinterested and independent Board members deem(s) appropriate under the circumstances.

6. Executive's Obligations.

(a) Confidential Information. Executive agrees that, during the Term or at any time thereafter:

(1) Executive shall not use for any purpose other than the duly authorized business of Company, or disclose to any third party, any information relating to Company or any of its Affiliates which is proprietary to Company or any of its Affiliates ("Confidential Information"), including any customer list, contact information, rate schedules, programming, data, plans, intellectual property, trade secret or any written (including in any electronic form) or oral communication incorporating Confidential Information in any way (except as may be required by law or in the performance of Executive's duties under this Agreement consistent with Company's policies) regardless of whether or not such information has been labeled as "confidential"; and

(2) Executive shall comply with any and all confidentiality obligations of Company to a third party, whether arising under a written agreement or otherwise.

(b) Work For Hire.

(1) The results and proceeds of Executive's services to Company, including, without limitation, any works of authorship resulting from Executive's services during Executive's employment with Company and/or any of its Affiliates and any works in progress resulting from such services, shall be works-made-for-hire and Company shall be deemed the sole owner of any and all rights of every nature in such works, whether such rights are now known or hereafter defined or discovered, with the right to use the works in perpetuity in any manner Company determines in its sole discretion without any further payment to Executive. If, for any reason, any of such results and proceeds are not legally deemed a work-made-for-hire and/or there are any rights in such results and proceeds which do not accrue to Company under the preceding sentence, then Executive hereby irrevocably assigns and agrees to assign any and all of Executive's right, title and interest thereto, whether now known or hereafter defined or discovered, and Company shall have the right to use the work in perpetuity in any location and in any manner Company determines in its sole discretion without any further payment to Executive.

(2) Executive shall do any and all things which Company may deem useful or desirable to establish or document Company's rights in any such results and proceeds, including, without limitation, the execution of appropriate copyright, trademark and/or patent applications, assignments or similar documents and, if Executive is unavailable or unwilling to execute such documents, Executive hereby irrevocably designates the Chief Executive Officer of Parent or his designee as Executive's attorney-in-fact with the power to execute such documents on Executive's behalf. To the extent Executive has any rights in the results and proceeds of Executive's services under this Agreement that cannot be assigned as described above, Executive unconditionally and irrevocably waives the enforcement of such rights.

(3) Works-made-for-hire do not include subject matter that meets all of the following criteria: (A) is conceived, developed and created by Executive on Executive's own time without using the Company's or any of its Affiliate's equipment, supplies or facilities or any trade secrets or confidential information, (B) is unrelated to the actual or reasonably anticipated business or research and development of Company or any of its Affiliates of which Executive is or becomes aware; and (C) does not result from any work performed by Executive for Company or any of its Affiliates.

(c) Return of Property. All documents, data, recordings, equipment or other property, whether tangible or intangible, including all information stored in electronic form, obtained or prepared by or for Executive and utilized by Executive in the course of Executive's employment with Company or any of its Affiliates shall remain the exclusive property of Company and shall not be removed from the premises of the Company under any circumstances whatsoever without the prior written consent of the Company, except when (and only for the period) necessary to carry out Executive's duties hereunder, and if removed shall be immediately returned to the Company upon any termination of his employment and no copies thereof shall be kept by Executive; provided, however, that Executive shall be entitled to retain documents reasonably related to his prior interest as a shareholder. Upon termination of employment, Executive shall promptly return all property of Company or any of its Affiliates.

(d) Use of Executive's Name, Image and Likeness Company may make use of Executive's name, photograph, drawing or other likeness in connection with the advertising or the giving of publicity to Company, Parent or a program broadcast or content provided by Company, Parent or any Affiliates. In such regard, Company may make recordings, transcriptions, videotapes, films and other reproductions of any and all actions performed by Executive in his or her capacity as an Executive of Company, including without limitation any voice-over or announcing material provided by Executive (collectively "Executive Performances"). Company shall have the right to broadcast, display, license, assign or use any Executive Performances on a royalty-free basis without additional compensation payable to Executive.

7. Noninterference.

While employed by the Company and for a period of two years thereafter, Executive agrees not to interfere with the business of the Company by directly or indirectly soliciting, attempting to solicit, inducing, or otherwise causing any executive or material employee of the Company or any of its Affiliates to terminate his or her employment in order to become an employee, consultant or independent contractor to or for any other Company.

8. Noncompetition.

Because of the need to protect the Company's business interests, including confidential information known by Executive, and as consideration for Company's offer to employ Executive for the Term, Executive agrees that during the Term and for a period of two years thereafter, he shall not, without the prior consent of the Company, directly or indirectly, be employed by, be connected with, or have an interest in, as an employee, consultant, officer, director, partner, stockholder or joint venturer, in any person or entity owning, managing, controlling, operating or otherwise participating or assisting in any business that is in competition with the business of the Company or any of its Affiliates (a) during the Term, in any location, and (b) for the two-year period following the termination of this Agreement, in any province, state or jurisdiction in the United States in which the Company or any of its Affiliates was conducting business at the date of termination of Executive's employment and continues to do so thereafter; provided, however, that the foregoing shall not prevent Executive from being a stockholder of less than one percent of the issued and outstanding securities of any class of a corporation listed on a national securities exchange or designated as national market system securities on an interdealer quotation system by the National Association of Securities Dealers, Inc. Notwithstanding the foregoing, this paragraph shall not operate to limit Executive's ability to provide non-confidential information to, serve on the board of directors of, or be employed by any 501(c)(3) organization, including any such organization operating non-commercial radio station(s).

9. Remedies.

Executive acknowledges that a breach or threatened breach by Executive of any of the provisions of Sections 5, 6, 7 or 8 will result in the Company and its stockholders suffering irreparable harm which cannot be calculated or fully or adequately compensated by recovery of monetary damages alone. Accordingly, Executive agrees that the Company shall be entitled to interim, interlocutory and permanent injunctive relief, specific performance and other equitable remedies, in addition to any other relief to which the Company may become entitled should there be such a breach or threatened breach.

10. Personal Conduct.

Executive agrees to promptly and faithfully comply with all present and future policies, requirements, directions, requests and rules and regulations of the Company in connection with the Company's business, including without limitation the policies and requirements set forth in Parent's Employee Handbook, Code of Ethical Conduct and Financial Code of Conduct. Executive further agrees to comply with all laws and regulations pertaining to Executive's employment with the Company. Executive hereby agrees not to engage in any activity that is in direct conflict with the essential interests of the Company or any of its Affiliates. Executive hereby acknowledges that nothing set forth in the Employee Handbook, Code of Ethical Conduct or Financial Code of Conduct or any other policy issued by the Company or Parent shall be deemed to create a separate contractual obligation, guarantee or inducement between Executive and the Company.

11. Indemnification.

The Company shall indemnify Executive to the fullest extent permitted by law, in effect at the time of the subject act or omission, and shall advance to Executive reasonable attorneys' fees and expenses as such fees and expenses are incurred (subject to an undertaking from Executive to repay such advances if it shall be finally determined by a judicial decision which is not subject to further appeal that Executive was not entitled to the reimbursement of such fees and expenses). Executive shall be entitled to the protection of any insurance policies that the Company may elect to maintain generally for the benefit of its directors and officers against all costs, charges and expenses incurred or sustained by him in connection with any action, suit or proceeding (other than any action, suit or proceeding arising under or relating to this Agreement) to which Executive may be made a party by reason of his being or having been a director, officer or employee of the Company or any of its Affiliates, or his serving or having served any other enterprise as a director, officer or employee at the request of the Company. The Company covenants to maintain during Executive's employment for the benefit of Executive (in his capacity as an officer and director of the Company) Directors' and Officers' Insurance providing benefits to Executive no less favorable, taken as a whole, than the benefits provided to the other senior executives of the Company by the Directors' and Officers' Insurance maintained by the Company on the date hereof; provided, however, that the Board may elect to terminate Directors' and Officers' Insurance for all officers and directors, including Executive, if the Board determines in good faith that such insurance is not available or is available only at unreasonable expense.

12. Miscellaneous.

(a) Notices. Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of (1) personal delivery (including personal delivery by e-mail or fax), (2) on the first day after mailing by overnight courier, or (3) on the third day after mailing by first class mail, to the recipient at the address indicated below:

To the Company:

Salem Communications Holding Corporation
4880 Santa Rosa Road
Camarillo, California 93012
Attention: Christopher J. Henderson, Executive Vice President, General Counsel & Secretary

To Executive:

Stuart W. Epperson
3780 Will Scarlet Road
Winston-Salem, NC 27104

or to such other address or to the attention of such other person as the recipient party shall have specified by prior written notice to the sending party.

(b) Severability. If any provision of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed herefrom, and all remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable.

(c) Entire Agreement. This document constitutes the final, complete, and exclusive embodiment of the entire agreement and understanding between the parties related to the subject matter hereof and supersedes and preempts any prior or contemporaneous understandings, agreements, or representations by or between the parties, written or oral. Without limiting the generality of the foregoing, except as provided in this Agreement, all understandings and agreements, written or oral, relating to the employment of Executive by the Company or the payment of any compensation or the provision of any benefit in connection therewith or otherwise, are hereby terminated and shall be of no further force and effect.

(d) Counterparts. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together shall constitute one and the same agreement.

(e) Successors and Assigns. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors and assigns, except that Executive may not assign any of his duties hereunder and he may not assign any of his rights hereunder without the prior written consent of the Company.

(f) Amendments. No amendments or other modifications to this Agreement may be made except by a writing signed by both parties. No amendment or waiver of this Agreement requires the consent of any individual, partnership, corporation or other entity not a party to this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any third person any rights or remedies under or by reason of this Agreement.

(g) Attorneys' Fees. If any legal proceeding is necessary to enforce or interpret the terms of this Agreement, or to recover damages for breach therefore, the prevailing party shall be entitled to reasonable attorney's fees, as well as costs and disbursements, in addition to other relief to which he or it may be entitled.

(h) Choice of Law. All questions concerning the construction, validity and interpretation of this Agreement shall be governed by the internal law, and not the law of conflicts, of the State of California.

(i) Resolution of Disputes. Company and Executive mutually agree to resolve any and all legal claims arising from or in any way relating to Executive's employment with Company through mediation or, if mediation does not resolve the claim or dispute within ten (10) days of notice demanding mediation, by binding arbitration under the Federal Arbitration Act subject to the terms and conditions provided below. Notwithstanding the foregoing, insured workers' compensation claims (other than wrongful discharge claims) and claims for unemployment insurance are excluded from arbitration under this Agreement. This Agreement does not prevent the filing of charges with administrative agencies such as the Equal

Employment Opportunity Commission, the National Labor Relations Board, or equivalent state agencies. Arbitration shall be conducted in Ventura County, California in accordance with any of the following, at Executive's election: (a) the JAMS® Employment Rules of Procedure, or (b) the rules of procedure issued by another alternative dispute resolution service mutually acceptable to Executive and Company. Any award issued in accordance with this Section 12(i) shall be rendered as a judgment in any trial court having competent jurisdiction. Company shall pay the arbitration fees and expenses, less any filing fee amount the Executive would otherwise have to pay to pursue a comparable lawsuit in a United States district court in the jurisdiction where the dispute arises or state court in the jurisdiction where the dispute arises, whichever is less. All other rights, remedies, exhaustion requirements, statutes of limitations and defenses applicable to claims asserted in a court of law shall apply in the arbitration. Executive expressly waives any presumption or rule, if any, which requires this Agreement to be construed against the Company.

(j) Integration. This Agreement comprises the entire understanding of the parties with respect to the subject matter and shall supersede all other prior written or oral agreements, including without limitation the Old Employment Agreement.

{Continued on the following page.}

(k) Survival; Modification of Terms. No change in Executive's duties or salary shall affect, alter, or otherwise release Executive from the covenants and agreements contained herein. All post-termination covenants, agreements, representations and warranties made herein by Executive shall survive the expiration or termination of this Agreement or employment under this Agreement in accordance with their respective terms and conditions.

IN WITNESS WHEREOF, the parties have executed this agreement effective as of the date first written above.

"EXECUTIVE"

/s/ Stuart W. Epperson
Stuart W. Epperson

"COMPANY"

SALEM COMMUNICATIONS HOLDING CORPORATION

By: /s/ Edward G. Atsinger III
Edward G. Atsinger III
Chief Executive Officer

I hereby certify that the terms and conditions of this Employment Agreement have been reviewed and approved by the Compensation Committee of Salem Media Group, Inc.

Effective Date: July 1, 2019

/s/ Keet Lewis
Keet Lewis
Chairman of the Compensation Committee,
Salem Media Group, Inc.

EXHIBIT 14

Financial Code of Conduct

Salem Media Group, Inc. (the "Company") has always held itself and its directors and employees to the highest standards of ethical behavior in all business dealings. These standards include an expectation that the integrity of the Company's financial reporting will never be compromised. All Salem employees and directors have a primary responsibility to ensure that all Company transactions are properly accounted for in the Company's accounting records and reflected on the Company's public reports.

It is appropriate to adopt a code of conduct uniquely applicable to financial matters and which supplements the Code of Ethics to which all employees of the Company are subject.

Specifically, each person subject to this Code of Conduct will at all times:

1. If working on financial documents and matters, ensure that external and internal financial data, and other information contained in the Company's public reports (a) present the facts in accordance with United States Generally Accepted Accounting Principles (GAAP) fairly and completely, and (b) accurately, timely and understandably set forth the facts they purport to represent.
2. Uphold honest and ethical conduct, especially in relation to the handling of actual and apparent conflicts of interest.
3. Report any conflicts of interest or any violation or suspected violation of this code of ethics as described below.
4. Ensure the Company is in full compliance with the law, all applicable rules and regulations, and Company policy, both in letter and in spirit.
5. Refrain from using the Company's confidential information, Company resources or corporate opportunities learned in the course of one's work for personal advantage without prior written approval from their supervisor.

Any person who violates this Code of Conduct is subject to disciplinary action, which may include termination of employment. The same is true of people who know of but fail to report another employee or director's violation of law or Company policy.

Any person who has reason to believe or suspect that this Ethical Code has been violated should immediately report the basis for such belief or suspicion to the Company. The report can be made through the Company's Ethics Helpline either telephonically (at 866-224-2163) or via the Internet (at www.SalemEthics.com). Reports to the Company's Ethics Helpline may be left anonymously, but the more information provided the greater ability the Company will have to investigate.

EXHIBIT 21

SUBSIDIARIES OF SALEM MEDIA GROUP, INC.

Name	State of Formation
Air Hot, Inc.	Delaware
Bison Media, Inc.	Colorado
Salem Communications Holding Corporation	Ohio
Eagle Products, LLC	Delaware
Inspiration Media, Inc.	Washington
Inspiration Media of Texas, LLC	Texas
New Inspiration Broadcasting Company, Inc.	California
NI Acquisition Corporation	California
Reach Satellite Network, Inc.	Tennessee
Salem Consumer Products, Inc.	Delaware
Salem Media of Colorado, Inc.	Colorado
Salem Media of Hawaii, Inc.	Delaware
Salem Media of Illinois, LLC	Delaware
Salem Media of Massachusetts, LLC	Delaware
Salem Media of New York, LLC	Delaware
Salem Media of Ohio, Inc.	Ohio
Salem Media of Oregon, Inc.	Oregon
Salem Media of Texas, Inc.	Texas
Salem Media Representatives, Inc.	Texas
Salem Radio Network Incorporated	Delaware
Salem Radio Operations, LLC	Delaware
Salem Radio Properties, Inc.	Delaware
Salem Satellite Media, LLC	Delaware
Salem Web Network, LLC	Delaware
SCA License Corporation	Delaware
SCA-Palo Alto, LLC	Delaware
SRN News Network, Inc.	Texas
SRN Store, Inc.	Texas

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos.333-40494, 333-113794, 333-125056, 333-182807, 333-231460 and 333-232684 on Form S-8 and 333-233861 on Form S-3 of Salem Media Group, Inc. of our report dated March 12, 2020 relating to the financial statements appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

Sherman Oaks, California
March 12, 2020

EXHIBIT 23.2

[Bond & Pecaro, Inc. letterhead]

Consent of Bond & Pecaro, Inc.

We hereby consent for Salem Medai Group, Inc. (the “Company”) to use Bond & Pecaro, Inc. name and data from our work product as of December 31, 2019 in public filings with the Securities and Exchange Commission.

/s/ Bond & Pecaro, Inc.

Bond & Pecaro, Inc.

January 3, 2020
Washington, D.C.

EXHIBIT 31.1

I, Edward G. Atsinger III, certify that:

1. I have reviewed this annual report on Form 10-K of Salem Media Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15(d)-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: March 12, 2020

/s/ EDWARD G. ATSINGER III

Edward G. Atsinger III
Chief Executive Officer

EXHIBIT 31.2

I, Evan D. Masyr, certify that:

1. I have reviewed this annual report on Form 10-K of Salem Media Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules13a-15(f) and 15(d)-15(f)) for the registrant and have:

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

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

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

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

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

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

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

Date: March 12, 2020

/s/ EVAN D. MASYR

Evan D. Masyr
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

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

The undersigned hereby certifies, in his capacity as Chief Executive Officer of Salem Media Group, Inc. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on his knowledge:

- the Annual Report of the Company on Form 10-K for the period ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 12, 2020

By: /s/ EDWARD G. ATSINGER III
Edward G. Atsinger III
Chief Executive Officer

EXHIBIT 32.2

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

The undersigned hereby certifies, in his capacity as Executive Vice President and Chief Financial Officer of Salem Media Group, Inc. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on his knowledge:

- the Annual Report of the Company on Form 10-K for the period ended December 31, 2019 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 12, 2020

By: /s/ EVAN D. MASYR
Evan D. Masyr
Executive Vice President and Chief Financial Officer