

SALEM MEDIA GROUP, INC. /DE/

Form 10-K

March 13, 2019

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**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, 2018**

**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)**

<b>DELAWARE</b> <b>(STATE OR OTHER JURISDICTION OF</b>	<b>77-0121400</b> <b>(I.R.S. EMPLOYER</b>
<b>INCORPORATION OR ORGANIZATION)</b> <b>4880 SANTA ROSA ROAD</b>	<b>IDENTIFICATION NUMBER)</b> <b>93012</b>
<b>CAMARILLO, CALIFORNIA</b> <b>(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)</b>	<b>( ZIP CODE)</b>
<b>REGISTRANT S TELEPHONE NUMBER, INCLUDING AREA CODE: (805) 987-0400</b>	

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

<b>Title of each class</b>	<b>Name of the Exchange on which registered</b>
<b>Class A Common Stock, \$0.01 par value per share</b>	<b>The NASDAQ Global Market</b>
<b>Securities registered pursuant to Section 12(g) of the Act: None</b>	

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

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  
Non-accelerated filer

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 30, 2018, 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 \$57,213,462 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 Common Stock, \$0.01 par value per share	Outstanding at March 5, 2019 20,632,416 shares
Class B Common Stock, \$0.01 par value per share	Outstanding at March 5, 2019 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

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**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 2018 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, 2019 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 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. These risks, as well as other risks and uncertainties, are detailed in Salem's reports on Forms 10-K, 10-Q and 8-K filed with or furnished to the Securities and Exchange Commission. 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).

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**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](http://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, print magazines and book publishing 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. To operate our broadcast entities efficiently, we assemble market clusters, or multiple radio stations operating within the same geographic market. Several benefits are achievable when operating market clusters. First, we are able to offer

advertisers and programmers access to multiple audiences by providing airtime on each radio station in that market when advantageous. 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 into existing markets allows us to leverage our hands-on knowledge of that market to increase our appeal to new audiences and advertisers.

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### **Digital Media**

The Internet, smartphones and tablets continue to change the way in which content is delivered to audiences. Continual advancements with online search engines, social media sites and mobile applications provides 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 and to invest in mobile and tablet platforms given the ongoing shift in consumer demand. On an ongoing basis, we 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.

### **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. To increase our broadcast signals, we acquired several FM translators and FM translator construction permits during the year ended December 31, 2017 that we implemented throughout the year ended December 31, 2018. Construction permits provide us the authority to construct new FM translators or make changes in our existing facilities that can increase our audience by providing enhanced coverage and reach in existing AM broadcast markets. FM translators allow our AM stations to be heard on FM.

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 share into revenue. Every member of our sales team is a media strategist able to provide integrated marketing strategies that include all of our media platforms and a 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 are provided with the tools and resources necessary to compete effectively in the marketplace. We sell and market our platforms as stand-alone products or in combination with other offerings. We create custom advertising campaigns to provide 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

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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 *Celebrate Freedom*<sup>®</sup> Music Festivals and *Fishfest*<sup>®</sup> 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 located throughout the United States at locations in which our entities operate.

All of our operations 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 several of our key programming partners purchase times in multiple radio markets.

**Recent Events**

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

**Debt**

We may from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to repurchase the 6.75% Senior Secured Notes ( 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 the Notes at amounts less than face value as follows:

<b>Date</b>	<b>Principal Repurchased</b>	<b>Cash Paid</b>	<b>% of Face Value</b>	<b>Bond Issue Costs</b>	<b>Net Gain</b>
<i>(Dollars in thousands)</i>					
December 21, 2018	\$ 2,000	\$ 1,835	91.75%	\$ 38	\$ 127
December 21, 2018	1,850	1,702	92.00%	35	113

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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
	\$ 16,430	\$ 15,443			

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Based upon their current assessment of our business, our Board of Directors declared equity distributions as follows:

Announcement Date	Record Date	Payment Date	Amount Per Share	Cash Distributed (in thousands)
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
				\$ 6,806

**Acquisitions**

On September 11, 2018, we acquired radio station KTRB-AM in San Francisco from a related party for \$5.1 million in cash. We incurred costs of \$0.2 million associated with this asset purchase.

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 as part of the purchase agreement, 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.

On August 7, 2018, we acquired the Just1Word mobile applications and related assets for \$0.3 million in cash upon closing with up to an additional \$0.1 million of contingent earn-out consideration due over the next two years based on the achievement of certain revenue benchmarks.

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 and may pay an additional \$0.2 million in cash within twelve months from the closing date provided that the seller meet certain post-closing requirements with regard to intellectual property.

On June 25, 2018, we acquired radio station KDXE-FM (formerly KZTS-FM) in Little Rock, Arkansas for \$1.1 million in cash.

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:

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

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### **Divestitures**

On October 31, 2018, we closed on the sale of radio stations KCRO-AM and KOTK-AM in Omaha, Nebraska for \$1.4 million in cash.

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.

On August 6, 2018, we closed on the sale of radio station KGBI-FM in Omaha, Nebraska for \$3.2 million in cash.

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 station WBIX-AM in Boston, Massachusetts for \$0.7 million in cash.

On May 24, 2018, we closed on the sale of land in Covina, California for \$0.8 million in cash.

### **Other Transactions**

On April 30, 2018, we ceased programming radio station KHTE-FM, in Little Rock, Arkansas. We programmed the station under a Time Brokerage Agreement ( 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 January 2, 2018, we began programming radio stations KPAM-AM and KKOV-AM in Portland, Oregon under Local Marketing Agreements ( 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.

### **Pending Transactions**

On April 26, 2018, we entered an agreement to exchange radio station KKOL-AM, in Seattle, Washington for KPAM-AM in Portland, Oregon. The exchange transaction is subject to the approval of the Federal Communications Commission ( FCC ) and is expected to close in the first half of 2019.

In December 2018, Word Broadcasting notified us of their intent to purchase our Louisville radio stations. They began operating the stations under a TBA on January 3, 2017 that will continue until the purchase agreement is executed and the transaction closes.

### **Broadcasting**

Our broadcast segment includes the operating results of our radio stations, broadcast networks, and our national sales agencies including our new 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 116 radio stations in 39 markets, including 73 stations in 23 of the top 25 markets, consisting of 33 FM radio stations and 83 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.

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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 Christian Teaching and Talk, Business, Country, Urban, Classic Hits and Wellness.

*Christian Teaching and Talk.* We currently program 39 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 ask questions, 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 12<sup>1</sup>/<sub>2</sub>, 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 organizations and churches, typically purchase blocks for weekend releases. Historically, more than 95% of these 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 33 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 13 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)	Station		Year Acquired	Format
	MSA Rank(2)	Call Letters		
New York, NY	1, 19(3)	WMCA-AM	1989	Christian Teaching and Talk



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Los Angeles, CA	2	WNYM-AM	1994	News Talk
		KKLA-FM	1985	Christian Teaching and Talk
		KRLA-AM	1998	News Talk
Chicago, IL	3	KFSH-FM	2000	Contemporary Christian Music
		WYLL-AM	2001	Christian Teaching and Talk
		WIND-AM	2005	News Talk

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<b>Market(1)</b>	<b>MSA Rank(2)</b>	<b>Station Call Letters</b>	<b>Year Acquired</b>	<b>Format</b>
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	2012	Spanish Language Christian Teaching and Talk
Houston-Galveston, TX	6	KEXB-AM	2015	Business
		KNTH-AM	1995	News Talk
		KKHT-FM	2005	Christian Teaching and Talk
Washington, D.C.	7	KTEK-AM	2011	Business
		WAVA-FM	1992	Christian Teaching and Talk
		WAVA-AM	2000	Christian Teaching and Talk
Atlanta, GA	8	WSPZ-AM	2010	Christian Teaching and Talk
		WWRC-AM	2017	News Talk
		WNIV-AM	2000	Christian Teaching and Talk
		WLTA-AM	2000	Christian Teaching and Talk
Philadelphia, PA	9	WAFS-AM	2000	Business
		WFSH-FM	2000	Contemporary Christian Music
		WGKA-AM	2004	News Talk
		WDWD-AM	2015	Christian Teaching and Talk
Boston, MA	10	WFIL-AM	1993	Christian Teaching and Talk
		WNTP-AM	1994	News Talk
		WEZE-AM	1997	Christian Teaching and Talk
Miami, FL	11	WROL-AM	2001	Christian Teaching and Talk
		WWDJ-AM	2003	Spanish Language Christian Teaching and Talk
		WKAT-AM	2008	Spanish Language Christian Teaching and Talk
		WZAB-AM	2009	Business
Seattle-Tacoma, WA	12	WOCN-AM	2014	Contemporary Christian Music
		KGNW-AM	1986	Christian Teaching and Talk
		KLFE-AM(5)	1994	News Talk
Detroit, MI	13	KNTS-AM(5)	1997	Spanish Language Christian Teaching and Talk
		KKOL-AM	1997	
		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	Wellness
		WWTC-AM	2001	News Talk

San Diego, CA	16	KYCR-AM	2015	Business
		KPRZ-AM	1987	Christian Teaching and Talk
		KCBQ-AM	2000	News Talk

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<b>Market(1)</b>	<b>MSA Rank(2)</b>	<b>Station Call Letters</b>	<b>Year Acquired</b>	<b>Format</b>
Tampa, FL	17	WTWD-AM(7)	2000	Christian Teaching and Talk
		WTBN-AM(7)	2001	Christian Teaching and Talk
		WGUL-AM	2005	News Talk
		WLCC-AM	2012	Spanish Language Christian Teaching and Talk
Denver-Boulder, CO	18	WWMI-AM	2015	Business
		KRKS-FM	1993	Christian Teaching and Talk
		KRKS-AM	1994	Christian Teaching and Talk
		KNUS-AM	1996	News Talk
Portland, OR	21	KBJD-AM(6)	1999	Spanish Language Christian Teaching and Talk
		KDMT-AM	2015	Business
		KPDQ-FM	1986	Christian Teaching and Talk
		KPDQ-AM	1986	Christian Teaching and Talk
St. Louis, MO	23	KFIS-FM	2002	Contemporary Christian Music
		KRYP-FM	2005	Regional Mexican
		KDZR-AM	2015	News Talk
		KPAM-AM	LMA	News Talk
Riverside-San Bernardino, CA	24	WSDZ-AM	2015	Urban Gospel
		KXFN-AM	2016	News Talk
San Antonio, TX	25	KTIE-AM	2001	News Talk
		KSLR-AM	1994	Christian Teaching and Talk
Sacramento, CA	26	KLUP-AM	2000	News Talk
		KRDY-AM	2014	News Talk
		KFIA-AM	1995	Christian Teaching and Talk
		KTKZ-AM	1997	News Talk
Pittsburgh, PA	27	KSAC-FM	2002	Business
		KKFS-FM	2006	Contemporary Christian Music
		WORD-FM	1993	Christian Teaching and Talk
		WPIT-AM	1993	Christian Teaching and Talk
Orlando, FL	30	WPGP-AM	2015	News Talk
		WORL-AM	2006	News Talk
		WTLN-AM	2006	Christian Teaching and Talk
		WBZW-AM	2006	Business
Cleveland, OH	33	WDYZ-AM	2015	Spanish Language Christian Teaching and Talk
		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	42	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 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	58	WGTK-FM	2013	News Talk
		WRTH-FM	2014	Classic Hits
		WLTE-FM	2014	Classic Hits

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Market(1)	MSA Rank(2)	Station	Year	Format
		Call Letters	Acquired	
Honolulu, HI	62	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
Sarasota-Bradenton, FL	70	KHNR-AM	2006	News Talk
		WLSS-AM	2005	News Talk
Little Rock, AR	86	KDIS-FM	2014	Christian Teaching and Talk
		KKSP-FM	2015	Contemporary Christian Music
		KDXE-FM	2018	News Talk
		KZTS-AM	2018	Urban
Colorado Springs, CO	89	KGFT-FM	1996	Christian Teaching and Talk
		KBIQ-FM	1996	Contemporary Christian Music
		KZNT-AM	2003	News Talk
Oxnard-Ventura, CA	119	KDAR-FM	1974	Christian Teaching and Talk
Youngstown-Warren, OH	131	WHKZ-AM	2001	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 Form 10-K, excluding information concerning The Commonwealth of Puerto Rico, is from the Fall 2018 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, 2019 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) 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.
- (7) WTBN-AM is simulcast with WTWD-AM, Tampa, FL.
- (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, 2018, we derived 28.1% of our net broadcast revenue, or \$55.9 million, from the sale of local spot advertising and 8.2% of our net broadcast revenue, or \$16.3 million, from the sale of national spot advertising.

We recognize programming revenue as the programs air. For the year ended December 31, 2018, we derived 25.1% and 16.8% of our net broadcast revenue, or \$49.9 million and \$33.3 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 12<sup>1</sup>/<sub>2</sub>, 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

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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 3,200 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, 2018 was \$18.5 million, or 9.3% of net broadcast revenue.

### **Salem Media Representatives**

Salem Media Representatives ( SMR ) is our national advertising sales firm with offices in 14 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, 2018 was \$0.8 million or 0.4% of net broadcast revenue.

### **Salem Surround**

During 2018, we launched Salem Surround, a national multimedia advertising agency with locations in 35 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. 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. 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, investing websites and health 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](http://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.

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[Crosswalk.com](#)<sup>®</sup> 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](#)<sup>®</sup> 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<sup>™</sup>.

[CCMmagazine.com](#) provides information and insight on Christian music.

[SingingNews.com](#)<sup>®</sup> 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](#)<sup>®</sup> 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.

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### **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.

### **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, and Dr. Mark Skousen.

[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.

[newportnaturalhealth.com](#) Newport Natural Health ( NNH ) is an e-commerce website operated by Eagle Wellness that offers health advice and wellness products. NNH provides insightful health advice and is a trusted source of high quality nutritional supplements from Leigh Erin Connealy, MD, who is the medical director of a medical practice

where she practices integrative medicine.

### **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

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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.

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*®, previously Salem Publishing, produces and distributes a print magazine for readers interested in southern gospel music.

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### **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 broadcast television, cable television, newspapers, magazines, direct mail, online 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. 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. Our

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wellness products compete in a large, highly fragmented industry that includes specialty retailers, supermarkets, drugstores, mass merchants, multi-level marketing organizations, mail-order companies, other online retailers and pharmaceuticals.

**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.

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

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

Market(1)	Station Call		Operating Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power
	Letters	Frequency					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	1440	August 2021	B	N/A	50/0.35
	KEXB	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
	KTEK	AM	1110	August 2021	D	N/A	2.5
Washington, D.C.	WAVA	FM	105.1	October 2019	B	604	33
	WAVA	AM	780	October 2019	D	N/A	12
	WSPZ	AM	1260	October 2019	B	N/A	35/5
	WWRC	AM	570	October 2019	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
	WAFS	AM	1190	April 2020	D	N/A	25
	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
	WNTD	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
	WWDJ	AM	1150	April 2022	B	N/A	5/5
Miami, FL	WKAT	AM	1080	February 2020	B	N/A	50/10
	WZAB	AM	880	February 2020	B	N/A	4/5
	WOCN	AM	1450	February 2020	C	N/A	1/1
Seattle-Tacoma, WA	KGNW	AM	820	February 2022	B	N/A	50/5
	KLFE	AM	1590	February 2022	B	N/A	20/5

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	KNTS	AM	1680	February 2022	B	N/A	10/1
	KKOL	AM	1300	February 2022	B	N/A	50/3.2
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

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Market(1)	Station Call		Operating Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power
	Letters	Frequency					(in Kilowatts)
							Day/Night
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
San Diego, CA	KYCR	AM	1440	April 2021	B	N/A	5/0.5
	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	B	N/A	5/5
	WTBN	AM	570	February 2020	B	N/A	5/5
	WLCC	AM	760	February 2020	B	N/A	10/1
	WWMI	AM	1380	February 2020	B	N/A	9.8/6.5
	WGUL	AM	860	February 2020	B	N/A	5/1.5
Denver-Boulder, CO	KRKS	FM	94.7	April 2021	C	984	100
	KRKS	AM	990	April 2021	B	N/A	6.5/0.39
	KNUS	AM	710	April 2021	B	N/A	5/5
	KBJD	AM	1650	April 2021	B	N/A	10/1
	KDMT	AM	1690	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	1,266	6.9
	KRYP	FM	93.1	February 2022	C3	1,270	1.6
	KDZR	AM	1640	February 2022	B	N/A	10/1
St. Louis, MO	WSDZ	AM	1260	December 2020	B	N/A	20/5
	KXFN	AM	1380	February 2021	B	N/A	5/1
Riverside-San Bernardino, CA	KTIE	AM	590	December 2021	B	N/A	2.5/0.96
San Antonio, TX	KSLR	AM	630	August 2021	B	N/A	5/4.3
	KLUP	AM	930	August 2021	B	N/A	5/1
	KRDY	AM	1160	August 2021	B	N/A	10/1
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
	WORD	FM	101.5	August 2022	B	535	43
Pittsburgh, PA	WPIT	AM	730	August 2022	D	N/A	5/0.024
	WPGP	AM	1250	August 2022	B	N/A	5/5
	WORLD	AM	660	February 2020	B	N/A	3.5/1
Orlando, FL	WTLN	AM	950	February 2020	B	N/A	12/5
	WBZW	AM	1520	February 2020	B	N/A	5/0.35
	WDYZ	AM	990	February 2020	B	N/A	50/14
	WHKW	AM	1220	October 2020	B	N/A	50/50
Cleveland, OH	WFHM	FM	95.5	October 2020	B	620	31
	WHK	AM	1420	October 2020	B	N/A	5/5

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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

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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
Greenville, SC	WGTK	FM	94.5	December 2019	C	1,490	100	
	WRTH	FM	103.3	December 2019	A	479	2.7	
	WLTE	FM	95.9	December 2019	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	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	
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	
Youngstown-Warren, OH	WHKZ	AM	1440	October 2020	B	N/A	5/5	
Warrenton, Virginia	WRCW	AM	1250	October 2019	D	N/A	3/0.125	

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	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



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Cleveland	W273DG (WHK)	102.5	10/1/2020	D	520	0.005	0.005
Cleveland	W298CX (WHKZ)	107.5	TBD	D	1,140	0.075	0.075
Colorado Springs	K266CK (KZNT)	101.1	4/1/2021	D	(191)	0.099	0.099
Columbus	W240CX (WTOH)	95.9	10/1/2020	D	696	0.99	0.99
Columbus	W283CL (WRFD)	104.5	10/1/2020	D	545	0.25	0.25
Dallas-Ft. Worth	K273BJ (KLTJ-FM, formerly KTNO)	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	D	1,364	0.25	0.25
Greenville	W275BJ (WGTK-FM)	102.9	12/1/2019	D	1,390	0.25	0.25
Honolulu	K232FL (KHNR)	94.3	2/1/2022	D	204	0.25	0.25

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<b>Market</b>	<b>Station Call Letters</b>	<b>Operating Frequency</b>	<b>Expiration Date of License</b>	<b>FCC Class</b>	<b>Height Above Average Terrain (in feet)</b>	<b>Power (in Kilowatts) Day</b>	<b>Power (in Kilowatts) Night</b>
Honolulu	K236CR (KGU-AM)	95.1	2/1/2022	D	204	0.25	0.25
Houston	K241CM (KTEK)	96.1	8/1/2021	D	542	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	6/8/2021	D	322	0.25	0.25
Louisville	W297BV (WFIA)	107.3	8/1/2020	D	286	0.25	0.25
Miami	W270CV (WOCN)	101.9	2/1/2020	D	531	0.25	0.25
Miami	W249DM (WKAT)	97.7	2/1/2020	D	527	0.25	0.25
Minneapolis	K298CO (WWTC)	107.5	4/1/2021	D	176	0.25	0.25
New York	W272DX (WMCA)	102.3	TBD	D	585	0.25	0.25
Orlando	W268CT (WDYZ)	101.5	2/1/2020	D	323	0.25	0.25
Orlando	W288CJ (WORL)	105.5	2/1/2020	D	440	0.25	0.25
Orlando	W235CR (WTLN)	94.9	2/1/2020	D	434	0.225	0.225
Orlando	W264DU (WBZW)	100.7	TBD	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(formerly K294CP) (KPDQ)	106.3	2/1/2022	D	1,150	0.099	0.099
Sacramento	K289CT (KFIA)	105.7	TBD	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	TBD	D	1,263	0.04	0.04
Seattle	K281CQ (KGNW)	104.1	2/1/2022	D	1,248	0.099	0.099
St. Louis	K236CS (WSDZ)	95.1	2/1/2021	D	371	0.099	0.099
St. Louis	K287BY (KXFN)	105.3	2/1/2021	D	371	0.099	0.099
Tampa	W271CY (WTWD)	102.1	2/1/2020	D	271	0.125	0.125
Tampa	W282CI (WLCC)	104.3	2/1/2020	D	335	0.25	0.25
Tampa	W260DM (WWMI)	99.9	TBD	D	491	0.25	0.25
Tampa/Sarasota	W229BR (WLSS)	93.7	2/1/2020	D	212	0.099	0.099
Tampa/Sarasota	W276CR (WLSS)	103.1	2/1/2020	D	315	0.25	0.25
Washington DC	W244EB (WAVA)	96.7	TBD	D	454	25	25

**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

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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:* FCC rules formerly prohibited 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 and limited the common ownership of television and same-market radio stations. The FCC recently adopted an order eliminating these prohibitions, although, as explained below, the order remains subject to pending court appeals.

*Proposed Changes:* The FCC is required by the Communications Act to review its broadcast ownership rules every four years. In August 2016, the FCC concluded its 2010 and 2014 quadrennial reviews with a decision

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retaining the local radio ownership rules, the radio-television cross-ownership rule and the prohibition on newspaper-broadcast cross-ownership without significant change. In November 2017, however, the FCC adopted an order reconsidering the August 2016 decision and modifying it in several respects. The November 2017 order did not significantly modify the August 2016 decision with respect to the local radio ownership limits but did adopt a presumptive waiver approach for existing parent markets with multiple embedded markets. Significantly, it eliminated the FCC's previous limits on radio-television cross-ownership and newspaper-broadcast cross-ownership. These rule changes became effective on February 7, 2018, but they are subject to a pending appeal.

In December 2018, the FCC commenced its 2018 quadrennial review of its media ownership regulations. 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 can make no determination as to what effect, if any, any such rule changes will have on us.

***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 advertising revenue generated from our Los Angeles and Dallas broadcast markets. Our Los Angeles radio stations generated 14.8% of our total net broadcasting advertising revenue for the year ended December 31, 2018 and 15.4% of our total net broadcasting advertising revenue for the year ended December 31, 2017. Our Dallas radio stations generated 19.6% of our total net broadcasting advertising revenue for the year ended December 31, 2018 and 19.3% of our total net broadcast advertising revenue for the year ended December 31, 2017.

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 12, 2019, we employed 1,552 total employees of which 1,173 were full time and 379 were part time. These employees consisted of 1,130 in broadcasting, 146 in digital media, 109 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.

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We employ on-air personalities and we may enter into employment agreements with these on-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 our on-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.salemma.com](http://www.salemma.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 located in Camarillo, California where we own an approximately 46,000 square foot office building.

### ***Broadcasting***

We own or lease multiple properties throughout the United States from which we operate radio stations and the related broadcasting facilities. These properties include offices and studios, transmitter locations, antenna sites and tower sites. A radio station studio is typically located in an office in a downtown or business district. Transmitter, antenna and tower sites are located in areas that provide maximum market coverage.

Our SRN<sup>TM</sup> and SMR offices, Salem Consumer Products, and our Dallas radio stations studios and offices are located 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; and Orlando, Florida 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 leases satellite transponders used in the delivery of its programming.



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 16 Related Party Transactions in

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the notes to our Consolidated Financial Statements contained in Item 8 of this annual report on Form 10-K. All such leases have cost of living adjustments. Based upon our management's assessment and analysis of local market conditions for comparable properties, we believe such leases have terms that are as favorable as, or more favorable, to the company than those that would have been available from unaffiliated parties.

Our current lease agreements range from one to twenty years remaining on the lease term.

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. that is shared with our Eagle Wellness employees. Fulfillment of wellness inventory is managed by a third party in New Holland, Pennsylvania. Our current lease agreements range from one to nine years remaining on the lease term.

### ***Publishing***

*Singing News*<sup>®</sup>, previously Salem Publishing, operates from leased office facilities in Nashville, Tennessee. Salem Author Services operates from leased facilities in Orlando, Florida. Regnery<sup>®</sup> Publishing operates from leased facilities in Washington, D.C. with inventory fulfillment managed by a third-party in Delran, New Jersey. 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.

Table of Contents**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 1, 2019, we had approximately 49 stockholders of record (not including the number of persons or entities holding stock in nominee or street name through various brokerage firms) and 20,632,416 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.

	2017				2018			
	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr
High (mid-day)	\$ 7.75	\$ 8.25	\$ 7.45	\$ 6.75	\$ 4.80	\$ 5.80	\$ 6.25	\$ 3.64
Low (mid-day)	\$ 6.00	\$ 6.60	\$ 5.95	\$ 3.90	\$ 3.55	\$ 3.10	\$ 3.35	\$ 2.03

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, 2018 and 2017.

Announcement				Cash Distributed
Date	Record Date	Payment Date	Amount Per Share	(in thousands)
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
December 7, 2017	December 18, 2017	December 29, 2017	\$0.0650	\$1,701
September 12, 2017	September 22, 2017	September 29, 2017	\$0.0650	\$1,701
June 1, 2017	June 16, 2017	June 30, 2017	\$0.0650	\$1,697
March 9, 2017	March 20, 2017	March 31, 2017	\$0.0650	\$1,691

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.

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 \$6.8 million in 2019.

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.

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**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**

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](http://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.*

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.

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**

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.

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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;