

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

(Mark One)

- Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
for the Fiscal Year Ended December 31, 2020
- Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
Commission File Number 001-39029

MEDIACO HOLDING INC.

(Exact name of registrant as specified in its charter)

INDIANA

(State of incorporation or organization)

84-2427771

(I.R.S. Employer Identification No.)

ONE EMMIS PLAZA
40 MONUMENT CIRCLE
SUITE 700

INDIANAPOLIS, INDIANA 46204

(Address of principal executive offices)

(317) 266-0100

(Registrant's Telephone Number, Including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.01 par value	MDIA	Nasdaq Capital Market

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: None

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

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input checked="" type="checkbox"/>

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 pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant, as of June 30, 2020, the last business day of the Registrant's most recently completed second fiscal quarter, was \$7,698,041.

The number of shares outstanding of each of MediaCo Holding Inc.'s classes of common stock, as of March 23, 2021, was:

1,998,051	Class A Common Shares, \$.01 par value
5,413,197	Class B Common Shares, \$.01 par value
—	Class C Common Shares, \$.01 par value

DOCUMENTS INCORPORATED BY REFERENCE

Documents

Proxy Statement for 2021 Annual Meeting of Shareholders expected to be filed within 120 days

Form 10-K Reference

Part III

MEDIACO HOLDING INC. AND SUBSIDIARIES

FORM 10-K

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CERTAIN DEFINITIONS

Unless the context requires otherwise, all references in this report to “MediaCo,” “the Company,” “we,” “our,” “us,” and similar terms refer to MediaCo Holding Inc. and its consolidated subsidiaries.

FORWARD-LOOKING STATEMENTS

This report includes or incorporates forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify these forward-looking statements by our use of words such as “intend,” “plan,” “may,” “will,” “project,” “estimate,” “anticipate,” “believe,” “expect,” “continue,” “potential,” “opportunity” and similar expressions, whether in the negative or affirmative. Such forward-looking statements, which speak only as of the date hereof, are based on managements’ estimates, assumptions and beliefs regarding our future plans, intentions and expectations. We cannot guarantee that we will achieve these plans, intentions or expectations. All statements regarding our expected financial position, business, results of operations and financing plans are forward-looking statements.

Actual results or events could differ materially from the plans, intentions or expectations disclosed in the forward-looking statements we make. We have included important facts in various cautionary statements in this report that we believe could cause our actual results to differ materially from forward-looking statements that we make. These include, but are not limited to, the factors described in Part I, Item 1A, “Risk Factors.”

The forward-looking statements do not reflect the potential impact of any future acquisitions, mergers or dispositions. We undertake no obligation to update or revise any forward-looking statements because of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS.

GENERAL

MediaCo Holding Inc. (“MediaCo” or the “Company”) is an Indiana corporation formed in 2019 by Emmis Communications Corporation (“Emmis”) to facilitate the sale of a controlling interest in Emmis’ radio stations WQHT-FM and WBLS-FM (the “Stations”) to SG Broadcasting LLC (“SG Broadcasting”), an affiliate of Standard General L.P. (“Standard General”) pursuant to an agreement entered into on June 28, 2019. The sale (the “Transaction”) closed on November 25, 2019. On November 26, 2019, the registration of the Company’s Class A common stock was declared effective, and the Company became subject to the periodic filing requirements of public registrants. As of December 31, 2019, all of the Company’s Class A common stock was held by Emmis and all the Company’s Class B common stock was held by SG Broadcasting. On January 17, 2020, Emmis distributed the Class A common stock pro rata to Emmis’ shareholders, making MediaCo a publicly traded company listed on the Nasdaq Capital Market.

Unless the context otherwise requires, references to “we”, “us” and “our” refer to MediaCo after giving effect to the contribution of the Stations by Emmis, as well as to the Stations while they were wholly owned by Emmis. Prior to November 25, 2019, MediaCo had not conducted any business as a separate company and had no assets or liabilities. The operations of the Stations contributed to us by Emmis on November 25, 2019, are presented as if they were our operations for all historical periods described and at the carrying value of such assets and liabilities reflected in Emmis’ books and records.

On December 9, 2019, the Company’s Board of Directors approved the assumption from an affiliate of SG Broadcasting of an agreement to purchase FMG Valdosta, LLC and FMG Kentucky, LLC (“Fairway Outdoor”) from Fairway Outdoor Advertising Group, LLC (the “Fairway Acquisition”). Closing of the Fairway Acquisition occurred on December 13, 2019. FMG Valdosta, LLC and FMG Kentucky, LLC are outdoor advertising businesses that operate advertising displays principally across Kentucky, West Virginia, Florida and Georgia.

Our assets primarily consist of two radio stations, WQHT-FM and WBLS-FM, which serve the New York City metropolitan area, as well as approximately 3,300 advertising structures in the Southeast (Valdosta) region and Mid-Atlantic (Kentucky) region of the United States. We derive our revenues primarily from radio and outdoor advertising sales, but we also generate revenues from events, including sponsorships and ticket sales.

On October 25, 2019, in order to more closely align our operations and internal controls with standard market practice, our Board of Directors approved the change in our fiscal year end from the last day in February to December 31.

BUSINESS STRATEGY

We are committed to improving the operating results of our core assets while simultaneously seeking future growth opportunities in new businesses. Our strategy is focused on the following operating principles:

Develop unique and compelling content and strong local brands

Our established local media brands have achieved and sustained a leading position in their respective market segments over many years. Knowledge of the New York market and consistently producing unique and compelling content that meets the needs of our target audiences are critical to our success. As such, we make substantial investments in areas such as market research, data analysis and creative talent to ensure that our content remains relevant, has a meaningful impact on the communities we serve and reinforces the core brand image of each respective property.

Extend the reach and relevance of our local brands through digital platforms

In recent years, we have placed substantial emphasis on enhancing the distribution of our radio content through digital and mobile platforms. We believe these digital platforms offer excellent opportunities to further enhance the relationships we have with our audiences by allowing them to consume and share our content in new ways and providing us with new distribution channels for one-to-one communication with them.

Deliver results to advertisers

Competition for advertising revenue is intense and becoming more so. To remain competitive, we focus on sustaining and growing our radio audiences, optimizing our pricing strategy and developing innovative marketing programs for our clients that allow them to interact with our audiences in more direct and measurable ways. These programs often include elements such as on-air endorsements, events, contests, special promotions, Internet advertising, email marketing, interactive mobile advertising and online video. Our ability to deploy multi-touchpoint marketing programs allows us to deliver a stronger return-on-investment for our clients while simultaneously generating ancillary revenue streams for our media properties.

Extend sales efforts into new market segments

Given the competitive pressures in many of our “traditional” advertising categories, we have been expanding our network of advertiser relationships into not-for-profits, political advertising, corporate philanthropy, environmental initiatives and government agencies. These efforts in our radio segment primarily focus on the health care and education sectors. We believe our capabilities can address these clients’ under-served needs.

Enhance the efficiency of our operations

We believe it is essential that we operate our businesses as efficiently as possible. We regularly review our business operations and reduce costs or realign resources as necessary. We have also invested in technology solutions to help further streamline our business processes.

Pursue acquisition and investment opportunities

We may pursue acquisitions or other investment opportunities in a variety of media-related businesses as well as a variety of other industries and market sectors. We believe that consummating such acquisitions and investments can be a valuable tool in our efforts to grow our business.

RADIO STATIONS

In the following table, “Market Rank by Revenue” is the ranking of the market revenue size of the principal radio market served by our stations among all radio markets in the United States. Market revenue rankings are from BIA’s Investing In Radio 2020, fourth edition. “Ranking in Primary Demographic Target” is the ranking of the station within its designated primary demographic target among all radio stations in its market based on the January 2021 Nielsen Audio, Inc. (“Nielsen”) Portable People Meter results. A “t” indicates the station tied with another station for the stated ranking. “Station Audience Share” represents a percentage generally computed by dividing the average number of persons in the primary demographic listening to a particular station during specified time periods by the average number of such persons in the primary demographic for all stations in the market area as determined by Nielsen.

STATION AND MARKET	MARKET RANK BY REVENUE	FORMAT	PRIMARY DEMOGRAPHIC TARGET AGES	RANKING IN PRIMARY DEMOGRAPHIC TARGET	STATION AUDIENCE SHARE
New York, NY	2				
WQHT-FM		Hip-Hop	18-34	3	6.8
WBLS-FM		Urban Adult Contemporary	25-54	6t	4.7

RADIO ADVERTISING SALES

Our stations derive their advertising revenue from local and regional advertising in the marketplaces in which they operate, as well as from the sale of national advertising. Local and most regional sales are made by a station’s sales staff. National sales are made by firms specializing in such sales, which are compensated on a commission-only basis. We believe that the volume of national advertising revenue tends to adjust to shifts in a station’s audience share position more rapidly than does the volume of local and regional advertising revenue. During the year ended December 31, 2020, approximately 16% of our total radio advertising revenues were derived from national sales, and 84% were derived from local sales.

NON-TRADITIONAL REVENUES

Our stations are involved with numerous events in the market in which we operate that support the local community, entertain our audiences, and better connect our listeners with our stations and our advertisers. In most cases, a third party produces the event, which we help promote, and we sell certain sponsorship opportunities to our advertisers. In these situations, we do not bear financial risk on the success of the event. In limited cases, such as Hot 97’s Summer Jam, we produce the event, including securing the performing artists and venue, and are primarily responsible for the financial risk and reward, including ticket and sponsorship sales associated with the event.

OUTDOOR ADVERTISING

As of December 31, 2020, we owned and operated approximately 3,532 billboard advertising displays in 4 states. Our outdoor advertising businesses generally derive approximately 74% of billboard advertising net revenues from bulletin rentals, 15% from poster rentals, and 11% from digital billboard rentals.

Bulletins are large, advertising structures (the most common size is fourteen feet high by forty-eight feet wide, or 672 square feet) consisting of panels on which advertising copy is displayed. We wrap advertising copy printed with computer-generated graphics on a single sheet of vinyl around the structure. To attract more attention, some of the panels may extend beyond the linear edges of the display face and may include three-dimensional embellishments. Because of their greater impact and higher cost, bulletins are usually located on major highways and target vehicular traffic. At December 31, 2020, we operated approximately 1,145 bulletin structures with a total of 2,736 faces.

We generally lease individually-selected bulletin space to advertisers for the duration of the contract (customarily 12 months). We also lease bulletins as part of a rotary plan under which we rotate the advertising copy from one bulletin location to another within a particular market at stated intervals (usually every sixty to ninety days) to achieve greater reach within that market.

Posters are smaller advertising structures (the most common size is eleven feet high by twenty-three feet wide, or 250 square feet; we also operate junior posters, which are five feet high by eleven feet wide, or 55 square feet). Poster panels utilize a single flexible sheet of polyethylene material that inserts onto the face of the panel. Posters are concentrated on major traffic arteries and target vehicular traffic, and junior posters are concentrated on city streets and target hard-to-reach pedestrian traffic and nearby residents. At December 31, 2020, we operated approximately 349 poster displays with a total of 768 faces.

We generally lease poster space for 4 to 52 weeks; determined by the advertiser's campaign needs. Posters are sold in packages of Target Rating Point ("TRP") levels, which determine the percentage of a target audience an advertiser needs to reach. A package may include a combination of poster locations in order to meet reach and frequency campaign goals.

In addition to the traditional static displays, we also rent digital billboards. Digital billboards are large electronic light emitting diode ("LED") displays (the most common sizes are fourteen feet high by forty-eight feet wide, or 672 square feet; ten and a half feet high by thirty six feet wide, or 378 square feet; and ten feet high by twenty-one feet wide, or 210 square feet) that are generally located on major traffic arteries and city streets. Digital billboards are capable of generating over one billion colors and vary in brightness based on ambient conditions. They display completely digital advertising copy from various advertisers in a slide show fashion, rotating each advertisement approximately every 6 to 8 seconds. At December 31, 2020, our inventory included 22 digital display billboards with a total of 28 faces. We own the physical structures on which the advertising copy is displayed. We build the structures on locations we either own or lease.

In the majority of our markets, our local production staffs perform the full range of activities required to create and install billboard advertising displays. Production work includes creating the advertising copy design and layout, coordinating its printing and installing the designs on the displays. Our design staff uses state-of-the-art technology to prepare creative, eye-catching displays for our tenants. We can also help with the strategic placement of advertisements throughout an advertiser's market by using software that allows us to analyze the target audience and its demographics. Our artists also assist in developing marketing presentations, demonstrations and strategies to attract new tenant advertisers. Production revenue accounts for approximately 5% of the outdoor advertising business.

NEW TECHNOLOGIES

We believe that the growth of new technologies not only presents challenges, but also opportunities for broadcasters. The primary challenge is increased competition for the time and attention of our listeners. The primary opportunity is to further enhance the relationships we already have with our listeners by expanding products and services offered by our radio stations and to increase distribution to in-home devices like smart speakers, as well as portable devices like smartphones.

COMMUNITY INVOLVEMENT

We believe that to be successful, we must be integrally involved in the communities we serve. We see ourselves as community partners. To that end, our radio stations and outdoor businesses participate in many community programs, fundraisers and activities that benefit a wide variety of causes. Charitable organizations that have been the beneficiaries of our support include, among others, the Harlem Chamber of Commerce, the Sarcoidosis Foundation, New York Cares, American AIDS Foundation and the Queens Police Service Area Community Counsel.

The National Association of Broadcasters Education Foundation recognized WQHT-FM in New York for its outreach after Hurricane Sandy, both for the news coverage it provided and the relief efforts it organized in the weeks after the storm. In 2017, WBLS-FM won a national Crystal Award from the National Association of Broadcasters.

INDUSTRY INVOLVEMENT

We have an active leadership role in a wide range of industry organizations. Our senior executives have served in various capacities with industry associations, including as directors of the National Association of Broadcasters, the Radio Advertising Bureau, the Nielsen Audio Advisory Council, and the Media Financial Management Association. Our chief executive officer has been honored with the National Association of Broadcasters' "National Radio Award," was named Radio Ink's "Radio Executive of the Year," and was named the 2017 recipient of the Broadcasters Foundation of America's "Lowry Mays Excellence in Broadcasting Award." In 2018, our chief financial officer was awarded Media Financial Management's "Rainmaker Award" recognizing his efforts and contributions in helping Media Financial Management's growth initiatives. Our other management and on-air personalities have won numerous industry awards.

COMPETITION

Radio broadcasting stations compete with the other broadcasting stations in their respective market areas, as well as with other advertising media such as newspapers, cable, magazines, outdoor advertising, transit advertising, the Internet, satellite radio, direct marketing and mobile and wireless device marketing. Competition within the broadcasting industry occurs primarily in individual market areas, so that a station in one market (e.g., New York) does not generally compete with stations in other markets (e.g., Los Angeles). Our stations face competition from other stations with substantial financial resources, including stations targeting the same demographic groups. In addition to management experience, factors that are material to competitive position include the station's rank in its market in terms of the number of listeners, authorized power, assigned frequency, audience characteristics, local program acceptance and the number and characteristics of other stations in the market area. We attempt to improve our competitive position with programming and promotional campaigns aimed at the demographic groups targeted by our stations. We also seek to improve our position through sales efforts designed to attract advertisers that have done little or no radio advertising by emphasizing the effectiveness of radio advertising in increasing the advertisers' revenues. The policies and rules of the FCC permit certain joint ownership and joint operation of local stations. Our radio stations take advantage of these joint arrangements when appropriate in an effort to lower operating costs and to offer advertisers more attractive rates and services. Although we believe that each of our stations can compete effectively in its market, there can be no assurance that either of our stations will be able to maintain or increase its current audience ratings or advertising revenue market share.

Although the broadcasting industry is highly competitive, barriers to entry exist. The operation of a broadcasting station in the United States requires a license from the FCC. Also, the number of stations that can operate in a given market is limited by the availability of the frequencies that the FCC will license in that market, as well as by the FCC's multiple ownership rules regulating the number of stations that may be owned or controlled by a single entity, and cross ownership rules which limit the types of media properties in any given market that can be owned by the same person or company.

Although the outdoor advertising industry has encountered a wave of consolidation, the industry remains fragmented. The industry is comprised of several large outdoor advertising and media companies with operations in multiple markets, as well as smaller, local companies like us that operate a limited number of structures in one or a few local markets.

In selecting the form of media through which to advertise, advertisers evaluate their ability to target audiences having a specific demographic profile, lifestyle, brand or media consumption or purchasing behavior or audiences located in, or traveling through, a particular geography. Advertisers also compare the relative costs of available media, evaluating the number of impressions (potential viewings), exposure (the opportunity for advertising to be seen) and circulation (traffic volume in a market), as well as potential effectiveness, quality of related services (such as advertising copy design and layout) and customer service. In competing with other media, we believe that both radio and outdoor advertising are relatively more cost-efficient than other media, allowing advertisers to reach broader audiences and target specific geographic areas or demographic groups within markets.

We believe that our strong emphasis on sales and customer service and our position as a major provider of advertising services in each of our primary markets enables us to compete effectively with the other outdoor advertising companies, as well as with other media, within those markets.

EMPLOYEES

As of December 31, 2020, WQHT-FM and WBL5-FM leased their employees from Emmis' wholly owned subsidiary, Emmis Operating Company ("EOC") under an employee leasing arrangement (the "Employee Leasing Agreement"). As of December 31, 2020, approximately 50 full-time employees and approximately 84 part-time employees were employed by EOC under the Employee Leasing Agreement to provide services for the Company.

Effective January 1, 2021, the Employee Leasing Agreement was terminated, and the Company hired all of the leased employees and assumed the employment and collective bargaining agreements related to leased employees. The Employee Leasing Agreement was terminated at the expiration of the initial term, so no early termination penalties were incurred.

Our outdoor advertising business employed 55 full-time employees as of December 31, 2020.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Listed below is certain information about the executive officers of MediaCo or its affiliates who are not directors or nominees to be directors.

NAME	POSITION	AGE AT DECEMBER 31, 2020	YEAR FIRST ELECTED OFFICER
Ryan A. Hornaday	Executive Vice President, Chief Financial Officer and Treasurer	47	2019
Bradford A. Tobin	Chief Operating Officer	38	2020

Mr. Hornaday was appointed our Executive Vice President, Chief Financial Officer and Treasurer in June 2019. Mr. Hornaday also serves as Executive Vice President, Chief Financial Officer and Treasurer of Emmis, a position he has held since August 2015. Previously, Mr. Hornaday served as Senior Vice President—Finance and Treasurer of Emmis from December 2008 to July 2015. Mr. Hornaday joined Emmis in 1999. Mr. Hornaday also serves as a director of Choices, Inc. (a non-profit organization that provides cross system coordination services for youth and their families).

Effective August 11, 2020, we appointed Mr. Tobin to the position of Chief Operating Officer. Mr. Tobin has over 12 years of legal and operational experience. Prior to joining the Company, Mr. Tobin served as Secretary and General Counsel of Standard Diversified Inc. (an affiliate of the Company), and before that served as the General Counsel and Senior Vice President of General Wireless Operations Inc. d/b/a RadioShack. Preceding this role, Mr. Tobin served on the distressed debt team at Silver Point Capital, LP.

AVAILABLE INFORMATION

Our website address is www.mediacoholding.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are filed with the U.S. Securities and Exchange Commission ("SEC"). The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

FEDERAL REGULATION OF BROADCASTING

Radio broadcasting in the United States is subject to the jurisdiction of the FCC under the Communications Act of 1934 (the "Communications Act"), as amended in part by the Telecommunications Act of 1996 (the "1996 Act"). Radio broadcasting is prohibited except in accordance with a license issued by the FCC upon a finding that the public interest, convenience and necessity would be served by the grant

of such license. The FCC has the power to revoke licenses for, among other things, false statements made in FCC filings or willful or repeated violations of the Communications Act or of FCC rules. In general, the Communications Act provides that the FCC shall allocate broadcast licenses for radio stations so as to provide a fair, efficient and equitable distribution of service throughout the United States. The FCC determines the operating frequency, location and power of stations; regulates the equipment used by stations; and regulates numerous other areas of radio broadcasting pursuant to rules, regulations and policies adopted under authority of the Communications Act. The Communications Act, among other things, prohibits the assignment of a broadcast license or the transfer of control of an entity holding such a license without the prior approval of the FCC. Under the Communications Act, the FCC also regulates certain aspects of media that compete with broadcast stations.

The following is a brief summary of certain provisions of the Communications Act and of specific FCC regulations and policies. Reference should be made to the Communications Act as well as FCC rules, public notices and rulings for further information concerning the nature and extent of federal regulation of radio stations. Legislation has been introduced from time to time which would amend the Communications Act in various respects or otherwise affect the Company, and the FCC from time to time considers new regulations or amendments to its existing regulations. We cannot predict whether any such legislation will be enacted or whether new or amended FCC regulations will be adopted or what their effect would be on the Company.

LICENSE RENEWAL. Radio stations operate pursuant to broadcast licenses that are ordinarily granted by the FCC for maximum terms of eight years and are subject to renewal upon application and approval by the FCC. The following table sets forth our current FCC license expiration dates in addition to the call letters, license classification, antenna elevation above average terrain, power and frequency of all owned stations as of December 31, 2020:

Radio Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts)
New York, NY	WQHT-FM	New York, NY	97.1	June 2022	B	1,339	6.7
	WBLS-FM	New York, NY	107.5	June 2022	B	1,362	4.2

Under the Communications Act, upon the filing of an application for renewal of a station license, members of the public may apprise the FCC of the service the station has provided during the preceding license term and urge the denial of the application. If such a petition to deny presents information from which the FCC concludes (or if the FCC concludes on its own motion) that there is a “substantial and material” question as to whether grant of the renewal application would be in the public interest under applicable rules and policy, the FCC may conduct a hearing on specified issues to determine whether the renewal application should be granted. The Communications Act provides for the grant of a renewal application upon a finding by the FCC that the licensee:

- has served the public interest, convenience and necessity;
- has committed no serious violations of the Communications Act or the FCC rules; and
- has committed no other violations of the Communications Act or the FCC rules which would constitute a pattern of abuse.

If the FCC cannot make such a finding, it may deny the renewal application, and only then may the FCC consider competing applications for the same frequency. In a vast majority of cases, the FCC renews a broadcast license even when petitions to deny have been filed against the renewal application.

REVIEW OF OWNERSHIP RESTRICTIONS. The FCC is required by statute to review its broadcast ownership rules on a quadrennial basis (*i.e.*, every four years) and to repeal or modify rules that are no longer “necessary in the public interest.”

Despite several such reviews and appellate remands, the FCC’s rules limiting the number of radio stations that may be commonly owned in a local market have remained largely intact since their initial adoption following the 1996 Act. The FCC’s previous ownership reviews have been subject to litigation. The most recent court decisions were issued by the United States Court of Appeals for the Third Circuit in September and November 2019 and concerned the FCC’s 2014 review. On April 17, 2020, the FCC and industry intervenors filed petitions for writ of certiorari with the U.S. Supreme Court challenging the lower court’s rulings preventing the FCC’s efforts to update its broadcast ownership rules from going into effect. Those petitions were granted on October 2, 2020, and oral argument was heard on January 19, 2021. While the proceeding remains pending before the Supreme Court, the FCC’s rules that were in effect prior to February 2018 remain in effect. The FCC initiated its 2018 quadrennial review in December 2018 and that proceeding remains pending. We cannot predict whether the Supreme Court appeal or 2018 quadrennial review proceeding will result in modifications of the ownership rules or the impact (if any) that such modifications would have on our business.

Attribution of Ownership Interests:

In applying its ownership rules, the FCC has developed specific criteria that it uses to determine whether a certain ownership interest or other relationship with an FCC licensee is significant enough to be “attributable” or “cognizable” under its rules, such that there would be a violation of the FCC’s rules where such person or entity holds attributable interests in more than the permitted number of stations or a prohibited combination of outlets in the same market. The FCC’s regulations generally deem the following relationships and interests to be attributable for purposes of its ownership restrictions:

- all officer and director positions in a licensee or its direct/indirect parent(s);
- voting stock interests of at least 5% (or 20%, if the holder is a passive institutional investor, *i.e.*, a mutual fund, insurance company or bank);
- any equity interest in a limited partnership or limited liability company where the limited partner or member has not been “insulated” from the media-related activities of the LP or LLC pursuant to specific FCC criteria;

- equity and/or debt interests which, in the aggregate, exceed 33% of the total asset value of a station or other media entity (the “equity/debt plus policy”), if the interest holder supplies more than 15% of the station’s total weekly programming (usually pursuant to a time brokerage, local marketing or network affiliation agreement) or is a same-market media entity (*i.e.*, broadcast station or newspaper).

To assess whether a voting stock interest in a direct or indirect parent corporation of a broadcast licensee is attributable, the FCC uses a “multiplier” analysis in which non-controlling voting stock interests are deemed proportionally reduced at each non-controlling link in a multi-corporation ownership chain.

Ownership-rule conflicts could require divestitures by either the Company or the affected shareholders, officers or directors. Such conflicts could also result in the Company being unable to obtain FCC consents necessary for future acquisitions. Conversely, the Company’s media interests could operate to restrict other media investments by shareholders having or acquiring an interest in the Company.

Local Radio Ownership:

The local radio ownership rule limits the number of commercial radio stations in a radio market in which a person or entity may hold an attributable interest based on the number of radio stations in that market:

- if the market has 45 or more radio stations, one entity may own up to eight stations, not more than five of which may be in the same service (AM or FM);
- if the market has between 30 and 44 radio stations, one entity may own up to seven stations, not more than four of which may be in the same service;
- if the market has between 15 and 29 radio stations, one entity may own up to six stations, not more than four of which may be in the same service; and
- if the market has 14 or fewer radio stations, one entity may own up to five stations, not more than three of which may be in the same service, however one entity may not own more than 50% of the stations in the market.

The New York radio market has more than 45 radio stations.

For purposes of applying these numerical limits, the FCC has adopted rules with respect to (i) so-called local marketing agreements, or “LMAs,” by which the licensee of one radio station provides programming for another licensee’s radio station in the same market and sells all of the advertising within that programming and (ii) so-called joint sale agreements, or “JSAs,” by which the licensee of one station sells the advertising time on another station in the market. Under these rules, 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% of the advertising time, on another radio station in the same market pursuant to an LMA or JSA is generally required to count the station toward its media ownership limits even though it does not own the station. As a result, in a market where we own one or more radio stations, we generally cannot provide programming to another station under an LMA, or sell advertising on another station pursuant to a JSA, if we could not acquire that station under the local radio ownership rule.

In the 2018 quadrennial review order, the FCC is requesting comment on all aspects of the local radio ownership rule, including whether the rule in its current form remains necessary in the public interest.

Cross-Media Ownership:

The newspaper/broadcast cross-ownership rule prohibits an individual or entity from having an attributable interest in either a radio or television station and a daily newspaper located in the same market, subject to certain exceptions and with waivers available in particular cases.

The radio/television cross-ownership rule limits common ownership of television stations and same market radio stations. In general, an individual or entity may hold attributable interests in one television station and up to seven same-market radio stations (or two television stations and up to six same-market radio stations), depending on the number of independently owned radio, television and other specified media “voices” in the market.

Alien Ownership: Under the Communications Act, no FCC license may be held by a corporation if more than one-fifth of its capital stock is owned or voted by aliens or their representatives, a foreign government or representative thereof, or an entity organized under the laws of a foreign country (collectively, “Non-U.S. Persons”). Furthermore, the Communications Act provides that no FCC license may be granted to an entity directly or indirectly controlled by another entity of which more than one-fourth of its capital stock is owned or voted by Non-U.S. Persons if the FCC finds that the public interest will be served by the denial of such license. The FCC has adopted rules to simplify and streamline the process for requesting authority to exceed the 25% indirect foreign ownership limit in broadcast licensees and has revised the methodology that publicly traded broadcasters must use to assess their compliance with the foreign ownership restrictions. The foregoing restrictions on alien ownership apply in modified form to other types of business organizations, including partnerships and limited liability companies. Our Amended and Restated Articles of Incorporation and Amended and Restated Code of By-Laws authorize the Board of Directors to prohibit such restricted alien ownership, voting or transfer of capital stock as would cause the Company to violate the Communications Act or FCC regulations.

ASSIGNMENTS AND TRANSFERS OF CONTROL. The Communications Act prohibits the assignment of a broadcast license or the transfer of control of a broadcast licensee without the prior approval of the FCC. In determining whether to grant such approval, the FCC considers a number of factors, including compliance with the various rules limiting common ownership of media properties, the “character” of the assignee or transferee and those persons holding attributable interests therein and compliance with the Communications Act’s limitations on alien ownership as well as other statutory and regulatory requirements. When evaluating an assignment or transfer of control application, the FCC is prohibited from considering whether the public interest might be served by an assignment of the broadcast license or transfer of control of the licensee to a party other than the assignee or transferee specified in the application.

PROGRAMMING AND OPERATION. The Communications Act requires broadcasters to serve the “public interest.” Beginning in the late 1970s, the FCC gradually relaxed or eliminated many of the more formalized procedures it had developed to promote the broadcast of certain types of programming responsive to the needs of a station’s community of license. However, licensees are still required to present programming that is responsive to community problems, needs and interests and to maintain certain records demonstrating such responsiveness.

Federal law prohibits the broadcast of obscene material at any time and the broadcast of indecent material during specified time periods. Federal law also imposes sponsorship identification (or “payola”) requirements, which mandate the disclosure of information concerning programming the airing of which is paid for by third parties. The company may receive letters of inquiry or other notifications concerning alleged violations of the FCC’s rules at its stations. We cannot predict the outcome of any complaint proceeding or investigation or the extent or nature of any future FCC enforcement action.

Stations also must pay regulatory and application fees and follow various rules promulgated under the Communications Act that regulate, among other things, political advertising, sponsorship identification, equal employment opportunities, contest and lottery advertisements, and technical operations, including limits on radio frequency radiation.

Failure to observe FCC rules and policies can result in the imposition of various sanctions, including monetary fines, the grant of “short-term” (less than the maximum term) license renewals or, for particularly egregious violations, the denial of a license renewal application or the revocation of a license.

ADDITIONAL DEVELOPMENTS AND PROPOSED CHANGES. The FCC has adopted rules implementing a low power FM (“LPFM”) service, and over 2100 such stations have been licensed. In November 2007, the FCC adopted rules that, among other things, enhance LPFM’s interference protection from subsequently-authorized full-service stations. Congress then passed legislation eliminating certain minimum distance separation requirements between full-power and LPFM stations, thereby reducing the interference protection afforded to full-power FM stations. As required by the legislation, the FCC in January 2012 submitted a report to Congress indicating that the results of a statutorily mandated economic study indicated that, on the whole, LPFM stations do not currently have, and in the future are unlikely to have, a demonstrable economic impact on full-service commercial FM radio stations. The FCC has since modified its rules to permit the processing of additional LPFM applications and to implement the legislative requirements regarding interference protection, and has accepted applications seeking authority to construct or make major changes to LPFM facilities. Although to date there have been very few, if any, instances of LPFM stations interfering with full-power radio stations, we cannot predict whether any LPFM stations will actually interfere with the coverage of our radio stations in the future.

The FCC also previously authorized the launch and operation of a satellite digital audio radio service (“SDARS”) system. The country’s single SDARS operator, Sirius XM, provides nationwide programming service as well as channels that provide local traffic and weather information for major cities.

In addition, the FCC permits terrestrial digital audio broadcasting (“DAB,” also known as high definition radio or “HD Radio®”) by FM stations, and in October 2020, adopted rules permitting all-digital operations by AM stations.

In order to broadcast musical compositions or to stream them over the Internet, we must pay royalties to copyright owners of musical compositions (typically, songwriters and publishers). These copyright owners often rely on organizations known as performing rights organizations, which negotiate licenses with copyright users for the public performance of their compositions, collect royalties, and distribute them to copyright owners. The three major performing rights organizations, from which the Company has licenses and to which we pay royalties, are the American Society of Composers, Authors, and Publishers (“ASCAP”), Broadcast Music, Inc. (“BMI”), and SESAC, Inc. These rates are set periodically, are often negotiated by organizations acting on behalf of broadcasters, and may increase in the future. It also is possible that songwriters or publishers may disassociate with these performing rights organizations, or that additional such organizations could emerge in the future. In 2013 a new performing rights organization, named Global Music Rights (“GMR”), was formed. GMR has obtained the rights to certain high-value copyrights and is seeking to negotiate individual licensing agreements with radio stations for songs within its repertoire. GMR and the Radio Music License Committee, Inc. (“RMLC”), which negotiates music licensing fees with performance rights organizations on behalf of many radio stations, have initiated antitrust litigation against one another, which remains pending. In addition, there has been litigation concerning whether the consent decrees between the Department of Justice (“DOJ”) and major performance rights organizations require so-called “full-work” licenses (which would allow a license-holder to play all of the works in a performance rights organization’s repertoire). The DOJ is also reviewing consent decrees governing ASCAP and BMI to determine whether those consent decrees should be modified. If a significant number of musical composition copyright owners withdraw from the established performing rights organizations, if new performing rights organizations form to license compositions that are not already licensed, or if the consent decrees between the DOJ and ASCAP/BMI are materially modified or eliminated, our royalty rates or negotiation costs could increase. Our royalty rates or negotiation costs could also change as a result of GMR/RMLC litigation or the resolution of the full-work licensing issue.

In order to stream music over the Internet, MediaCo must also obtain licenses and pay royalties to the owners of copyrights in sound recordings (typically, artists and record companies). These royalties are in addition to royalties for Internet streaming that must be paid to performance rights organizations. The Copyright Royalty Board (“CRB”) recently completed its proceeding to set rates for the 2016-2020 license period. The CRB set a rate during this period for performances by non-subscription noninteractive services of 0.17 cent per listener per song, and a rate for noninteractive subscription services of 0.22 cent per listener per song, both of which are subject to changes that mirror changes in the Consumer Price Index. The CRB’s 2016-2020 rates represent a decrease from the 2015 CRB rates applicable to broadcasters and other webcasters. A proceeding to establish the rates for 2021-2025 began in 2019.

In addition, lawsuits have been filed under various state laws challenging the right of digital audio transmission services and broadcasters to publicly perform or reproduce sound recordings fixed prior to February 15, 1972 (“pre-1972 sound recordings”) without a license. Federal legislation signed into law in October 2018 applies a statutory licensing regime to pre-1972 sound recordings similar to that which governs post-1972 sound recordings. Among other things, the new law extends remedies for copyright infringement to owners of pre-1972 sound recordings when recordings are used without authorization. The public performance right that the new law creates for pre-1972 sound recordings streamed online may increase our licensing costs.

Legislation also has regularly been introduced in Congress that would require the payment of performance royalties to artists, musicians, or record companies whose music is played on terrestrial radio stations, ending a long-standing copyright law exception. If enacted, such legislation could have an adverse impact on the cost of music programming.

Congress and the FCC also have under consideration, and may in the future consider and adopt, new laws, regulations and policies regarding a wide variety of additional matters that could, directly or indirectly, affect the operation, ownership and profitability of our broadcast stations, result in the loss of audience share and advertising revenues for our broadcast stations and/or affect our ability to acquire additional broadcast stations or finance such acquisitions. Such matters include, but are not limited to:

- proposals to impose spectrum use or other fees on FCC licensees;
- proposals to repeal or modify some or all of the FCC’s multiple ownership rules and/or policies;
- proposals to impose requirements intended to promote broadcasters’ service to their local communities;
- proposals to change rules relating to political broadcasting;
- technical and frequency allocation matters;
- proposals to modify service and technical rules for digital radio, including possible additional public interest requirements for terrestrial digital audio broadcasters;
- proposals to restrict or prohibit the advertising of beer, wine and other alcoholic beverages;
- proposals to tighten safety guidelines relating to radio frequency radiation exposure;
- proposals permitting FM stations to accept formerly impermissible interference;
- proposals to modify broadcasters’ public interest obligations;
- proposals, including by states, to limit the tax deductibility of advertising expenses by advertisers; and
- proposals to regulate violence and hate speech in broadcasts.

We cannot predict whether any proposed changes will be adopted, what other matters might be considered in the future, or what impact, if any, the implementation of any of these proposals or changes might have on our business.

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

REGULATION OF OUTDOOR ADVERTISING

Outdoor advertising is subject to government regulation at the federal, state and local levels. Regulations generally restrict the size, spacing, lighting and other aspects of advertising structures and pose a significant barrier to entry and expansion in many markets. Federal law, principally the Highway Beautification Act of 1965, 28 U.S.C. § 131, regulates outdoor advertising on Federal-aid Primary, Interstate and National Highway Systems roads, and it directs states to provide “effective control” of outdoor advertising along these roads, and to implement a compliance program and state standards regarding size, spacing, and lighting. The states in which we operate have implemented billboard control statutes and regulations. Additionally, municipal and county governments also have implemented sign controls as part of their zoning laws and building codes, and some local governments prohibit construction of new billboards or allow new construction only to replace existing structures. These state, local, and municipal laws and standards may be modified over time, and may have an adverse effect on our business. We closely evaluate laws and regulations that we believe unlawfully restrict our constitutional or other legal rights and may adversely impact our outdoor advertising business to determine whether to bring legal challenges.

We may be required to remove billboards in some circumstances, and may not always be able to obtain compensation for the removal. As some examples, state governments have purchased and removed billboards for beautification, and may do so again in the future. Additionally, state and municipal governments have laid claim to property under the power of eminent domain and forced the removal of billboards. State governments have also required removal of billboards that have been damaged, and can require removal of signs deemed to be illegal at the owner’s expense and without compensation from the state. Local governments also have attempted to force removal of legal but currently nonconforming billboards under a concept called amortization by which a governmental body asserts that a billboard operator has earned sufficient compensation by continued operation over time, which has been upheld in some instances.

We have also deployed and will continue to deploy digital billboards that display static digital advertising copy from various advertisers that change every 6 to 8 seconds. These may be restricted by existing regulations, and existing regulations that currently do not apply to them by their terms could be revised or new regulations could be enacted to impose greater restrictions. These regulations may impose greater restrictions on digital billboards due to alleged concerns over aesthetics or driver safety. On December 30, 2013, the U.S. Department of Transportation and the Federal Highway Administration released the results of a study concluding that the presence of digital billboards did not appear to be related to a decrease in looking at the road ahead, though it cautioned that it did not present definitive answers to the research questions investigated. The results of this or other studies may result in regulations at any government level that impose greater restrictions on digital billboards.

ITEM 1A. RISK FACTORS.

The risk factors listed below, in addition to those set forth elsewhere in this report, could affect the business, financial condition and future results of the Company. Additional risks and uncertainties that are not currently known to the Company or that are not currently believed by the Company to be material may also harm the Company's business, financial condition and results of operations.

Risks Related to our Business

Our results of operations could be negatively impacted by weak economic conditions and instability in financial markets.

We believe that advertising is a discretionary business expense. Spending on advertising tends to decline disproportionately during an economic recession or downturn as compared to other types of business spending. Consequently, weakness in the United States economy generally has an adverse effect on our advertising revenue and, therefore, our results of operations. For example, the economic tumult caused by the on-going novel coronavirus disease 2019 (COVID-19) has had a material adverse effect on our advertising revenues, particularly at our New York radio stations.

Even in the absence of a general recession or downturn in the economy, an individual business sector (such as the automotive industry) that tends to spend more on advertising than other sectors might be forced to reduce its advertising expenditures if that sector experiences a downturn. If that sector's spending represents a significant portion of our advertising revenues, any reduction in its advertising expenditures may affect our revenue.

Radio revenues in the market in which we operate have been challenged and may remain so.

Radio revenues in the New York market in which we operate have lagged the growth of the general United States economy. New York market revenues, as measured by the accounting firm Miller Kaplan Arase LLP ("Miller Kaplan"), during the ten-month period ended December 2019 and the year ended December 31, 2020, were up 2.6% and down 31.3%, respectively. During these same periods, the U.S. Bureau of Economic Analysis reports that U.S. real gross domestic product grew 3.0% and contracted 3.5%, respectively. Our results of operations could be negatively impacted if radio revenue performance in the market in which our radio stations operate continues to lag general United States economic growth.

We may lose audience share and advertising revenue to competing radio stations or other types of media.

The radio broadcasting industry is highly competitive. Our radio stations compete for audiences and advertising revenue with other radio stations and station groups, as well as with other media. Shifts in population, demographics, audience tastes, consumer use of technology and forms of media and other factors beyond our control could cause us to lose market share. Any adverse change in our radio stations' market, or adverse change in the relative market positions of our stations, could have a material adverse effect on our revenue or ratings, could require increased promotion or other expenses in that market, and could adversely affect our revenue. Other radio broadcasting companies may enter the market in which we operate or markets in which we may operate in the future. These companies may be larger and have more financial resources than we have. Our radio stations may not be able to maintain or increase their current audience ratings and advertising revenue in the face of such competition.

MediaCo expects to continue to routinely conduct market research to review the competitive position of our stations in the market. If we determine that a station could improve its operating performance by serving a different demographic, we may change the format of that station. Our competitors may respond to our actions by more aggressive promotions of their stations or by replacing the format we vacate, limiting our options if we do not achieve expected results with our new format.

From time to time, other stations may change their format or programming, a new station may adopt a format to compete directly with our stations for audiences and advertisers, or stations might engage in aggressive promotional campaigns. These tactics could result in lower ratings and advertising revenue or increased promotion and other expenses and, consequently, lower earnings and cash flow for us. Any failure by us to respond, or to respond as quickly as our competitors, could also have an adverse effect on our business and financial performance.

Because of the competitive factors we face, we cannot assure investors that we will be able to maintain or increase our current audience ratings and advertising revenue.

Our radio operations are entirely concentrated in the New York market.

Our radio operations are located exclusively in the New York City Metro area. Since our radio stations' revenues are concentrated in this market, an economic downturn, increased competition or another significant negative event in the New York City market could reduce our revenues more dramatically than other companies that do not depend as much on this market, which could have a material and adverse effect on our financial condition and results of operations.

Our radio operations lack the scale of some of our competitors.

MediaCo's only radio stations are two stations in New York. Some of our competitors in this market have larger clusters of radio stations. Our competitors may be able to leverage their market share to extract a greater percentage of available advertising revenues in this market and may be able to realize operating efficiencies by programming multiple stations in the market. Also, given our reliance on urban formats in New York, our financial condition and results of operations could be materially and adversely affected by additional urban format competition by our competitors.

Our operations have been, and continue to be, adversely affected by the pandemic.

We hold a number of events, most notably Summer Jam in June of each year, in which large numbers of people are in close proximity. We were required to cancel Summer Jam in 2020 due to the on-going COVID-19 pandemic, which adversely impacted our financial results. Our ability to successfully hold the event in 2021, as well as in future years will depend on state and local restrictions on crowd sizes and people's willingness to attend large gatherings. Furthermore, advertising revenues for both our radio and outdoor businesses have meaningfully declined as advertisers have decreased their discretionary spending. We cannot predict when, if ever, advertising levels will return to pre-pandemic levels.

We depend upon Emmis for management services and this agreement expires in November 2021.

We entered into a management agreement (the "Management Agreement") with EOC in November 2019. Pursuant to this Management Agreement, EOC performs a substantial portion of our corporate functions, including legal, accounting, SEC reporting, treasury, internal audit, and tax. As such, we are dependent on the reliability and effectiveness of Emmis' management, and cannot guarantee that their officers and employees will be sufficient in number or will have the necessary capability for their assigned roles. We would be materially adversely affected if Emmis becomes unable or unwilling to continue providing services for our benefit at the level of quality and at the cost provided in the Management Agreement prior to its scheduled expiration in November 2021. Emmis has informed us that it does not intend to extend the Management Agreement beyond November 2021, but has not yet given formal notice to that effect. While we intend to hire new employees to assume the responsibilities currently covered by the Management Agreement prior to its expiration, we cannot offer any assurances that we will be successful in hiring these positions, that the newly hired employees will have the experience to effectively assume the responsibilities currently covered by the Management Agreement when it expires, that the new business processes or information systems will be timely or effectively implemented, or that our cost structure will not increase as a result of these new hires.

In our outdoor advertising markets, we face competition from larger and more diversified outdoor advertisers and other forms of advertising.

While we enjoy a significant market share in our outdoor advertising markets, we face competition from other outdoor advertisers and other media in these markets. Although we are one of the largest companies focusing exclusively on outdoor advertising in our outdoor advertising markets, we compete in these markets against larger companies with diversified operations, such as television, radio and other broadcast media. These diversified competitors have the advantage of cross-selling complementary advertising products to advertisers.

We also compete against an increasing variety of out-of-home advertising media, such as advertising displays in shopping centers, malls, airports, stadiums, movie theaters and supermarkets, and on taxis, trains and buses. To a lesser extent, we also face competition from other forms of media, including radio, newspapers, direct mail advertising, telephone directories and the Internet. We may be unable to compete against these forms of advertising competition in the future, and the competitive pressures that we face could adversely affect our profitability or financial performance.

Outdoor advertising is subject to expansive federal, state and local regulation, which could negatively affect our operations and financial results.

Outdoor advertising is subject to governmental regulation at the federal, state and local levels. Regulations generally restrict the size, spacing, lighting and other aspects of advertising structures and pose a significant barrier to entry and expansion in many markets.

Federal law, principally the Highway Beautification Act of 1965, or the HBA, regulates outdoor advertising on Federal-Aid Primary, Interstate and National Highway Systems roads. The HBA requires states, through the adoption of individual Federal/State Agreements, to "effectively control" outdoor advertising along these roads, and mandates a state compliance program and state standards regarding size, spacing and lighting. These state standards, or their local and municipal equivalents, may be modified over time in response to legal challenges or otherwise, which may have an adverse effect on our business. All states have passed billboard control statutes and regulations at least as restrictive as the federal requirements, including laws requiring the removal of illegal signs at the owner's expense (and without compensation from the state). Additionally, some existing regulations restrict or prohibit digital billboards and similar types of digital displays. Digital billboards have been developed and introduced relatively recently into the market on a large scale; however, existing regulations that currently do not apply to them by their terms could be revised or new regulations could be enacted to impose greater restrictions. These regulations may impose greater restrictions on digital billboards due to alleged concerns over aesthetics or driver safety. The introduction of new, or the expansion of existing, regulations by federal, state or local governments may impose undue restrictions or burdens on our outdoor advertising business and could materially harm our outdoor advertising operations and financial results.

We are a "controlled company" within the meaning of the Nasdaq listing standards and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements. Investors in our Class A common stock will not have the same protections afforded to shareholders of companies that are subject to such requirements.

As of March 9, 2021, SG Broadcasting controls approximately 97.42% of the outstanding voting interests of MediaCo through its ownership of MediaCo Class B common stock. Because of the voting power of SG Broadcasting, we are considered a "controlled company" for purposes of Nasdaq requirements. As such, we are exempt from certain corporate governance requirements of Nasdaq, including the requirements that:

- a majority of the board of directors consist of independent directors,
- we have a Nominating and Corporate Governance Committee that is composed entirely of independent directors, and
- we have a Compensation Committee that is composed entirely of independent directors.

Currently, MediaCo does have a majority of independent directors, and the Compensation Committee does consist entirely of independent directors; however, we do not have a Nominating and Corporate Governance Committee. MediaCo could choose to take advantage of the exemptions relating to the board and the Compensation Committee. Accordingly, investors in our Class A common stock would not have the same protections afforded to shareholders of companies that are subject to all of Nasdaq's corporate governance requirements.

We must respond to the rapid changes in technology, services and standards that characterize the radio broadcasting industry in order to remain competitive, and changes in technology may increase the risk of material intellectual property infringement claims.

The radio broadcasting industry is subject to rapid technological changes, evolving industry standards and the emergence of competition from new technologies and services. We cannot assure that we will have the resources to acquire new technologies or to introduce new services that could compete with these new technologies. Various media technologies and services that have been developed or introduced include:

- satellite-delivered digital audio radio service, which has resulted in subscriber-based satellite radio services with numerous niche formats;
- audio programming by cable systems, direct-broadcast satellite systems, Internet content providers and other digital audio broadcast formats, including podcasts;
- personal digital audio devices;
- HD Radio®, which provides multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional AM and FM radio services; and
- low-power FM radio, which could result in additional FM radio broadcast outlets, including additional low-power FM radio signals authorized in December 2010 under the Local Community Radio Act.

New media has resulted in fragmentation in the radio broadcasting advertising market, but we cannot predict the impact that additional competition arising from new technologies may have on the radio broadcasting industry or on our financial condition and results of operations.

A number of automakers are introducing more advanced, interactive dashboard technology including the introduction of technologies like Apple CarPlay and Google Android Auto that enable vehicle entertainment systems to more easily interface with a consumer's smartphone and include alternative audio entertainment options.

Programmatic buying, which enables an advertiser to purchase advertising inventory through an exchange or other service and bypass the traditional personal sales relationship, has become widely adopted in the purchase of digital advertising and is an emerging trend in the radio industry. We cannot predict the impact programmatic buying may have on the radio industry or our financial condition and results of operations.

Additionally, technological advancements in the operation of radio stations and related businesses have increased the number of patent and other intellectual property infringement claims brought against broadcasters, including MediaCo. While MediaCo has not historically been subject to material patent and other intellectual property claims and takes certain steps to limit the likelihood of, and exposure to, such claims, no assurance can be given that material claims will not be asserted in the future.

Our business depends heavily on maintaining our licenses with the FCC. We could be prevented from operating a radio station if we fail to maintain its license.

The radio broadcasting industry is subject to extensive and changing regulation. The Communications Act and FCC rules and policies require FCC approval for transfers of control and assignments of FCC licenses. The filing of petitions or complaints against FCC licensees could result in the FCC delaying the grant of, or refusing to grant, its consent to the assignment of licenses to or from an FCC licensee or the transfer of control of an FCC licensee. In certain circumstances, the Communications Act and FCC rules and policies will operate to impose limitations on alien ownership and voting of our common stock. There can be no assurance that there will be no changes in the current regulatory scheme, the imposition of additional regulations or the creation of new regulatory agencies, which changes could restrict or curtail our ability to acquire, operate and dispose of stations or, in general, to compete profitably with other operators of radio and other media properties.

Each of our radio stations operates pursuant to one or more licenses issued by the FCC. Under FCC rules, radio licenses are granted for a term of eight years. Our licenses expire in June 2022. Although we will apply to renew these licenses, third parties could challenge our renewal applications. While we are not aware of facts or circumstances that would prevent us from having our current licenses renewed, there can be no assurance that the licenses will be renewed or that renewals will not include conditions or qualifications that could adversely affect our business and operations. Failure to obtain the renewal of any of our broadcast licenses would likely have a material adverse effect on our business and operations. In addition, if we or any of our officers, directors or significant stockholders materially violates the FCC's rules and regulations or

the Communications Act, is convicted of a felony or is found to have engaged in unlawful anticompetitive conduct or fraud upon another government agency, the FCC may, in response to a petition from a third party or on its own initiative, in its discretion, commence a proceeding to impose sanctions upon us which could involve the imposition of monetary fines, the revocation of our broadcast licenses or other sanctions. If the FCC were to issue an order denying a license renewal application or revoking a license, we would be required to cease operating the applicable radio station only after we had exhausted all rights to administrative and judicial review without success.

We disseminate large amounts of content to the public. An ill-conceived or mistimed on-air statement or social media post could have a material adverse effect on our business.

The FCC's rules prohibit the broadcast of obscene material at any time and prohibit indecent material between the hours of 6 a.m. and 10 p.m. Broadcasters risk violating the prohibition on the broadcast of indecent material because of the FCC's broad definition of such material, coupled with the spontaneity of live programming.

Congress has dramatically increased the penalties for broadcasting obscene, indecent or profane programming and broadcasters can potentially face license revocation, renewal or qualification proceedings in the event that they broadcast indecent material. In addition, the FCC's heightened focus on indecency, against the broadcast industry generally, may encourage third parties to oppose our license renewal applications or applications for consent to acquire broadcast stations. As a result of these developments, we have implemented certain measures that are designed to reduce the risk of broadcasting indecent material in violation of the FCC's rules. These and other future modifications to our programming in an effort to reduce the risk of indecency violations could have an adverse effect on our competitive position.

Even statements or social media posts that do not violate the FCC's indecency rules could offend our audiences and advertisers or infringe the rights of third parties, resulting in a decline in ratings, a loss in revenues, a challenge to our broadcast licenses, or extended litigation. While we maintain insurance covering some of these risks, others are effectively uninsurable and could have a material adverse effect on our financial condition and results of operations.

Changes in current Federal regulations could adversely affect our business operations

Congress and the FCC have under consideration, and may in the future consider and adopt, new laws, regulations and policies that could, directly or indirectly, affect the profitability of our broadcast stations. In particular, Congress is considering a revocation of radio's exemption from paying royalties to performing artists for use of their recordings (radio already pays a royalty to songwriters). A requirement to pay additional royalties could have a material and adverse effect on our financial condition and results of operations.

Our business strategy and our ability to operate profitably depend on the continued services of our key employees, the loss of whom could have a material adverse effect on our business.

Our success depends in large part upon the leadership and performance our radio and outdoor management teams and other key personnel. Operating as an independent public company demands a significant amount of time and effort from our management and other personnel and may give rise to increased turnover. If we lose the services of members of our management team or other key personnel, we may not be able to successfully manage our business or achieve our business objectives.

We need to continue to attract and retain qualified key personnel in a highly competitive environment. Our ability to attract, recruit and retain such talent will depend on a number of factors, including the hiring practices of our competitors, the performance of our developing business programs, our compensation and benefits, and economic conditions affecting our industry generally. Our radio stations' personnel includes several on-air personalities and hosts of syndicated radio programs with large and loyal audiences in their respective broadcast areas. These on-air personalities are sometimes significantly responsible for the ranking of a station and, thus, the ability of the station to sell advertising. Such on-air personalities or other key individuals may not remain with our radio stations and we may not retain their audiences, which could affect our competitive position. If we cannot effectively hire and retain qualified employees, our business, prospects, financial condition and results of operations could suffer.

Impairment losses related to our intangible assets could reduce our earnings in the future.

As of December 31, 2020, our intangible assets comprised 54% of our total assets. We did not record any impairment charges during the ten-month period ended December 31, 2019 or the year ended December 31, 2020. However, if events occur or circumstances change, the fair value of our intangible assets might fall below the amount reflected on our balance sheet, and we may be required to recognize impairment charges in our statement of operations, which may be material, in future periods.

Our operating results have been and may again be adversely affected by acts of war, a global health crisis, terrorism and natural catastrophes.

Acts of war and terrorism against the United States, and the country's response to such acts, may negatively affect the U.S. advertising market, which could cause our advertising revenues to decline due to advertising cancellations, delays or defaults in payment for advertising time, and other factors. In addition, these events may have other negative effects on our business, the nature and duration of which we cannot predict.

For example, after the September 11, 2001 terrorist attacks, we decided that the public interest would be best served by the presentation of continuous commercial-free coverage of the unfolding events on our stations. This temporary policy had a material adverse effect on our advertising revenues and operating results for the month of September 2001. Similarly, the COVID-19 pandemic caused severe trauma to our business during 2020, with advertisers pulling advertisements and events like Summer Jam being canceled. Future events like those of

September 11, 2001, or the evolving COVID-19 pandemic, may have a material adverse effect on our advertising revenues and operating results.

Additionally, the attacks on the World Trade Center on September 11, 2001 resulted in the destruction of the transmitter facilities that were located there. Although we had no transmitter facilities located at the World Trade Center, broadcasters that had facilities located in the destroyed buildings experienced temporary disruptions in their ability to broadcast. Since we tend to locate transmission facilities for stations serving urban areas on tall buildings or other significant structures, such as the Empire State Building in New York, further terrorist attacks or other disasters could cause similar disruptions in our broadcasts in the areas affected. If these disruptions occur, we may not be able to locate adequate replacement facilities in a cost-effective or timely manner or at all. Failure to remedy disruptions caused by terrorist attacks or other disasters and any resulting degradation in signal coverage could have a material adverse effect on our business and results of operations.

Similarly, hurricanes, floods, tornadoes, earthquakes, wild fires and other natural disasters can have a material adverse effect on our operations in any given market. While we generally carry insurance covering such catastrophes, we cannot be sure that the proceeds from such insurance will be sufficient to offset the costs of rebuilding or repairing our property or the lost income.

Our business is dependent upon the proper functioning of our internal business processes and information systems and modification or interruption of such systems may disrupt our business, processes and internal controls.

The proper functioning of our internal business processes and information systems is critical to the efficient operation and management of our business. If these information technology systems fail or are interrupted, our operations may be adversely affected and operating results could be harmed. Our business processes and information systems need to be sufficiently scalable to adapt to the size of our business and may require modifications or upgrades that expose us to a number of operational risks. Our information technology systems, and those of third party providers, may also be vulnerable to damage or disruption caused by circumstances beyond our control. These include catastrophic events, power anomalies or outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic intrusions, unauthorized access and cyber-attacks. Any material disruption, malfunction or similar challenges with our business processes or information systems, or disruptions or challenges relating to the transition to new processes, systems or providers, could have a material adverse effect on our financial condition and results of operations.

We may not be successful in identifying any additional suitable acquisition or investment opportunities.

As part of our business strategy, we may pursue acquisitions or other investment opportunities. However, there is no assurance that we will be successful in identifying or consummating any suitable acquisitions and certain acquisition opportunities may be limited or prohibited by applicable regulatory regimes. Even if we do complete acquisitions or business combinations, there is no assurance that any of them will be of value in enhancing our business or our financial condition. In addition, our ongoing activities could divert a substantial amount of our management time and may be difficult for us to integrate, which could adversely affect management's ability to identify and consummate other investment opportunities. The failure to identify or successfully integrate future acquisitions and investment opportunities could have a material adverse effect on our results of operations and financial condition.

Because we face significant competition for acquisition and investment opportunities, it may be difficult for us to fully execute our business strategy. We expect to encounter intense competition for acquisition and investment opportunities from both strategic investors and other potential competitors, such as private investors (which may be individuals or investment partnerships), blank check companies, and other entities, domestic and international, competing for the type of businesses that we may intend to acquire. Many of these competitors possess greater technical, human and other resources, or more local industry knowledge, or greater access to capital, than we do and our financial resources will be relatively limited when contrasted with those of many of these competitors. These factors may place us at a competitive disadvantage in successfully completing future acquisitions and investments.

In addition, while we believe that there are numerous target businesses that we could potentially acquire or invest in, our ability to compete with respect to the acquisition of certain target businesses that are sizable will be limited by our available financial resources. This inherent competitive limitation gives others an advantage in pursuing acquisition and investment opportunities.

Future acquisitions or investments could involve unknown risks that could harm our business and adversely affect our financial condition.

We may make acquisitions in a variety of industries and market sectors. Future acquisitions that we consummate will involve unknown risks, some of which will be particular to the industry in which the acquisition target operates. We may be unable to adequately address the financial, legal and operational risks raised by such acquisitions, especially if we are unfamiliar with the industry in which we invest. The realization of any unknown risks could prevent or limit us from realizing the projected benefits of the acquisitions, which could adversely affect our financial condition and liquidity. In addition, our financial condition and results of operations will be subject to the specific risks applicable to any company in which we invest.

Risks Related to our Indebtedness:

Our substantial indebtedness could adversely affect our financial health.

We have a significant amount of indebtedness. As of March 27, 2021, our total indebtedness was \$97.9 million, consisting of \$71.0 million under our senior credit facility, \$5.5 million of notes payable to Emmis, and \$21.4 million of notes payable to SG Broadcasting. Our substantial indebtedness could have important consequences to investors. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- increase our vulnerability to generally adverse economic and industry conditions;

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- result in higher interest expense in the event of increases in interest rates because our debt is at variable rates of interest;
- limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate;
- place us at a competitive disadvantage compared to some of our competitors that have less debt; and
- limit, along with the financial and other restrictive covenants in our credit agreements, our ability to borrow additional funds or make acquisitions.

We anticipate noncompliance with the financial covenants in our debt instruments, which could result in the loss of our sources of liquidity and acceleration of our indebtedness, and cause substantial doubt about our ability to continue as a going concern.

The Company has debt service obligations of approximately \$8.6 million due under its Senior Credit Facility from March 30, 2021 (the date of issuance of these financial statements) through March 30, 2022. In addition, our Senior Credit Facility requires us to maintain Minimum Liquidity (as defined in the Senior Credit Facility) of \$2.5 million until November 25, 2021, and \$3.0 million for the period thereafter. During the year ended December 31, 2020, the Company obtained amendments to our Senior Credit Facility in order to, among other things, suspend the testing of the Consolidated Fixed Charge Coverage Ratio (as defined in the Senior Credit Facility) until July 1, 2021, at which time the Company will once again be required to comply with a Fixed Charge Coverage Ratio of 1.10:1.00. The Company expects its revenues and profitability will continue to be adversely impacted by the COVID-19 pandemic, and the duration and severity of the impact is unknown as of the date of issuance of these financial statements. Management anticipates that the Company will be unable to meet its liquidity needs and comply with the covenants of our Senior Credit Facility for the next twelve months with cash and cash equivalents on hand, projected cash flows from operations, and/or additional borrowings.

Our Senior Credit Facility includes a loan to value calculation, whereby the amount of debt outstanding thereunder is limited to a formula based on 60% of the fair value of the Company's FCC licenses plus a multiple of the Company's Billboard Cash Flow (as defined in the Senior Credit Facility). If the most recent appraisal of the fair value of our FCC licenses obtained in connection with our annual impairment testing as of October 1, 2020 is deemed to be an Acceptable Appraisal (as defined in the Senior Credit Facility) by our lender in its sole discretion, we will have a shortfall in this calculation, requiring a repayment of approximately \$8.0 million of Senior Credit Facility debt. Our lender is not required to accept this appraisal and has the right to obtain a different appraisal, which could result in a different repayment amount, if any.

As a result of the conditions identified above, management has concluded that there is substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. The Company's independent auditor has included an explanatory paragraph regarding the Company's ability to continue as a going concern in its report on these consolidated and combined financial statements, which constitutes an event of default under the Senior Credit Facility. Upon this event of default, under the Senior Credit Facility, the lender may, but is not required to, declare all or any portion of the unpaid principal amount of the Senior Credit Facility, including interest accrued and unpaid, to be immediately due and payable, and/or to increase the annual interest rate in effect by 3%. If our lenders accelerate the repayment of borrowings, we may be forced to liquidate certain assets to repay all or part of our debt instruments, and we cannot be assured that sufficient assets will remain for us to continue our business operations after we have paid all of the borrowings under our debt instruments. Our ability to liquidate assets is affected by the regulatory restrictions associated with radio stations, including FCC licensing, which may make the market for these assets less liquid and increase the chances that these assets will be liquidated at a significant loss.

The terms of any future indebtedness may restrict our current and future operations, particularly our ability to respond to changes in market conditions or to take some actions.

Any future long-term debt instruments may impose significant operating and financial restrictions on us. These restrictions will likely significantly limit or prohibit, among other things, our ability to incur additional indebtedness, pay dividends on securities, incur liens, enter into asset purchase or sale transactions, merge or consolidate with another company, dispose of our assets or make certain other payments or investments.

These restrictions may limit our ability to grow our business through acquisitions and could limit our ability to respond to market conditions or meet extraordinary capital needs. They also could restrict our corporate activities in other ways and could adversely affect our ability to finance our future operations or capital needs.

To service our indebtedness and other obligations, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our current credit agreement requires, and any future long-term debt agreements will likely require, us to pay periodic interest and principal payments during the term of such indebtedness. Our ability to make payments on indebtedness and to fund capital expenditures will depend on our ability to generate cash in the future. This ability to generate cash, to a certain extent, will be subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Our businesses might not generate sufficient cash flow from operations. We might not be able to complete future offerings, and future borrowings might not be available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs.

Risks Related to our Common Stock:

SG Broadcasting possesses significant voting interest with respect to our outstanding common stock, which limits the influence on corporate matters by a holder of MediaCo Class A common stock.

As of March 9, 2021, SG Broadcasting holds approximately 97.42% of the voting interests of our outstanding common stock on a fully diluted basis. Accordingly, SG Broadcasting has the ability to significantly influence our management and affairs through the election and removal of our board of directors and all other matters requiring shareholder approval unless a separate vote of the MediaCo Class A common stock is required by our articles of incorporation or Indiana law, including any future merger, consolidation or sale of all or substantially all of our assets. This concentrated voting interest could also discourage others from initiating any potential merger, takeover or other change-of-control transaction that may otherwise be beneficial to our shareholders. Furthermore, this concentrated control limits the practical effect of the influence by holders of MediaCo Class A common stock over our business and affairs, through any shareholder vote or otherwise. Accordingly, the effects of any of the above could depress the price of MediaCo Class A common stock.

Standard General's and Emmis' interests may conflict with those of other shareholders.

SG Broadcasting, a company wholly owned by funds managed by Standard General, beneficially owns shares representing approximately 97.42% of the outstanding combined voting power of all classes of our common stock. Therefore, SG Broadcasting is in a position to exercise substantial influence over the outcome of most matters submitted to a vote of our shareholders, including the election of a majority of our directors, the determination to engage in a merger, acquisition or disposition of a material amount of assets, or otherwise.

Additionally, other than with respect to the Emmis Promissory Note, which is convertible into MediaCo Class A common stock, Emmis no longer holds any common stock of MediaCo, though its officers serve as the MediaCo Class A Directors. These officers were initially shareholders of MediaCo, but no assurance can be given that they have or will retain their ownership of MediaCo shares. Further, during the term of the Management Agreement or so long as amounts remain outstanding under Emmis' Promissory Note, MediaCo's board of directors is obligated to nominate as MediaCo Class A Directors only persons specified by Emmis. Under Indiana law, directors of MediaCo may, in considering the best interests of the Company, consider the effects of any action on shareholders, employees, suppliers, and customers of the Company, and communities in which offices or other facilities of the Company are located, and any other factors the directors consider pertinent.

MediaCo Class A common stock may cease to be listed on Nasdaq.

MediaCo's Class A common stock is listed on Nasdaq under the ticker symbol "MDIA". We may not be able to meet the continued listing requirements of Nasdaq, which require, among other things, a minimum closing price of MediaCo Class A common stock, a minimum market capitalization and minimum shareholders' equity. If we are unable to satisfy the requirements of Nasdaq for continued listing, MediaCo Class A common stock would be subject to delisting from that market, and we might or might not be eligible to list our shares on another market.

A delisting of MediaCo Class A common stock from Nasdaq could negatively impact us by, among other things, reducing the liquidity and market price of MediaCo Class A common stock. There can be no assurance that we will be able to comply with Nasdaq's continued listing requirements.

Our By-Laws designate the Circuit or Superior Courts of Marion County, Indiana, or the United States District Court for the Southern District of Indiana in a case of pendant jurisdiction, as the exclusive forum for certain litigation that may be initiated by holders of shares of MediaCo, which would discourage lawsuits against us and our director and officers.

Pursuant to our By-laws, to the fullest extent permitted by law, unless we consent in writing to the selection of an alternative forum, the Circuit or any Superior Court of Marion County Indiana, or the United States District Court for the Southern District of Indiana in a case of pendant jurisdiction, shall be the sole and exclusive forum for:

- any derivative action or proceeding brought on behalf of the Company,
- any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee or agent of MediaCo to the Company or the holders of shares MediaCo,
- any action asserting a claim arising pursuant to any provision of the Indiana Business Corporation Law (the "IBCL"), the Articles of Incorporation or the By-laws, or
- any action asserting a claim governed by the internal affairs doctrine, in each case subject to said court having personal jurisdiction over the indispensable parties named as defendants.

Though Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations under it, the Company intends for this forum selection provision to apply to the fullest extent permitted by law, including to actions or claims arising under the Securities Act. While holders of shares of MediaCo cannot waive compliance with the federal securities laws and the rules and regulations under it, and therefore the forum selection provision does not apply to claims arising under the Exchange Act or the rules and regulations under it, this forum selection provision may limit the ability of holders of shares of MediaCo to bring a claim arising in other instances in a judicial forum that they find favorable for disputes with us or our directors or officers, which may discourage such lawsuits against the Company and/or our directors and officers. Alternatively, if a court outside of the State of Indiana were to find this forum selection provision inapplicable to, or unenforceable in respect of, one or more of the types of actions or claims described above, we may incur additional costs associated with resolving such matters in other jurisdictions, which could harm our business, prospects, financial condition and results of operations.

We are an “emerging growth company” and, as a result of the reduced disclosure and governance requirements applicable to emerging growth companies, MediaCo Class A common stock may be less attractive to investors for so long as we remain an emerging growth company.

We are an "emerging growth company," as defined in the JOBS Act, and we intend to take advantage of some of the exemptions from reporting requirements that are afforded to emerging growth companies, including, but not limited to, exemption from the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find MediaCo Class A common stock less attractive because we intend to rely on these exemptions. If some investors find MediaCo Class A common stock less attractive as a result, there may be a less active trading market for MediaCo Class A common stock and its stock price may be lower or more volatile as a result. We may take advantage of these exemptions until we no longer qualify as an emerging growth company.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The types of properties required to support our radio stations include offices, studios and transmitter/antenna sites. We lease our studio and office spaces. Our stations' studios are housed within its offices in Manhattan. We generally consider our facilities to be suitable and of adequate size for our current and intended purposes. We lease primary and backup transmitter/antenna sites for WQHT and WBS in Manhattan. With regard to WBS, we lease an additional backup transmitter/antenna site in Lyndhurst, New Jersey from WLIB Tower LLC, an Indiana corporation and subsidiary of Emmis ("WLIB") pursuant to a transmitter/antenna site lease. The transmitter/antenna site lease is for an initial term of 20 years, with two automatic renewal periods of 10 years each, unless MediaCo provides notice to WLIB of its intention to not renew the lease for an additional term. The transmitter/antenna site for each station is generally located so as to provide maximum market coverage, consistent with the station's FCC license. In general, we do not anticipate difficulties in renewing the transmitter/antenna site leases or in leasing additional space or sites if required.

Our outdoor advertising business requires advertising structures which we construct and own, as well as small parcels of land on which we place them. These parcels of land are either owned, leased or subject to easements. As of December 31, 2020 we have approximately 1,260 leases in place. We have regional management offices in Valdosta, Georgia and Hagerhill, Kentucky, which we lease.

Our principal executive offices are located at 40 Monument Circle, Suite 700, Indianapolis, Indiana 46204, in approximately 115,000 square feet of office space owned by Emmis and which we share with Emmis during the term of the Management Agreement. We do not pay any rent to Emmis as our shared use of these offices is covered by the terms of the Management Agreement.

ITEM 3. LEGAL PROCEEDINGS.

We are not a party to any material legal proceedings at this time. From time to time, we may be subject to various legal proceedings and claims, which may have a material adverse effect on our financial position or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

MARKET INFORMATION FOR OUR COMMON STOCK

MediaCo's Class A common stock is quoted on the Nasdaq Capital Market under the symbol MDIA. There is no established public trading market for MediaCo's Class B common stock or Series A convertible preferred stock.

HOLDERS

At March 9, 2021, there were 2,228 beneficial holders of the Class A common stock, and there was one beneficial holder of the Class B common stock.

DIVIDENDS

MediaCo currently intends to retain future earnings for use in its business and has no plans to pay any dividends on shares of its common stock in the foreseeable future. MediaCo's senior credit agreement sets forth certain restrictions on our ability to pay dividends. See Note 6 to the accompanying consolidated and combined financial statements for more discussion of the revolving credit agreement.

UNREGISTERED SALES OF EQUITY SECURITIES

On January 16, 2020, the Company issued to Emmis 16,596 shares of Class A common stock and issued to SG Broadcasting 53,444 shares of Class B common stock. This pro rata issuance was to enable Emmis to distribute on January 17, 2020, 0.1265 shares of Class A common stock for each outstanding share of Emmis common stock as of the record date for the distribution, while ensuring that the ratio of Class A common stock to Class B common stock remained constant.

As of July 1, 2020, SG Broadcasting had loaned to the Company \$11.3 million for working capital purposes pursuant to a Second Amended and Restated Promissory Note from the Company, which is convertible beginning six months after its issuance date into shares of MediaCo Class A common stock at a price equal to the average of the volume-weighted average prices of the Class A Stock on the Nasdaq Capital Market (or certain other alternative trading markets if the Class A common stock is instead listed on one of such markets) for the last 30 trading days prior to the date of conversion, except that if there is no trading market for any such day, then the price used for such day shall be the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the OTCQX, OTCQB, Pink or Grey markets (in that order) operated by OTCMarkets.

On August 28, 2020, SG Broadcasting loaned an additional \$8.7 million to the Company pursuant to the Second Amended and Restated SG Promissory Note for working capital purposes.

On September 30, 2020, SG Broadcasting loaned an additional \$0.3 million to the Company pursuant to an additional SG Broadcasting Promissory Note (the "Additional SG Promissory Note") for working capital purposes. The Additional SG Promissory Note is convertible at any time into shares of MediaCo Class A common stock at the same conversion price as the Second Amended and Restated SG Promissory Note. However, the Additional SG Broadcasting Promissory Note contains a limitation on conversion of the outstanding principal and any accrued but unpaid interest thereunder into shares of the Class A Common Stock, par value \$0.01 per share (the "Class A Stock"), of the Company, such that the maximum number of shares of Class A Stock to be issued in connection with the conversion of the Additional SG Broadcasting Promissory Note shall not, without the prior approval of the shareholders of the Company, (i) exceed a number of shares equal to 19.9% of the outstanding shares of common stock of the Company immediately prior to September 30, 2020, (ii) exceed a number of shares that would evidence voting power greater than 19.9% of the combined voting power of the outstanding voting securities of the Company immediately prior to September 30, 2020, or (iii) otherwise exceed such number of shares of capital stock of the Company that would violate applicable listing rules of Nasdaq, in each of subsections (i) through (iii), only to the extent required by applicable Nasdaq rules and guidance (the "Share Cap"). In the event the number of shares of Class A Stock to be issued upon conversion of the Additional SG Broadcasting Promissory Note exceeds the Share Cap, then the portions of the Additional SG Broadcasting Promissory Note that would result in the issuance of any excess shares shall cease being convertible, and the Company shall instead either (x) repay such portions of the Additional SG Broadcasting Promissory Note in cash or (y) obtain shareholder approval of the issuance of shares of Class A Stock in excess of the Share Cap prior to the issuance thereof.

Each of these sales of securities was consummated pursuant to the exemption from registration in Section 4(a)(2) of the Securities Act of 1933, as amended. SG Broadcasting is a sophisticated entity and the terms of the Second Amended and Restated SG Promissory Note and the additional SG Promissory Note were negotiated by the parties.

ITEM 6. SELECTED FINANCIAL DATA.

As a smaller reporting company, we are not required to provide this information.

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

GENERAL

The following discussion pertains to MediaCo Holding Inc. and its subsidiaries (collectively, “MediaCo” or the “Company”).

We own and operate two radio stations located in New York City and outdoor advertising businesses geographically focused in Southern Georgia and Eastern Kentucky. Our revenues are mostly affected by the advertising rates our entities charge, as advertising sales are the primary component of our consolidated revenues. These rates are in large part based on our radio stations’ ability to attract audiences in demographic groups targeted by their advertisers and the number of persons exposed to our billboards. The Nielsen Company generally measures radio station ratings weekly for markets measured by the Portable People Meter™, which includes all of our radio stations. Because audience ratings in a station’s local market are critical to the station’s financial success, our strategy is to use market research, advertising and promotion to attract and retain audiences in each station’s chosen demographic target group.

Our revenues vary throughout the year. Revenue and operating income are usually lowest in the first calendar quarter for both our radio and outdoor advertising segments, partly because retailers cut back their advertising spending immediately following the holiday shopping season.

In addition to the sale of advertising time for cash, stations typically exchange advertising time for goods or services, which can be used by the station in its business operations. These barter transactions are recorded at the estimated fair value of the product or service received. We generally confine the use of such trade transactions to promotional items or services for which we would otherwise have paid cash. In addition, it is our general policy not to preempt advertising spots paid for in cash with advertising spots paid for in trade.

The following table summarizes the sources of our revenues for the ten-month period ended December 31, 2019 and the year ended December 31, 2020. The category “Non Traditional” principally consists of ticket sales and sponsorships of events our stations conduct in their local markets. The category “Other” includes, among other items, revenues related to network revenues, production of billboard advertisements and barter.

	Ten Months Ended December 31, 2019		Year Ended December 31, 2020	
Net revenues:				
Local	\$ 20,914	51.3%	\$ 15,958	40.6%
National	3,912	9.6%	3,089	7.9%
Political	—	0.0%	82	0.2%
Non Traditional	8,166	20.0%	761	1.9%
Digital	3,018	7.4%	2,256	5.7%
Outdoor Advertising	759	1.9%	12,459	31.7%
Other	4,031	9.8%	4,656	11.8%
Total net revenues	<u>\$ 40,800</u>		<u>\$ 39,261</u>	

Roughly 20% of our expenses varies in connection with changes in revenue. These variable expenses primarily relate to costs in our sales department, such as salaries, commissions and bad debt. Our costs that do not vary as much in relation to revenue are mostly in our programming and general and administrative departments, such as talent costs, rating fees, rents, utilities and salaries. Lastly, our costs that are highly discretionary are costs in our marketing and promotions department, which we primarily incur to maintain and/or increase our audience and market share.

KNOWN TRENDS AND UNCERTAINTIES

The U.S. radio industry is a mature industry and its growth rate has stalled. Management believes this is principally the result of two factors: (1) new media, such as various media distributed via the Internet, telecommunication companies and cable interconnects, as well as social networks, have gained advertising share against radio and other traditional media and created a proliferation of advertising inventory and (2) the fragmentation of the radio audience and time spent listening caused by satellite radio, audio streaming services and podcasts has led some investors and advertisers to conclude that the effectiveness of radio advertising has diminished.

Along with the rest of the radio industry, our stations have deployed HD Radio®. HD Radio offers listeners advantages over standard analog broadcasts, including improved sound quality and additional digital channels. In addition to offering secondary channels, the HD Radio spectrum allows broadcasters to transmit other forms of data. We are participating in a joint venture with other broadcasters to provide the bandwidth that a third party uses to transmit location-based data to hand-held and in-car navigation devices. The number of radio receivers incorporating HD Radio has increased in the past year, particularly in new automobiles. It is unclear what impact HD Radio will have on the markets in which we operate.

Our stations have also aggressively worked to harness the power of broadband and mobile media distribution in the development of emerging business opportunities by developing highly interactive websites with content that engages our listeners, deploying mobile applications and streaming our content, and harnessing the power of digital video on our websites and YouTube channels.

The results of our radio operations are solely dependent on the results of our stations in the New York market. Some of our competitors that operate larger station clusters in the New York market are able to leverage their market share to extract a greater percentage of available advertising revenue through packaging a variety of advertising inventory at discounted unit rates. Market revenues in New York as measured by Miller Kaplan Arase LLP (“Miller Kaplan”), an independent public accounting firm used by the radio industry to compile revenue information, were up 2.6% for the ten months ended December 31, 2019, but down 31.3% for the year ended December 31, 2020, as compared

to the same periods of the prior year. During these periods, revenues for our New York cluster were up 9.5% and down 42.1%, respectively. Our outperformance in the ten months ended December 31, 2019 was principally due to record-setting ticket sales associated with our largest annual concert, Summer Jam, in June 2019; however, our underperformance in the year ended December 31, 2020 was largely driven by the cancellation of that event in 2020 due to the COVID-19 pandemic.

As part of our business strategy, we continually evaluate potential acquisitions of businesses that we believe hold promise for long-term appreciation in value and leverage our strengths. However, MediaCo's long-term debt agreements substantially limit our ability to make acquisitions. We also regularly review our portfolio of assets and may opportunistically dispose of assets when we believe it is appropriate to do so.

The Company has been actively monitoring the COVID-19 situation and its impact globally, as well as domestically and in the markets we serve. Our priority has been the safety of our employees, as well as the informational needs of the communities that we serve. Through the first few months of calendar 2020, the disease became widespread around the world, and on March 11, 2020, the World Health Organization declared a pandemic. In an effort to mitigate the continued spread of COVID-19, many federal, state and local governments have mandated various restrictions, including travel restrictions, restrictions on non-essential businesses and services, restrictions on public gatherings and quarantining of people who may have been exposed to the virus. These restrictions, in turn, caused the United States economy to decline and businesses to cancel or reduce amounts spent on advertising, negatively impacting our advertising-based businesses. Furthermore, the restrictions on public gatherings in and around New York City during 2020 forced us to cancel our largest annual concert, Summer Jam. In addition, some of our advertisers have seen a material decline in their businesses and may not be able to pay amounts owed to us when they come due. If the spread of COVID-19 continues, or is suppressed but later reemerges as a variant strain, and public and private entities continue to implement restrictive measures, we expect that our results of operations, financial condition and cash flows will continue to be negatively affected, the extent to which is difficult to estimate at this time.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are defined as those that encompass significant judgments and uncertainties, and potentially derive materially different results under different assumptions and conditions. We believe that our critical accounting policies are those described below.

Revenue Recognition

Broadcasting revenue is recognized as advertisements are aired and outdoor revenue is recognized over the life of the applicable lease of each billboard. Both broadcasting revenue and outdoor revenue recognition is subject to meeting certain conditions such as persuasive evidence that an arrangement exists and collection is reasonably assured. These criteria are generally met at the time the advertisement is aired for broadcasting revenue or displayed for outdoor revenue. Broadcasting advertising revenues presented in the financial statements are reflected on a net basis, after the deduction of advertising agency fees, usually at a rate of 15% of gross revenues.

FCC Licenses

We have made acquisitions in the past for which a significant amount of the purchase price was allocated to FCC licenses and goodwill assets. As of December 31, 2020, we have recorded approximately \$63.3 million in FCC licenses, which represents approximately 43% of our total assets.

In the case of our radio stations, we would not be able to operate the properties without the related FCC license for each property. FCC licenses are renewed every eight years; consequently, we continually monitor our stations' compliance with the various regulatory requirements. Historically, all of our FCC licenses have been renewed at the end of their respective periods, and we expect that all FCC licenses will continue to be renewed in the future. We consider our FCC licenses to be indefinite-lived intangibles.

We do not amortize indefinite-lived intangible assets, but rather test for impairment at least annually or more frequently if events or circumstances indicate that an asset may be impaired. When evaluating our radio broadcasting licenses for impairment, the testing is performed at the unit of accounting level as determined by Accounting Standards Codification ("ASC") Topic 350-30-35. In our case, radio stations in a geographic market cluster are considered a single unit of accounting.

In the ten-month period ended December 31, 2019, we completed our annual impairment test on November 25, 2019, the date the stations were transferred by Emmis. For the year ended December 31, 2020, we completed our annual impairment tests on October 1 and will continue to perform our assessments on this date in future years.

Valuation of Indefinite-lived Broadcasting Licenses

Fair value of our FCC licenses is estimated to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To determine the fair value of our FCC licenses, the Company considered both income and market valuation methods when it performed its impairment tests. Under the income method, the Company projects cash flows that would be generated by each of its units of accounting assuming the unit of accounting was commencing operations in its respective market at the beginning of the valuation period. This cash flow stream is discounted to arrive at a value for the FCC license. The Company assumes the competitive situation that exists in each market remains unchanged, with the exception that its unit of accounting commenced operations at the beginning of the valuation period. In doing so, the Company extracts the value of going concern and any other assets acquired, and strictly values the FCC license. Major assumptions involved in this analysis include market revenue, market revenue growth rates, unit of accounting audience share, unit of accounting revenue share and discount rate. Each of these assumptions may change in the future based upon changes in general economic conditions, audience behavior, consummated transactions, and numerous other variables

that may be beyond our control. The projections incorporated into our license valuations take current economic conditions into consideration. Under the market method, the Company uses recent sales of comparable radio stations for which the sales value appeared to be concentrated entirely in the value of the license, to arrive at an indication of fair value.

Below are some of the key assumptions used in our income method annual impairment assessments. In recent years, we have reduced long-term growth rates in the New York market in which we operate based on recent industry trends and our expectations for the market going forward.

	<u>November 25, 2019</u>	<u>October 1, 2020</u>
Discount Rate	11.9%	12.4%
Long-term Revenue Growth Rate	-0.6%	1.0%
Mature Market Share	9.0%	9.4%
Operating Profit Margin	22.7-26.7%	26.6-29.5%

Valuation of Goodwill

As a result of the Fairway Acquisition, the Company has recorded \$13.1 million of goodwill. This accounts for all goodwill on the consolidated balance sheet as of December 31, 2020. The Fairway Acquisition closed on December 13, 2019 and all assets acquired and liabilities assumed were valued as of that date, resulting in a goodwill valuation of \$13.1 million. ASC Topic 350-20-35 requires the Company to test goodwill for impairment at least annually. Under ASC 350 we have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis for determining whether it is necessary to perform an annual quantitative goodwill impairment test. Given the macroeconomic environment as a result of the COVID-19 pandemic we have elected not to perform the qualitative assessment. When performing a quantitative assessment for impairment, the Company uses a market approach to determine the fair value of the reporting unit. Management determines the fair value for the reporting unit by multiplying the cash flows of the reporting unit by an estimated market multiple. Management believes this methodology for valuing outdoor advertising businesses is a common approach and believes that the multiples used in the valuation are reasonable given our peer comparisons, analyst reports, and market transactions. To corroborate the fair values determined using the market approach described above, management also uses an income approach, which is a discounted cash flow method to determine the fair value of the reporting unit. If the carrying value of a reporting unit's goodwill exceeds its fair value, the Company recognizes an impairment charge equal to the difference in the statement of operations.

Deferred Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequence of events that have been recognized in the Company's financial statements or income tax returns. Income taxes are recognized during the year in which the underlying transactions are reflected in the consolidated statements of operations. Deferred taxes are provided for temporary differences between amounts of assets and liabilities recorded for financial reporting purposes as compared to amounts recorded for income tax purposes. After determining the total amount of deferred tax assets, the Company determines whether it is more likely than not that some portion of the deferred tax assets will not be realized. If the Company determines that a deferred tax asset is not likely to be realized, a valuation allowance will be established against that asset to record it at its expected realizable value.

RESULTS OF OPERATIONS
TEN MONTHS ENDED DECEMBER 31, 2019 COMPARED TO YEAR ENDED DECEMBER 31, 2020
Net revenues:

	For the ten months ended December 31, 2019	For the year ended December 31, 2020	\$ Change	% Change
	(As reported, amounts in thousands)			
Net revenues:				
Radio	\$ 40,041	\$ 26,020	\$ (14,021)	(35.0)%
Outdoor Advertising	759	13,241	12,482	N/M
Total net revenues	<u>\$ 40,800</u>	<u>\$ 39,261</u>	<u>\$ (1,539)</u>	(3.8)%

Radio net revenues decreased for the year ended December 31, 2020 compared to the ten-month period ended December 31, 2019. Despite having two additional months of results in the current year, revenues decreased as a result of the decline in advertising revenues due to the COVID-19 pandemic, coupled with the cancellation of Summer Jam, our largest outdoor concert which is held annually in June. We were able to hold the event in June 2019, but we were forced to cancel the event in June 2020. We typically monitor the performance of our stations against the performance of the New York radio market based on reports for the periods prepared by Miller Kaplan. Miller Kaplan reports are generally prepared on a gross revenues basis and exclude revenues from barter arrangements. A summary of market revenue performance and MediaCo's revenue performance in the New York market for the year ended December 31, 2020 is presented below:

Market	For the year ended December 31, 2020	
	Overall Market Revenue Performance	MediaCo Revenue Performance
New York	(31.3%)	(42.1%)

Our underperformance as compared to the overall market revenue performance in the year ended December 31, 2020 was largely driven by the cancellation of Summer Jam in 2020, as discussed above.

We acquired two outdoor advertising businesses principally located in Southern Georgia and Eastern Kentucky on December 13, 2019, so there is only minimal activity in our reported results for the ten months ended December 31, 2019.

Operating expenses excluding depreciation and amortization expense:

	For the ten months ended December 31, 2019	For the year ended December 31, 2020	\$ Change	% Change
	(As reported, amounts in thousands)			
Operating expenses excluding depreciation and amortization expense:				
Radio	\$ 30,751	\$ 22,827	\$ (7,924)	(25.8)%
Outdoor Advertising	375	9,517	9,142	N/M
Total operating expenses excluding depreciation and amortization expense	<u>\$ 31,126</u>	<u>\$ 32,344</u>	<u>\$ 1,218</u>	3.9%

Operating expenses excluding depreciation and amortization expense for our radio division decreased, despite two additional months of results in the current year. Our largest outdoor concert, Summer Jam, is held annually in June, but due to the COVID-19 pandemic, it was cancelled in 2020. Therefore, we did not incur the costs of producing the event for the year ended December 31, 2020. Expenses also declined due to lower payroll costs in the second quarter as a result of the Loan Proceeds Participation Agreement with Emmis, and cost reductions put in place in response to the decline in revenues caused by the COVID-19 pandemic. We acquired two outdoor advertising businesses principally located in Southern Georgia and Eastern Kentucky on December 13, 2019, so there is only minimal activity in our reported results for the ten months ended December 31, 2019.

Corporate expenses excluding depreciation and amortization expense:

	For the ten months ended December 31, 2019	For the year ended December 31, 2020	\$ Change	% Change
	(As reported, amounts in thousands)			
Corporate expenses excluding depreciation and amortization expense	\$ 4,303	\$ 4,338	\$ 35	0.8%

Corporate expenses excluding depreciation and amortization expense for the ten months ended December 31, 2019, mostly relate to nonrecurring transaction costs associated with the acquisition of a controlling interest in the Company from Emmis in November 2019 and two outdoor advertising businesses in December 2019. Corporate expenses excluding depreciation and amortization expense for the year ended December 31, 2020, principally consist of the costs associated with being a public company, corporate staff to oversee the outdoor advertising business, and management fees paid to Emmis.

Depreciation and amortization:

	For ten months ended December 31, 2019	For the year ended December 31, 2020	\$ Change	% Change
	(As reported, amounts in thousands)			
Depreciation and amortization:				
Radio	\$ 980	\$ 893	\$ (87)	(8.9)%
Outdoor Advertising	100	3,188	3,088	N/M
Total depreciation and amortization	<u>\$ 1,080</u>	<u>\$ 4,081</u>	<u>\$ 3,001</u>	277.9%

Radio depreciation and amortization expense decreased due to a number of assets becoming fully depreciated during the year ended December 31, 2020. We acquired two outdoor advertising businesses principally located in Southern Georgia and Eastern Kentucky on December 13, 2019, so there is only minimal activity in our reported results for the ten months ended December 31, 2019.

Loss on disposal of assets:

	For ten months ended December 31, 2019	For the year ended December 31, 2020	\$ Change	% Change
	(As reported, amounts in thousands)			
Loss on disposal of assets				
Radio	\$ —	\$ —	\$ —	N/A
Outdoor Advertising	—	197	197	N/A
Loss on disposal of assets	<u>\$ —</u>	<u>\$ 197</u>	<u>\$ (197)</u>	N/A

Loss on disposal of assets for the year ended December 31, 2020, relates to the disposal of various billboard structures in the ordinary course of business.

Operating income (loss):

	For the ten months ended December 31, 2019	For the year ended December 31, 2020	\$ Change	% Change
	(As reported, amounts in thousands)			
Operating income (loss):				
Radio	\$ 8,310	\$ 2,300	\$ (6,010)	(72.3)%
Outdoor Advertising	284	339	55	N/M
Corporate	(4,303)	(4,338)	(35)	0.8%
Total operating income (loss)	<u>\$ 4,291</u>	<u>\$ (1,699)</u>	<u>\$ (5,990)</u>	(139.6)%

Despite having two additional months of results in the current year, operating income decreased due to the impact of the COVID-19 pandemic.

Interest expense:

	For the ten months ended December 31, 2019	For the year ended December 31, 2020	\$ Change	% Change
(As reported, amounts in thousands)				
Interest expense	\$ (821)	\$ (9,493)	\$ 8,672	N/M

During the quarter ended December 31, 2019, the Company entered into numerous debt instruments to finance SG Broadcasting's acquisition of a controlling interest in the Company from Emmis in November 2019 and two outdoor advertising businesses in December 2019. These debt instruments have been outstanding for all of 2020, which caused the increase in interest expense as compared to the ten months ended December 31, 2019.

Provision for income taxes:

	For the ten months ended December 31, 2019	For the year ended December 31, 2020	\$ Change	% Change
(As reported, amounts in thousands)				
Provision for income taxes	\$ 1,522	\$ 15,561	\$ 14,039	922.4%

During the year ended December 31, 2020, as a result of a sharp deterioration of business activity related to the COVID-19 pandemic, the Company concluded that it was more likely than not that it would be unable to realize its deferred tax assets and recorded an \$18.8 million valuation allowance against these assets.

Consolidated net income (loss):

	For the ten months ended December 31, 2019	For the year ended December 31, 2020	\$ Change	% Change
(As reported, amounts in thousands)				
Consolidated net income (loss)	\$ 1,948	\$ (26,753)	\$ (28,701)	(1473.4)%

Consolidated net income decreased primarily due to a decline in operating income, an increase in interest expense and an increase in the provision for income taxes, each as discussed above.

LIQUIDITY AND CAPITAL RESOURCES
Senior secured term loan agreement

On November 25, 2019, the Company entered into a \$50.0 million, five-year senior secured term loan agreement (the "Senior Credit Facility") with GACP Finance Co., LLC, a Delaware limited liability company, as administrative agent and collateral agent. The Senior Credit Facility provides for initial borrowings of up to \$50.0 million, of which net proceeds of \$48.3 million after debt discount of \$1.7 million, were paid concurrently to Emmis in connection with SG Broadcasting's acquisition of a controlling interest in the Company, as well as one tranche of additional borrowings of \$25.0 million. The Senior Credit Facility bears interest at a rate equal to the London Interbank Offered Rate ("LIBOR"), plus 7.5%, with a 2.0% LIBOR floor. The Senior Credit Facility requires interest payments on the first business day of each calendar month, and quarterly payments on the principal in an amount equal to one and one quarter percent of the initial aggregate principal amount are due on the last day of each calendar quarter. The Senior Credit Facility includes covenants pertaining to, among other things, the ability to incur indebtedness, restrictions on the payment of dividends, minimum Liquidity (as defined in the Senior Credit Facility) of \$2.0 million for the period from the effective date until November 25, 2020, \$2.5 million for the period from November 26, 2020 until November 25, 2021, and \$3.0 million for the period thereafter, collateral maintenance, minimum Consolidated Fixed Charge Coverage Ratio (as defined in the Senior Credit Facility) of 1.10:1.00, and other customary restrictions. The Company borrowed \$23.4 million of the remaining available borrowings to fund the Fairway Acquisition on December 13, 2019. Proceeds received were \$22.6 million, net of a debt discount of \$0.8 million.

Amendment No.1 to senior secured term loan agreement

On February 28, 2020, the Company entered into Amendment No. 1 to its Senior Credit Facility, in order to, among other things, increase the maximum aggregate principal amount issuable under the SG Broadcasting Promissory Note to \$10.3 million.

Amendment No.2 to senior secured term loan agreement

On March 27, 2020, the Company entered into Amendment No. 2 ("Amendment No. 2") to its Senior Credit Facility, in order to, among other things, (i) reduce the required Consolidated Fixed Charge Coverage Ratio (as defined in the Senior Credit Facility) to 1.00x from June 30, 2020 to December 31, 2020, (ii) reduce the minimum Liquidity (as defined in the Senior Credit Facility) requirement to \$1.0 million through September 30, 2020, (iii) permit equity contributions and loans during calendar year 2020 under the SG Broadcasting Promissory Note and any amendments thereto to count toward Consolidated EBITDA (as defined in the Senior Credit Facility) for purposes of the Consolidated Fixed Charge Coverage Ratio calculation, and (iv) increase the maximum aggregate principal amount issuable under the Second Amended and Restated SG Broadcasting Promissory Note (as defined below) from \$10.3 million to \$20.0 million. In connection with Amendment No. 2, the

Company incurred an amendment fee of approximately \$0.2 million, which was added to the principal amount of the Senior Credit Facility then outstanding.

Amendment No.3 to senior secured term loan agreement

On August 28, 2020, the Company entered into Amendment No. 3 (“Amendment No. 3”) to its Senior Credit Facility, in order, among other things, (i) to modify certain provisions relating to the repayment of the Term Loan (as defined in the Senior Credit Facility) such that no quarterly payments shall be required beginning with the fiscal quarter ending September 30, 2020 through and including the fiscal quarter ending June 30, 2021 and (ii) to suspend the testing of the Consolidated Fixed Charge Coverage Ratio (as defined in the Senior Credit Facility) from July 1, 2020 through and including June 30, 2021. In connection with Amendment No. 3, the Company incurred an amendment fee of approximately \$0.1 million, which was added to the principal amount of the Senior Credit Facility then outstanding.

Emmis Convertible Promissory Note

On November 25, 2019, as part of the consideration owed to Emmis in connection with SG Broadcasting’s acquisition of a controlling interest in the Company, the Company issued to Emmis the Emmis Convertible Promissory Note in the amount of \$5.0 million. The Emmis Convertible Promissory Note carries interest at a base rate equal to the interest on any senior credit facility, or if no senior credit facility is outstanding, of 6.0%, plus an additional 1.0% on any payment of interest in kind and, without regard to whether the Company pays such interest in kind, an additional increase of 1.0% following the second anniversary of the date of issuance and additional increases of 1.0% following each successive anniversary thereafter. Because the Senior Credit Facility prohibits the Company from paying interest in cash on the Emmis Convertible Promissory Note, the Company accrues interest using the rate applicable for interest paid in kind. The Emmis Convertible Promissory Note is convertible, in whole or in part, into MediaCo Class A common stock at the option of Emmis beginning six months after issuance and at a strike price equal to the thirty day volume weighted average price of the MediaCo Class A common stock on the date of conversion. The Emmis Convertible Promissory Note matures on November 25, 2024.

SG Broadcasting Promissory Note and amendments thereto

On November 25, 2019, the Company issued the SG Broadcasting Promissory Note, a subordinated convertible promissory note payable by the Company to SG Broadcasting, in return for which SG Broadcasting contributed to MediaCo \$6.3 million for working capital and general corporate purposes. The SG Broadcasting Promissory Note carries interest at a base rate equal to the interest on any senior credit facility, or if no senior credit facility is outstanding, of 6.0%, and an additional increase of 1.0% following the second anniversary of the date of issuance and additional increases of 1.0% following each successive anniversary thereafter. The SG Broadcasting Promissory Note matures on May 25, 2025. Additionally, interest under the SG Broadcasting Promissory Note is payable in kind through maturity, and is convertible into MediaCo Class A common stock at the option of SG Broadcasting beginning six months after issuance and at a strike price equal to the thirty day volume weighted average price of the MediaCo Class A common stock on the date of conversion.

On February 28, 2020, the Company and SG Broadcasting amended and restated the SG Broadcasting Promissory Note such that the maximum aggregate principal amount issuable under the note was increased from \$6.3 million to \$10.3 million. Also on February 28, 2020, SG Broadcasting loaned an additional \$2.0 million to the Company pursuant to the amended note for working capital purposes.

On March 27, 2020, the Company and SG Broadcasting further amended and restated the SG Broadcasting Promissory Note (the “Second Amended and Restated SG Promissory Note”) such that the maximum aggregate principal amount issuable under the note was increased from \$10.3 million to \$20.0 million. On March 27, 2020, SG Broadcasting loaned an additional \$3.0 million to the Company pursuant to the Second Amended and Restated SG Promissory Note for working capital purposes.

On August 28, 2020, SG Broadcasting loaned an additional \$8.7 million to the Company pursuant to the Second Amended and Restated SG Promissory Note for working capital purposes.

On September 30, 2020, SG Broadcasting loaned an additional \$0.3 million to the Company pursuant to an additional SG Broadcasting Promissory Note for working capital purposes.

Series A Convertible Preferred Stock

On December 13, 2019, in connection with the Fairway Acquisition, the Company issued to SG Broadcasting 220,000 shares of MediaCo Series A Convertible Preferred Stock. The MediaCo Series A Convertible Preferred Stock ranks senior in preference to the MediaCo Class A common stock, MediaCo Class B common stock, and the MediaCo Class C common stock. Pursuant to our Articles of Amendment, the ability of the Company to make distributions with respect to, or make a liquidation payment on, any other class of capital stock in the Company designated to be junior to, or on parity with, the MediaCo Series A Convertible Preferred Stock, will be subject to certain restrictions, including that (i) the MediaCo Series A Convertible Preferred Stock shall be entitled to receive the amount of dividends per share that would be payable on the number of whole common shares of the Company into which each share of MediaCo Series A Convertible Preferred Stock could be converted when such conversion becomes active, and (ii) the MediaCo Series A Convertible Preferred Stock, upon any liquidation, dissolution or winding up of the Company, shall be entitled to a preference on the assets of the Company. Issued and outstanding shares of MediaCo Series A Convertible Preferred Stock shall accrue cumulative dividends, payable in kind, at an annual rate equal to the interest rate on any senior credit facility of the Company, or if no senior debt is outstanding, 6.0%, plus additional increases of 1.0% on December 12, 2020 and each anniversary thereof.

Other liquidity matters

As part of the acquisition of SG Broadcasting's controlling interest in the Company from Emmis on November 25, 2019, Emmis retained the working capital of the stations, but the Company was permitted to collect and use, for a period of nine months, the first \$5.0 million of net working capital attributable to the stations as of the closing date. This amount was paid to Emmis during the three months ended September 30, 2020.

On April 22, 2020, MediaCo and Emmis entered into a certain Loan Proceeds Participation Agreement (the "LPPA") pursuant to which (i) Emmis agreed to use certain of the proceeds of the loan Emmis received pursuant to the Paycheck Protection Program ("PPP") under Division A, Title I of the CARES Act to pay certain wages of employees leased to MediaCo pursuant to the Employee Leasing Agreement, between Emmis and MediaCo, (ii) Emmis agreed to waive up to \$1.5 million in reimbursement obligations of MediaCo to Emmis under the Employee Leasing Agreement to the extent that the PPP Loan is forgiven, and (iii) MediaCo agreed to promptly pay Emmis an amount equal to 31.56% of the amount of the PPP Loan, if any, that Emmis is required to repay, up to the amount of the reimbursement obligations forgiven under (ii) above. Standard General L.P., on behalf of all of the funds for which it serves as an investment advisor, agreed to guaranty MediaCo's obligations under the LPPA. As of the date of these financial statements, Emmis believes that the loan will be forgiven as Emmis believes it has spent the proceeds on qualifying expenditures. Accordingly, \$1.5 million of leased employee expense was waived by Emmis during the year ended December 31, 2020.

Going concern

The accompanying consolidated and combined financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Pursuant to ASC Topic 205-40, "Going Concern," the Company is required to evaluate whether there is substantial doubt about its ability to continue as a going concern within one year of the date of the filing of these financial statements (March 30, 2021). Management considered the Company's ability to forecast future cash flows, current financial condition, sources of liquidity and debt service obligations due on or before March 30, 2022.

The Company has been negatively impacted by COVID-19, and expects COVID-19 to continue to negatively impact revenues and profitability for an undetermined period of time. Management has considered these circumstances in assessing the Company's liquidity over the next year. Liquidity is a measure of an entity's ability to meet potential cash requirements, maintain its assets, fund its operations, and meet the other general cash needs of its business. The Company's liquidity is impacted by general economic, financial, competitive, and other factors beyond its control. The Company's liquidity requirements consist primarily of funds necessary to pay its expenses, principally debt service and operational expenses, such as labor costs, and other related expenditures. The Company generally satisfies its liquidity needs through cash provided by operations. In addition, the Company has taken steps to enhance its ability to fund its operational expenses by reducing various costs and is prepared to take additional steps as necessary.

The Company has debt service obligations of approximately \$8.6 million due under its Senior Credit Facility from March 30, 2021 (the date of issuance of these financial statements) through March 30, 2022. In addition, our Senior Credit Facility requires us to maintain Minimum Liquidity (as defined in the Senior Credit Facility) of \$2.5 million until November 25, 2021, and \$3.0 million for the period thereafter. During the year ended December 31, 2020, the Company obtained amendments to our Senior Credit Facility in order to, among other things, suspend the testing of the Consolidated Fixed Charge Coverage Ratio (as defined in the Senior Credit Facility) until July 1, 2021, at which time the Company will once again be required to comply with a Fixed Charge Coverage Ratio of 1.10:1.00. The Company expects its revenues and profitability will continue to be adversely impacted by the COVID-19 pandemic, and the duration and severity of the impact is unknown as of the date of issuance of these financial statements. Management anticipates that the Company will be unable to meet its liquidity needs and comply with the covenants of our Senior Credit Facility for the next twelve months with cash and cash equivalents on hand, projected cash flows from operations, and/or additional borrowings.

In addition, the Senior Credit Facility includes a loan to value calculation, whereby the amount of debt outstanding thereunder is limited to a formula based on 60% of the fair value of the Company's FCC licenses plus a multiple of the Company's Billboard Cash Flow (as defined in the Senior Credit Facility). If the most recent appraisal of the fair value of our FCC licenses obtained in connection with our annual impairment testing as of October 1, 2020 is deemed to be an Acceptable Appraisal (as defined in the Senior Credit Facility) by our lender in its sole discretion, we will have a shortfall in this calculation, requiring a repayment of approximately \$8.0 million of Senior Credit Facility debt. Our lender is not required to accept this appraisal and has the right to obtain a different appraisal, which could result in a different repayment amount, if any.

As a result of the conditions identified above, management has concluded that there is substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. The Company's independent auditor has included an explanatory paragraph regarding the Company's ability to continue as a going concern in its report on these consolidated and combined financial statements, which constitutes an event of default under the Senior Credit Facility. Upon this event of default, under the Senior Credit Facility, the lender may, but is not required to, declare all or any portion of the unpaid principal amount of the Senior Credit Facility, including interest accrued and unpaid, to be immediately due and payable, and/or to increase the annual interest rate in effect by 3%. Consequently, amounts outstanding under the Senior Credit Facility as of December 31, 2020 have been classified as current liabilities in the accompanying consolidated and combined financial statements. Furthermore, depending on the duration and severity of the impact the COVID-19 pandemic has on our businesses and any action our lender may take, we may record impairments of assets in the future.

Management intends to request a waiver or amendment to its Senior Credit Facility and seek additional borrowings from Standard General to cure the existing event of default and anticipated future covenant violations. While the Company has been successful in obtaining waivers and amendments under its Senior Credit Facility and has also received additional liquidity from Standard General in the past, no assurances can be made that the Company will be successful or receive such liquidity in the future.

SOURCES OF LIQUIDITY

Our primary sources of liquidity are cash provided by operations and cash available through borrowings under the SG Broadcasting Promissory Note. Our primary uses of capital have been, and are expected to continue to be, capital expenditures, working capital, debt service requirements and acquisitions.

At December 31, 2020 we had cash and cash equivalents of \$4.2 million and net working capital of (\$62.5) million. At December 31, 2019, we had cash and cash equivalents of \$2.1 million and net working capital of (\$4.7) million. This decrease in net working capital is due to the reclassification of our Senior Credit Facility as a current liability. Excluding the current maturity of our Senior Credit Facility, our working capital at December 31, 2020 would be \$6.3 million, an increase in net working capital from December 31, 2019. The increase is largely due to the decrease in accounts payable and accrued expenses as working capital amounts due to Emmis as of December 31, 2019, were paid during the year ended December 31, 2020. This was principally financed with additional borrowings.

Operating Activities

Cash flows provided by operating activities were \$3.6 million for the ten months ended December 31, 2019 versus cash flows used in operating activities of \$9.6 million for the year ended December 31, 2020. The decrease in cash flows provided by operating activities was mostly attributable to a decline in revenues as a result of the COVID-19 pandemic, increased interest expense when compared to the prior period, and the payment of working capital amounts due to Emmis during the year ended December 31, 2020.

Investing Activities

Cash flows used in investing activities of \$0.4 million for the year ended December 31, 2020, was attributable to capital expenditures.

Cash flows used in investing activities of \$43.2 million for the ten months ended December 31, 2019 consisted of \$43.1 million used to purchase Fairway Outdoor and \$0.1 million used for capital expenditures.

Financing Activities

Cash provided by financing activities of \$12.1 million for the year ended December 31, 2020, primarily consisted of proceeds of debt of \$12.2 million, net of debt payments.

Cash provided by financing activities of \$41.7 million for the ten months ended December 31, 2019 primarily consisted of proceeds of debt of \$29.4 million and proceeds from the issuance of stock of \$22.0 million. This was partially offset by net transactions with Emmis of \$6.3 million and payments of debt related costs of \$2.5 million.

As of December 31, 2020, MediaCo had outstanding \$71.0 million of borrowings under the Senior Credit Facility, of which \$1.8 million is current. As of December 31, 2020, the borrowing rate under our Senior Credit Facility was 9.5%.

Additionally, MediaCo had \$5.5 and \$21.4 million of promissory notes outstanding at December 31, 2020 to Emmis and SG Broadcasting, respectively, all of which is classified as long term debt.

The debt service requirements of MediaCo over the next twelve-month period are expected to be \$8.6 million related to our Senior Credit Facility (\$1.8 million of principal repayments and \$6.8 million of interest payments). These anticipated payments assume our lender does not accelerate the debt as a result of non-compliance with any debt covenant described above. The Senior Credit Facility bears interest at a variable rate. The Company estimates interest payments by using the amounts outstanding as of December 31, 2020 and then-current interest rates. There are no debt service requirements over the next twelve months for either the Emmis Convertible Promissory Note or the SG Broadcasting Promissory Note.

As part of our business strategy, we continually evaluate potential acquisitions of businesses that we believe hold promise for long-term appreciation in value and leverage our strengths. However, our Senior Credit Facility substantially limits our ability to make acquisitions.

INTANGIBLES

As of December 31, 2020, approximately 43% of our total assets consisted of FCC licenses. In the case of our radio stations, we would not be able to operate the properties without the related FCC license for each property. FCC licenses are renewed every eight years; consequently, we continually monitor the activities of our stations for compliance with regulatory requirements. Historically, all of our FCC licenses have been renewed (or a waiver has been granted pending renewal) at the end of their respective eight-year periods, and we expect that all of our FCC licenses will continue to be renewed in the future.

SEASONALITY

Our results of operations are usually subject to seasonal fluctuations, which result in higher second quarter revenues and operating income. For our radio operations, this seasonality is largely due to the timing of our largest concert in June of each year. Results are typically lowest in the first calendar quarter.

INFLATION

The impact of inflation on operations has not been significant to date. However, there can be no assurance that a high rate of inflation in the future would not have an adverse effect on operating results, particularly since our Senior Credit Facility is comprised entirely of variable-rate debt.

OFF-BALANCE SHEET FINANCINGS AND LIABILITIES

Other than legal contingencies incurred in the normal course of business, and contractual commitments to purchase goods and services, all of which are discussed in Note 12 to the consolidated and combined financial statements, which is incorporated by reference herein, the Company does not have any material off-balance sheet financings or liabilities. The Company does not have any majority-owned and controlled subsidiaries that are not included in the consolidated and combined financial statements, nor does the Company have any interests in or relationships with any “special-purpose entities” that are not reflected in the consolidated and combined financial statements or disclosed in the Notes to Consolidated and Combined Financial Statements.

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

As a smaller reporting company, we are not required to provide this information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of MediaCo Holding Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of MediaCo Holding Inc. and Subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated and combined statements of operations, changes in equity, and cash flows for the year ended December 31, 2020 and the ten-months ended December 31, 2019, and the related notes (collectively referred to as the “consolidated and combined financial statements”). In our opinion, the consolidated and combined financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for the year ended December 31, 2020 and the ten-months ended December 31, 2019 in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated and combined financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated and combined financial statements, the Company does not expect to meet its liquidity needs or maintain compliance with certain of its financial covenants, which could cause the acceleration of all or a portion of unpaid principal amounts under the Company's Senior Credit Facility, and the Company's sources of liquidity would be insufficient to satisfy such accelerated obligations if they became due within one year after the date of issuance of its consolidated and combined financial statements. As a result, the Company has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The consolidated and combined financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2019.

Indianapolis, Indiana
March 30, 2021

MEDIACO HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	For the ten months December 31, 2019	For the year ended December 31, 2020
NET REVENUES	\$ 40,800	\$ 39,261
OPERATING EXPENSES:		
Operating expenses excluding depreciation and amortization expense	31,126	32,344
Corporate expenses	4,303	4,338
Depreciation and amortization	1,080	4,081
Loss on disposal of assets	—	197
Total operating expenses	<u>36,509</u>	<u>40,960</u>
OPERATING INCOME (LOSS)	4,291	(1,699)
OTHER EXPENSE:		
Interest expense	(821)	(9,493)
Total other expense	<u>(821)</u>	<u>(9,493)</u>
INCOME (LOSS) BEFORE INCOME TAXES	3,470	(11,192)
PROVISION FOR INCOME TAXES	1,522	15,561
CONSOLIDATED NET INCOME (LOSS)	1,948	(26,753)
PREFERRED STOCK DIVIDENDS	110	2,148
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	<u>\$ 1,838</u>	<u>\$ (28,901)</u>
Basic and diluted net income (loss) per share attributable to common shareholders:	\$ 0.80	\$ (4.07)
Basic and diluted weighted average common shares outstanding	2,298	7,094

The accompanying notes to consolidated and combined financial statements are an integral part of these statements.

MEDIACO HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31, 2019	DECEMBER 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,083	\$ 4,171
Accounts receivable, net of allowance for doubtful accounts of \$157 and \$503, respectively	11,101	8,508
Prepaid expenses	1,111	1,247
Other	1,798	1,274
Total current assets	16,093	15,200
PROPERTY AND EQUIPMENT:		
Land and buildings	1,660	1,669
Leasehold improvements	8,483	8,479
Broadcasting equipment	5,956	5,927
Outdoor advertising structures	27,425	26,390
Office equipment, computer equipment, software and automobiles	2,312	2,210
Construction in progress	—	37
	45,836	44,712
Less-accumulated depreciation and amortization	14,273	17,062
Total property and equipment, net	31,563	27,650
INTANGIBLE ASSETS:		
Indefinite lived intangibles	63,996	63,999
Goodwill	11,424	13,102
Other intangibles	5,184	5,060
	80,604	82,161
Less-accumulated amortization	1,655	2,944
Total intangible assets, net	78,949	79,217
OPERATING LEASE RIGHT-OF-USE ASSETS	26,339	23,953
OTHER ASSETS:		
Deferred tax assets	13,863	—
Deposits and other	359	331
Total other assets	14,222	331
Total assets	\$ 167,166	\$ 146,351

The accompanying notes to consolidated and combined financial statements are an integral part of these statements.

MEDIACO HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS – (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31, 2019	DECEMBER 31, 2020
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 11,184	\$ 2,557
Current maturities of long-term debt	3,672	68,819
Accrued salaries and commissions	728	709
Deferred revenue	1,688	1,535
Operating lease liabilities	3,161	3,573
Other	346	549
Total current liabilities	20,779	77,742
LONG-TERM DEBT, NET OF CURRENT PORTION	77,668	26,935
OPERATING LEASE LIABILITIES, NET OF CURRENT	22,983	20,176
ASSET RETIREMENT OBLIGATION	5,623	6,316
DEFERRED INCOME TAXES	—	1,711
OTHER NONCURRENT LIABILITIES	239	221
Total liabilities	127,292	133,101
COMMITMENTS AND CONTINGENCIES (NOTE 12)		
SERIES A CUMULATIVE CONVERTIBLE PARTICIPATING PREFERRED STOCK, \$0.01 PAR VALUE, 10,000,000 SHARES AUTHORIZED; 220,000 SHARES ISSUED AND OUTSTANDING		
	22,110	24,258
SHAREHOLDERS' EQUITY (DEFICIT):		
Net parent company investment	—	—
Class A common stock, \$0.01 par value; authorized 170,000,000 shares; issued and outstanding 1,666,667 shares and 1,785,880 shares at December 31, 2019 and 2020, respectively	17	18
Class B common stock, \$0.01 par value; authorized 50,000,000 shares; issued and outstanding 5,359,753 shares and 5,413,197 shares at December 31, 2019 and 2020, respectively	54	54
Class C common stock, \$0.01 par value; authorized 30,000,000 shares; none issued	—	—
Additional paid-in capital	20,644	20,772
Accumulated deficit	(2,951)	(31,852)
Total equity (deficit)	17,764	(11,008)
Total liabilities and equity (deficit)	\$ 167,166	\$ 146,351

The accompanying notes to consolidated and combined financial statements are an integral part of these statements.

MEDIACO HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN EQUITY
FOR THE TEN MONTHS ENDED DECEMBER 31, 2019 AND YEAR ENDED DECEMBER 31, 2020
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	Class A Common Stock		Class B Common Stock		APIC	Net Parent Investment	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
BALANCE, FEBRUARY 28, 2019	—	\$ —	—	\$ —	\$ —	\$ 77,478	\$ —	\$ 77,478
Net income (loss)	—	—	—	—	—	4,789	(2,841)	1,948
Net distributions to Emmis Communications Corp.	—	—	—	—	—	(8,349)	—	(8,349)
Allocated charges funded by Emmis Communications Corp.	—	—	—	—	—	2,193	—	2,193
Transaction adjustments from transactions amongst shareholders (1)	1,666,667	17	5,359,753	54	20,644	(76,111)	—	(55,396)
Preferred stock dividends	—	—	—	—	—	—	(110)	(110)
BALANCE, DECEMBER 31, 2019	<u>1,666,667</u>	<u>\$ 17</u>	<u>5,359,753</u>	<u>\$ 54</u>	<u>\$ 20,644</u>	<u>\$ —</u>	<u>\$ (2,951)</u>	<u>\$ 17,764</u>
Net loss	—	—	—	—	—	—	(26,753)	(26,753)
Adjustments relating to distribution of common shares	16,596	—	53,444	—	—	—	—	—
Issuance of class A to employees, officers and directors	102,617	1	—	—	128	—	—	129
Preferred stock dividends	—	—	—	—	—	—	(2,148)	(2,148)
BALANCE, DECEMBER 31, 2020	<u>1,785,880</u>	<u>\$ 18</u>	<u>5,413,197</u>	<u>\$ 54</u>	<u>\$ 20,772</u>	<u>\$ —</u>	<u>\$ (31,852)</u>	<u>\$ (11,008)</u>

(1) See Note 1 for further discussion.

The accompanying notes to consolidated and combined financial statements are an integral part of these statements.

MEDIACO HOLDING INC. AND SUBSIDIARIES
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	For the ten months December 31, 2019	For the year ended December 31, 2020
OPERATING ACTIVITIES:		
Consolidated net income (loss)	\$ 1,948	\$ (26,753)
Adjustments to reconcile net income to net cash provided by operating activities—		
Noncash accretion of asset retirement obligations	33	726
Noncash lease expense	1,820	2,852
Amortization of deferred financing costs, including original issue discount	50	590
Depreciation and amortization	1,080	4,081
Interest paid-in-kind	—	1,684
Provision for bad debts	140	543
Change in deferred income taxes	1,211	15,561
Noncash compensation	219	129
Loss on sale of assets	—	197
Changes in assets and liabilities—		
Accounts receivable	(1,679)	1,896
Prepaid expenses and other current assets	(797)	416
Other assets	(307)	(331)
Accounts payable and accrued liabilities	1,624	(8,761)
Deferred revenue	(371)	(146)
Income taxes	311	—
Other liabilities	(1,669)	(2,327)
Net cash provided by (used in) operating activities	<u>3,613</u>	<u>(9,643)</u>
INVESTING ACTIVITIES:		
Purchases of property and equipment	(89)	(409)
Purchase of Fairway Outdoor	(43,108)	—
Net cash used in investing activities	<u>(43,197)</u>	<u>(409)</u>
FINANCING ACTIVITIES:		
Net transactions with Emmis Communications Corp.	(6,280)	—
Payments on long-term debt	(918)	(1,836)
Proceeds from long-term debt	29,352	14,000
Proceeds of stock issuances	22,000	—
Payments for debt related costs	(2,487)	(24)
Net cash provided by financing activities	<u>41,667</u>	<u>12,140</u>
INCREASE IN CASH AND CASH EQUIVALENTS	2,083	2,088
CASH AND CASH EQUIVALENTS:		
Beginning of period	—	2,083
End of period	<u>\$ 2,083</u>	<u>\$ 4,171</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for —		
Interest	\$ 606	\$ 7,067
Noncash financing transactions —		
Consideration received by Emmis Communications Corporation as a result of the Transaction described in Note 1 to the accompanying consolidated and combined financial statements	105,339	—
Value of stock issued to employees under stock compensation program		129
Noncash debt-related costs		281

The accompanying notes to consolidated and combined financial statements are an integral part of these statements.

MEDIACO HOLDING INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS UNLESS INDICATED OTHERWISE)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

MediaCo Holding Inc. (“MediaCo” or the “Company”) is an Indiana corporation formed in 2019 by Emmis Communications Corporation (“Emmis”) to facilitate the sale of a controlling interest in Emmis’ radio stations WQHT-FM and WBL5-FM (the “Stations”) to SG Broadcasting LLC (“SG Broadcasting”), an affiliate of Standard General L.P. (“Standard General”) pursuant to an agreement entered into on June 28, 2019. The sale (the “Transaction”) closed on November 25, 2019. On November 26, 2019, the Company’s Form 10 was declared effective and the Company became subject to SEC periodic filing requirements. As of December 31, 2019, all of the Company’s Class A common stock was held by Emmis and all the Company’s Class B common stock was held by SG Broadcasting. On January 17, 2020, Emmis distributed the Class A common stock pro rata to Emmis’ shareholders, making MediaCo a publicly traded company listed on the Nasdaq Capital Market.

Unless the context otherwise requires, references to “we”, “us” and “our” refer to MediaCo after giving effect to the contribution of the Stations by Emmis, as well as to the Stations while they were wholly owned by Emmis. Prior to November 25, 2019, MediaCo had not conducted any business as a separate company and had no assets or liabilities. The operations of the Stations contributed to us by Emmis on November 25, 2019, are presented as if they were our operations for all historical periods described and at the carrying value of such assets and liabilities reflected in Emmis’ books and records.

On December 9, 2019, the Company’s Board approved the assumption from an affiliate of SG Broadcasting of an agreement to purchase FMG Valdosta, LLC and FMG Kentucky, LLC (“Fairway Outdoor”) from Fairway Outdoor Advertising Group, LLC (the “Fairway Acquisition”). Closing of the transaction occurred on December 13, 2019. FMG Valdosta, LLC and FMG Kentucky, LLC are outdoor advertising businesses that operate advertising displays principally across Kentucky, West Virginia, Florida and Georgia.

Our assets consist of two radio stations, WQHT-FM and WBL5-FM, which serve the New York City metropolitan area, as well as approximately 3,300 advertising structures in the Southeast (Valdosta) region and Mid-Atlantic (Kentucky) region of the United States. We derive our revenues primarily from radio and outdoor advertising sales, but we also generate revenues from events, including sponsorships and ticket sales.

On October 25, 2019, in order to more closely align our operations and internal controls with standard market practice, our Board of Directors approved the change in our fiscal year end from the last day in February to December 31. The result is that the comparative period of this report covers the ten-month period March 1, 2019 to December 31, 2019. A comparative, unaudited income statement for the year ended December 31, 2019 is presented below.

	For the Year Ended December 31, 2019 (unaudited)
NET REVENUES	\$ 45,834
OPERATING EXPENSES:	
Operating expenses excluding depreciation and amortization expense	35,606
Corporate expenses	4,303
Depreciation and amortization	1,352
Total operating expenses	41,261
OPERATING INCOME	4,573
OTHER EXPENSE:	
Interest expense	(821)
Total other expense	(821)
INCOME BEFORE INCOME TAXES	3,752
PROVISION FOR INCOME TAXES	1,646
CONSOLIDATED NET INCOME	2,106
PREFERRED STOCK DIVIDENDS	110
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 1,996
NET INCOME PER SHARE- BASIC AND DILUTED	0.91
WEIGHTED AVERAGE SHARES OUTSTANDING- BASIC AND DILUTED	2,195,300

Basis of Presentation and Combination

Our Consolidated and Combined Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). All significant intercompany balances and transactions have been eliminated. In the opinion of management, all adjustments necessary for fair presentation (including normal recurring adjustments) have been included.

For the period from March 1, 2019 through November 25, 2019 of the ten months ended December 31, 2019, MediaCo was 100% owned by Emmis. Our financial statements for these periods are derived from the books and records of Emmis and were carved-out from Emmis at a carrying value reflective of historical cost in Emmis' records. Our historical combined financial results include an allocation of expense related to certain Emmis corporate functions, including executive oversight, legal, finance, human resources, and information technology. These expenses have been allocated to us based on direct usage or benefit where specifically identifiable, with the remainder allocated primarily on a pro rata basis of revenue, headcount and other measures. We consider this expense allocation methodology and results thereof to be reasonable for all periods presented. However, the allocations may not be indicative of the actual expense that would have been incurred had we operated as an independent, publicly traded company for all periods presented. It is impracticable to estimate what the standalone costs of MediaCo would have been in the historical periods.

The equity balance in the consolidated and combined financial statements prior to the Transaction represents the excess of total assets over total liabilities. All transactions between the Stations and Emmis were considered to be effectively settled in the consolidated and combined financial statements at the time the intercompany transaction was recorded. The total net effect of the settlement of these intercompany transactions is reflected in the consolidated and combined statements of cash flow as a financing activity and in the consolidated and combined statements of changes in equity as net parent company investment.

Upon consummation of the Transaction, the debt which the Company assumed in connection with transactions between shareholders was recorded to equity, and the total amount of net parent company investment was reclassified to additional paid in capital in the accompanying consolidated and combined financial statements.

In connection with the Transaction, the Company recorded deferred tax assets associated with the difference between the book basis and the tax basis of the Stations' assets. The Company also eliminated certain tax accounts of the Stations from historical periods prior to the Transaction. These adjustments are included as transaction adjustments in the accompanying consolidated and combined statements of changes in equity and resulted in a net increase to equity of \$8.4 million as of the Transaction date.

Going Concern

The accompanying consolidated and combined financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Pursuant to ASC Topic 205-40, "Going Concern," the Company is required to evaluate whether there is substantial doubt about its ability to continue as a going concern within one year of the date of the filing of these financial statements (March 30, 2021). Management considered the Company's ability to forecast future cash flows, current financial condition, sources of liquidity and debt service obligations due on or before March 30, 2022.

The Company has been negatively impacted by COVID-19, and expects COVID-19 to continue to negatively impact revenues and profitability for an undetermined period of time. Management has considered these circumstances in assessing the Company's liquidity over the next year. Liquidity is a measure of an entity's ability to meet potential cash requirements, maintain its assets, fund its operations, and meet the other general cash needs of its business. The Company's liquidity is impacted by general economic, financial, competitive, and other factors beyond its control. The Company's liquidity requirements consist primarily of funds necessary to pay its expenses, principally debt service and operational expenses, such as labor costs, and other related expenditures. The Company generally satisfies its liquidity needs through cash provided by operations. In addition, the Company has taken steps to enhance its ability to fund its operational expenses by reducing various costs and is prepared to take additional steps as necessary.

The Company has debt service obligations of approximately \$8.6 million due under its Senior Credit Facility from March 30, 2021 (the date of issuance of these financial statements) through March 30, 2022. In addition, our Senior Credit Facility requires us to maintain Minimum Liquidity (as defined in the Senior Credit Facility) of \$2.5 million until November 25, 2021, and \$3.0 million for the period thereafter. During the year ended December 31, 2020, the Company obtained amendments to our Senior Credit Facility in order to, among other things, suspend the testing of the Consolidated Fixed Charge Coverage Ratio (as defined in the Senior Credit Facility) until July 1, 2021, at which time the Company will once again be required to comply with a Fixed Charge Coverage Ratio of 1.10:1.00. The Company expects its revenues and profitability will continue to be adversely impacted by the COVID-19 pandemic, and the duration and severity of the impact is unknown as of the date of issuance of these financial statements. Management anticipates that the Company will be unable to meet its liquidity needs and comply with the covenants of our Senior Credit Facility for the next twelve months with cash and cash equivalents on hand, projected cash flows from operations, and/or additional borrowings.

In addition, the Senior Credit Facility includes a loan to value calculation, whereby the amount of debt outstanding thereunder is limited to a formula based on 60% of the fair value of the Company's FCC licenses plus a multiple of the Company's Billboard Cash Flow (as defined in the Senior Credit Facility). If the most recent appraisal of the fair value of our FCC licenses obtained in connection with our annual impairment testing as of October 1, 2020 is deemed to be an Acceptable Appraisal (as defined in the Senior Credit Facility) by our lender in its sole discretion, we will have a shortfall in this calculation, requiring a repayment of approximately \$8.0 million of Senior Credit Facility debt. Our lender is not required to accept this appraisal and has the right to obtain a different appraisal, which could result in a different repayment amount, if any.

As a result of the conditions identified above, management has concluded that there is substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued. The Company's independent auditor has included an explanatory paragraph regarding the Company's ability to continue as a going concern in its report on these consolidated and combined financial statements, which constitutes an event of default under the Senior Credit Facility. Upon this event of default, under the Senior Credit Facility, the lender may, but is not required to, declare all or any portion of the unpaid principal amount of the Senior Credit Facility, including interest accrued and unpaid, to be immediately due and payable, and/or to increase the annual interest rate in effect by 3%. Consequently, amounts outstanding under the Senior Credit Facility as of December 31, 2020 have been classified as current liabilities in the consolidated and combined financial statements. Furthermore, depending on the duration and severity of the impact the COVID-19 pandemic has on our businesses and any action our lender may take, we may record impairments of assets in the future.

Management intends to request a waiver or amendment to its Senior Credit Facility and seek additional borrowings from Standard General to cure the existing default and anticipated future covenant violations. While the Company has been successful in obtaining waivers and amendments under its Senior Credit Facility and has also received additional liquidity from Standard General in the past, no assurances can be made that the Company will be successful or receive such liquidity in the future.

Emerging Growth Company

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended (the "Securities Act"), as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company's financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Allocation Policies

The following allocation policies were established by management of Emmis. Unless otherwise noted, these policies were consistently applied in the historical financial statements. In the opinion of management, the methods for allocating these costs were reasonable. It is not practicable to estimate the costs that would have been incurred by us if we had been operated on a stand-alone basis.

(i) Specifically Identifiable Operating Expenses

Costs which related entirely to the operations of the Stations were attributed entirely to the Stations. These expenses consisted of costs of personnel who are 100% dedicated to the operations of the Stations, all costs associated with locations that conducted only the business of the Stations and amounts paid to third parties for services rendered to the Stations. In addition, any costs incurred by Emmis, which were specifically identifiable to the operations of the Stations, were attributed to the Stations.

(ii) Shared Operating Expenses

Emmis incurred the cost of certain corporate general and administrative services and shared services that benefited all of its entities, including the Stations. These shared services included radio executive management, legal, accounting, information services, telecommunications, human resources, insurance, and intellectual property compliance and maintenance. These costs were allocated to the Stations based on one of the following allocation methods: (1) percentage of Company revenues, (2) percentage of Company's radio revenues, (3) headcount, and (4) pro rata portion based on the number of stations owned by Emmis. Management determined which allocation method was appropriate based on the nature of the shared service being provided.

(iii) Taxes

The Stations' allocated share of the consolidated Emmis federal tax provision was determined using the separate return method. Under the separate return method, tax expense or benefit was calculated as if the Stations were subject to their own tax returns. State income taxes generally were allocated in a similar manner. Deferred tax assets and liabilities were determined based on differences between the financial reporting and tax bases of assets and liabilities carried by the Stations, and were measured using the enacted tax rates that are expected to be in effect in the period in which these differences were expected to reverse. The principal components of deferred taxes related to tax amortization of indefinite-lived intangibles, namely FCC licenses, which are not amortized (but subject to impairment testing) for financial reporting purposes.

(iv) *Allocated Charges*

Allocations of Emmis' costs were included in the combined condensed statements of operations of the Stations as follows:

	For the Ten Months Ended December 31, 2019	For the Year Ended December 31, 2020
Station operating expenses, excluding depreciation and amortization expense	\$ 1,903	\$ —
Noncash compensation	219	—
Allocated charges from Emmis	<u>\$ 2,122</u>	<u>\$ —</u>

Revenue Recognition

The Company generates revenue from the sale of services and products including, but not limited to: (i) on-air commercial broadcast time, (ii) non-traditional revenues including event-related revenues and event sponsorship revenues, (iii) digital advertising, and (iv) outdoor advertising. Payments received from advertisers before the performance obligation is satisfied are recorded as deferred revenue. Substantially all deferred revenue is recognized within twelve months of the payment date. We do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. Advertising revenues presented in the financial statements are reflected on a net basis, after the deduction of advertising agency fees, usually at a rate of 15% of gross revenues.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is recorded based on management's judgment of the collectability of receivables. When assessing the collectability of receivables, management considers, among other things, historical loss experience and existing economic conditions. Amounts are written off after all normal collection efforts have been exhausted. The activity in the allowance for doubtful accounts for the ten months ended December 31, 2019 and the year ended December 31, 2020 was as follows:

	Balance At Beginning Of Period	Provision	Write-Offs	Balance At End Of Period
Ten months ended December 31, 2019	\$ 198	140	(181)	\$ 157
Year ended December 31, 2020	\$ 157	543	(197)	\$ 503

Cash and Cash Equivalents

MediaCo considers time deposits, money market fund shares and all highly liquid debt investment instruments with original maturities of three months or less to be cash equivalents. At times, such deposits may be in excess of FDIC insurance limits.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is generally computed using the straight-line method over the estimated useful lives of the related assets, which are 30 to 39 years for buildings, the shorter of economic life or expected lease term for leasehold improvements, five to seven years for broadcasting equipment, five years for automobiles, office equipment and computer equipment, 15 years for advertising structures, and three to five years for software. Maintenance, repairs and minor renewals are expensed as incurred; improvements are capitalized. On a continuing basis, the Company reviews the carrying value of property and equipment for impairment. If events or changes in circumstances were to indicate that an asset carrying value may not be recoverable, a write-down of the asset would be recorded through a charge to operations. See below for more discussion of impairment policies related to our property and equipment. Depreciation expense for the ten months ended December 31, 2019 and year ended December 31, 2020 was \$0.8 million, and \$2.8 million, respectively.

Intangible Assets and Goodwill

Indefinite-lived Intangibles and Goodwill

Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible net assets acquired. In accordance with ASC Topic 350, "*Intangibles—Goodwill and Other*," goodwill, radio broadcasting licenses, and tradenames are not amortized, but are tested at least annually for impairment at the reporting unit level and unit of accounting level, respectively. We test for impairment annually, on October 1 of each year, or more frequently when events or changes in circumstances or other conditions suggest impairment may have occurred. Impairment exists when the asset carrying values exceed their respective fair values, and the excess is then recorded to operations as an impairment charge. See Note 10, Intangible Assets and Goodwill, for more discussion of our annual impairment tests performed during the ten-month period ended December 31, 2019 and year ended December 31, 2020.

Definite-lived Intangibles

The Company's definite-lived intangible assets consist of programming agreements related to our radio business and customer relationships relating to our outdoor advertising business. These are amortized over the period of time the intangible assets are expected to contribute directly or indirectly to the Company's future cash flows.

Advertising Costs

Advertising costs are expensed when incurred. Advertising expenses were \$0.4 million for both the ten months ended December 31, 2019, and year ended December 31, 2020.

Asset Retirement Obligations

We are required to estimate our obligations upon the termination or non-renewal of a lease to dismantle and remove its advertising structures from the leased land and to reclaim the site to its original condition. The Company records the present value of obligations associated with the retirement of its advertising structures in the period in which the obligation is incurred. When the liability is recorded the cost is capitalized as part of the related advertising structure's carrying amount. Over time, accretion of the liability is recognized as an operating expense and the capitalized cost is depreciated over the expected useful life of the related asset.

The significant assumptions used in estimating the asset retirement obligation include the third-party cost of removing the asset, the cost of remediating the leased property to its original condition where required and the timing and number of lease renewals, all of which are estimated based on historical experience. The interest rate used to calculate the present value of such costs over the estimated retirement period is based on an estimated risk adjusted credit rate for the same period.

Deferred Revenue and Barter Transactions

Deferred revenue includes deferred barter and other transactions in which payments are received prior to the performance of services (e.g., cash-in-advance advertising). Barter transactions are recorded at the estimated fair value of the product or service received. Revenue from barter transactions is recognized when commercials are broadcast. The appropriate expense or asset is recognized when merchandise or services are used or received. Barter revenues for the ten months ended December 31, 2019, and year ended December 31, 2020 were \$0.8 million, and \$0.9 million, respectively. Barter expenses were \$0.9 million for both periods.

Earnings Per Share

Our basic and diluted net loss per share is computed using the two-class method. The two-class method is an earnings allocation that determines net income per share for each class of common stock and participating securities according to their participation rights in dividends and undistributed earnings or losses. Shares of Series A preferred stock include rights to participate in dividends and distributions to common stockholders on an if-converted basis, and accordingly are considered participating securities. During periods of undistributed losses however, no effect is given to our participating securities since they are not contractually obligated to share in the losses. We did not have any participating securities for the ten-month period ended December 31, 2019, as the preferred stock only became convertible to common stock on May 25, 2020. For the ten-month period ended December 31, 2019, the Class A shares issued to Emmis at the close of the Transaction have been assumed to be outstanding for the whole ten-month period. The following is a reconciliation of basic and diluted net loss per share attributable to Class A and Class B common shareholders:

	For the Ten Months Ended December 31, 2019	For the Year Ended December 31, 2020
Net income (loss)	\$ 1,948	\$ (26,753)
Preferred dividends	110	2,148
Net income (loss) attributable to common shareholders	<u>\$ 1,838</u>	<u>\$ (28,901)</u>
Basic and diluted weighted average Class A shares outstanding	1,667	1,683
Net income (loss) per share attributable to Class A shareholders	<u>\$ 0.80</u>	<u>\$ (4.07)</u>
Basic and diluted weighted average Class B shares outstanding	631	5,411
Net income (loss) per share attributable to Class B shareholders	<u>\$ 0.80</u>	<u>\$ (4.07)</u>

Because we have incurred a net loss for the period where the Company had potentially dilutive securities, diluted net loss per common share is the same as basic net loss per common share. The following convertible equity shares and restricted stock awards were excluded from the calculation of diluted net loss per share because their effect would have been anti-dilutive. There were no potentially dilutive shares for the ten-month period ended December 31, 2019 as neither the convertible promissory notes issued to Emmis and SG Broadcasting described in Note 6, nor the Series A convertible preferred stock, were convertible until May 25, 2020. The Company did not issue any restricted stock awards until the year ended December 31, 2020.

	For the Ten Months Ended December 31, 2019	For the Year Ended December 31, 2020
Convertible Emmis promissory note	\$ —	\$ 1,370
Convertible Standard General promissory notes	—	5,308
Series A convertible preferred stock	—	6,005
Restricted stock awards	—	39
Total	<u>\$ —</u>	<u>\$ 12,722</u>

Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequence of events that have been recognized in the Company's financial statements or income tax returns. Income taxes are recognized during the year in which the underlying transactions are reflected in the consolidated statements of operations. Deferred taxes are provided for temporary differences between amounts of assets and liabilities as recorded for financial reporting purposes and amounts recorded for income tax purposes.

After determining the total amount of deferred tax assets, the Company determines whether it is more likely than not that some portion of the deferred tax assets will not be realized. If the Company determines that a deferred tax asset is not likely to be realized, a valuation allowance will be established against that asset to record it at its expected realizable value.

Long-Lived Tangible Assets

The Company periodically considers whether indicators of impairment of long-lived tangible assets are present. If such indicators are present, the Company determines whether the sum of the estimated undiscounted cash flows attributable to the assets in question is less than their carrying value. If less, the Company recognizes an impairment loss based on the excess of the carrying amount of the assets over their respective fair values. Fair value is determined by discounted future cash flows, appraisals and other methods. If the assets determined to be impaired are to be held and used, the Company recognizes an impairment charge to the extent the asset's carrying value is greater than the fair value. The fair value of the asset then becomes the asset's new carrying value, which, if applicable, the Company depreciates or amortizes over the remaining estimated useful life of the asset.

Estimates

The Company has been actively monitoring the COVID-19 situation and its impact globally, as well as domestically and in the markets we serve. Our priority has been the safety of our employees, as well as the informational needs of the communities that we serve. Through the first few months of calendar 2020, the disease became widespread around the world, and on March 11, 2020, the World Health Organization declared a pandemic. In an effort to mitigate the continued spread of COVID-19, many federal, state and local governments have mandated various restrictions, including travel restrictions, restrictions on non-essential businesses and services, restrictions on public gatherings and quarantining of people who may have been exposed to the virus. These restrictions, in turn, caused the United States economy to decline and businesses to cancel or reduce amounts spent on advertising, negatively impacting our advertising-based businesses. Furthermore, some of our advertisers have seen a material decline in their businesses and may not be able to pay amounts owed to us when they come due. If the spread of COVID-19 continues, or is suppressed but later reemerges, and public and private entities continue to implement restrictive measures, we expect that our results of operations, financial condition and cash flows will continue to be negatively affected, the extent to which is difficult to estimate at this time.

The preparation of consolidated and combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Due to the uncertain future impacts of the COVID-19 pandemic and the related economic disruptions, actual results could differ from those estimates particularly as it relates to estimates reliant on forecasts and other assumptions reasonably available to the Company. The extent to which the COVID-19 pandemic and related economic disruptions impact the Company's business and financial results will depend on future developments including, but not limited to: (i) the continued spread, duration and severity of the COVID-19 pandemic, (ii) the occurrence, spread, duration and severity of any subsequent wave or waves of outbreaks after the initial outbreak has subsided, (iii) the actions taken by the U.S. and foreign governments to contain the COVID-19 pandemic, address its impact or respond to the reduction in global and local economic activity, (iv) the occurrence, duration and severity of a global, regional or national recession, depression or other sustained adverse market event, and (v) how quickly and to what extent normal economic and operating conditions can resume. The accounting matters assessed included, but were not limited to, allowance for doubtful accounts, our ability to realize our deferred tax assets, and the carrying value of goodwill, FCC licenses and other long-lived assets.

As discussed in Note 13, during 2020, as a result of a sharp deterioration of business activity related to the COVID-19 pandemic and the significant operating losses we incurred, we were unable to conclude that it was more likely than not that we would be able to realize our deferred tax assets; accordingly, we recorded a \$18.8 million valuation allowance against these assets. The Company's future assessment of the magnitude and duration of COVID-19, as well as other factors, could result in material changes to the estimates and material impacts to the Company's condensed consolidated and combined financial statements in future reporting periods.

Reclassifications

Certain amounts for the ten-month period ended December 31, 2019 have been reclassified to conform to the current year presentation.

Recent Accounting Standards Updates

On March 1, 2019, the stations adopted Accounting Standard Update 2016-02, Leases, using the modified retrospective approach, applied at the beginning of the period of adoption, and we elected the package of transitional practical expedients. The adoption of this standard resulted in recording operating lease liabilities of approximately \$14.9 million as of March 1, 2019, along with a corresponding right-of-use asset. The implementation of this standard did not have an impact on our consolidated and combined statements of operations. See Note 9 for more discussion of the Company's leases.

Recent Accounting Pronouncements Not Yet Implemented

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses*, which introduces new guidance for an approach based on using expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale debt securities and provides a simplified accounting model for purchased financial assets with credit deterioration since their origination. Instruments in scope include loans, held-to-maturity debt securities and net investments in leases as well as reinsurance and trade receivables. This standard will be effective for us as of January 1, 2023. We are currently evaluating the impact that the adoption of the new standard will have on our consolidated and combined financial statements.

2. COMMON STOCK

MediaCo has authorized Class A common stock, Class B common stock, and Class C common stock. The rights of these three classes are essentially identical except that each share of Class A common stock has one vote with respect to substantially all matters, each share of Class B common stock has 10 votes with respect to substantially all matters, and each share of Class C common stock has no voting rights with respect to substantially all matters. At December 31, 2019 all Class A common stock outstanding was owned by Emmis. Emmis distributed all of these shares of Class A common stock to its shareholders on January 17, 2020. All Class B common stock outstanding is owned by SG Broadcasting. At December 31, 2019 and December 31, 2020, no shares of Class C common stock were issued or outstanding.

3. CONVERTIBLE PREFERRED STOCK

In connection with the Fairway Acquisition, the Company issued to SG Broadcasting 220,000 shares of MediaCo Series A Convertible Preferred Stock, par value \$0.01 (the “MediaCo Series A Preferred Shares”) in exchange for a cash contribution of \$22.0 million (the “SG Broadcasting Contribution”). This issuance of shares was issued in reliance upon an exemption from registration pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended. This issuance was not a “public offering” because no more than 35 non-accredited investors received securities of the Company, the Company did not engage in general solicitation or advertising with regard to the issuance and sale of shares of MediaCo Series A Preferred Shares and the Company did not make a public offering in connection with the sale of shares of MediaCo Series A Preferred Shares.

MediaCo Series A Preferred Shares rank senior in preference to the MediaCo Class A common stock, MediaCo Class B common stock, and the MediaCo Class C common stock. Pursuant to the Articles of Amendment, the ability of the Company to make distributions with respect to, or make a liquidation payment on, any other class of capital stock in the Company designated to be junior to, or on parity with, the MediaCo Series A Preferred Shares, will be subject to certain restrictions, including that (i) the MediaCo Series A Preferred Shares shall be entitled to receive the amount of dividends per share that would be payable on the number of whole common shares of the Company into which each share of MediaCo Series A Preferred Share could be converted, and (ii) the MediaCo Series A Preferred Shares, upon any liquidation, dissolution or winding up of the Company, shall be entitled to a preference on the assets of the Company. Issued and outstanding shares of MediaCo Series A Preferred Shares shall accrue cumulative dividends, payable in kind, at an annual rate equal to the interest rate on any senior debt of the Company (see Note 6), or if no senior debt is outstanding, 6%, plus additional increases of 1% on December 12, 2020 and each anniversary thereof. On December 13, 2020, dividends of \$2.1 million were paid in kind. The payment in kind increased the accrued value of the preferred stock and no additional shares were issued as part of this payment.

MediaCo Series A Preferred Shares are redeemable for cash at the option of SG Broadcasting at any time on or after June 12, 2025, and so the shares are classified outside of permanent equity. The Series A Preferred Shares are also convertible into shares of Class A common stock at the option of SG Broadcasting at any time after May 25, 2020, with the number of shares of common stock determined by dividing the original contribution, plus accrued dividends, by the 30-day volume weighted average share price of Class A common shares. On and after May 25, 2020, when the conversion option became effective, the Series A Preferred Shares became participating securities and we began calculating earnings per share using the two-class method.

4. SHARE BASED PAYMENTS

The amounts recorded as share based compensation expense consist of a restricted stock award issued to an officer that vests in three equal installments. Awards to officers are typically made pursuant to employment agreements. Restricted stock awards are granted out of the Company's 2020 Equity Compensation Plan.

The following table presents a summary of the Company's restricted stock grants outstanding at December 31, 2020, and restricted stock activity during the year ended December 31, 2020 ("Price" reflects the weighted average share price at the date of grant):

	Awards	Price
Grants outstanding, beginning of period	—	\$ —
Granted	102,617	5.41
Grants outstanding, end of period	<u>102,617</u>	<u>5.41</u>

Recognized Non-Cash Compensation Expense

The following table summarizes stock-based compensation expense recognized by the Company during the ten-month period and year ended December 31, 2019 and 2020. The Company did not recognize any tax benefits related to stock-based compensation during the periods presented below.

	For the Ten Months Ended December 31,		For the Year Ended December 31,	
	2019		2020	
Operating expenses, excluding depreciation and amortization	\$	219	\$	—
Corporate expenses		—		129
Share-based compensation expense	<u>\$</u>	<u>219</u>	<u>\$</u>	<u>129</u>

As of December 31, 2020, there was \$0.4 million of unrecognized compensation cost related to nonvested share-based compensation arrangements. The cost is expected to be recognized over a weighted average period of approximately 1.7 years.

5. REVENUE

The Company generates revenue from the sale of services including, but not limited to: (i) on-air commercial broadcast time, (ii) non-traditional revenues including event-related revenues and event sponsorship revenues, (iii) digital advertising and (iv) outdoor advertising. Payments received from advertisers before the performance obligation is satisfied are recorded as deferred revenue. Substantially all deferred revenue is recognized within twelve months of the payment date. We do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. Advertising revenues presented in the consolidated and combined financial statements are reflected on a net basis, after the deduction of advertising agency fees, usually at a rate of 15% of gross revenues.

Radio Advertising

On-air broadcast revenue is recognized when or as performance obligations under the terms of a contract with a customer are satisfied. This typically occurs over the period of time that advertisements are provided, or as an event occurs. Revenues are reported at the amount the Company expects to be entitled to receive under the contract. Payments received from advertisers before the performance obligation is satisfied are recorded as deferred revenue in the consolidated balance sheets. Substantially all deferred revenue is recognized within twelve months of the payment date.

Nontraditional

Nontraditional revenues principally consist of ticket sales and sponsorship of events our stations conduct in their local market. These revenues are recognized when our performance obligations are fulfilled, which generally coincides with the occurrence of the related event.

Digital

Digital revenue relates to revenue generated from the sale of digital marketing services (including display advertisements and video sponsorships) to advertisers. Digital revenues are generally recognized as the digital advertising is delivered.

Outdoor Advertising

Our outdoor advertising business has a total of 3,532 faces consisting of bulletins, posters and digital billboards. Bulletins are generally large, illuminated advertising structures that are located on major highways and target vehicular traffic. Posters are generally smaller advertising structures that are located on major traffic arteries and city streets and target vehicular and pedestrian traffic. Digital billboards are computer controlled LED displays where six to eight advertisers rotate continuously, each one having seven to ten seconds to display a static image. Digital billboards are generally located on major traffic arteries and streets. Digital billboards are generally located on major traffic arteries and streets. A substantial portion of this revenue is lessor revenue derived from operating leases accounted for under ASC 842, "Leases." Rental revenue is recognized on a straight-line basis over the term of the respective lease.

Other

Other revenue includes barter revenue and network revenue. The Company provides advertising broadcast time in exchange for certain products and services, including on-air radio programming. These barter arrangements generally allow the Company to preempt such bartered broadcast time in favor of advertisers who purchase time for cash consideration. These barter arrangements are valued based upon the Company's estimate of the fair value of the products and services received. Revenue is recognized on barter arrangements when we broadcast the advertisements. Advertisements delivered under barter arrangements are typically aired during the same period in which the products and services are consumed. The Company also sells certain remnant advertising inventory to third-parties for cash, and we refer to this as network revenue. The third-parties aggregate our remnant inventory with other broadcasters' remnant inventory for sale to third parties, generally to large national advertisers. This network revenue is recognized as we broadcast the advertisements. In connection with certain outdoor advertising arrangements, the customer may request that the Company produce the billboard wrap (commonly printed on a vinyl material) displaying the customer's advertisement on our outdoor structure. This production revenue is recognized as the deliverable is made available to the customer or attached to our outdoor structure. Other revenue also includes the management fee received from Billboards LLC (see Note 15.)

Disaggregation of revenue

The following table presents the Company's revenues disaggregated by revenue source:

	For the Ten Months Ended December 31, 2019		For the Year Ended December 31, 2020	
Net revenues:				
Radio Advertising	\$ 24,826	60.8%	\$ 19,129	48.7%
Non Traditional	8,166	20.0%	761	1.9%
Digital	3,018	7.4%	2,256	5.7%
Outdoor Advertising ⁽¹⁾	759	1.9%	12,459	31.7%
Other	4,031	9.9%	4,656	12.0%
Total net revenues	<u>\$ 40,800</u>		<u>\$ 39,261</u>	

⁽¹⁾ A substantial portion of this revenue is from lessor revenue derived from operating leases accounted for under ASC 842, "Leases."

6. LONG-TERM DEBT

Long-term debt was comprised of the following at December 31, 2019, and December 31, 2020:

	As of December 31, 2019	As of December 31, 2020
Senior credit facility	\$ 72,527	\$ 70,972
Notes payable to Emmis	5,000	5,535
Notes payable to SG Broadcasting	6,250	21,400
Less: Current maturities	(3,672)	(68,819)
Less: Unamortized original discount	(2,437)	(2,153)
Total long-term debt, net of current portion and debt discount	<u>\$ 77,668</u>	<u>\$ 26,935</u>

Senior secured term loan agreement

On November 25, 2019, the Company entered into a \$50.0 million, five-year senior secured term loan agreement (the "Senior Credit Facility") with GACP Finance Co., LLC, a Delaware limited liability company, as administrative agent and collateral agent, which included one tranche of additional borrowings of \$25.0 million. The Senior Credit Facility provides for initial borrowings of up to \$50.0 million, of which net proceeds of \$48.3 million after debt discount of \$1.7 million, were paid concurrently to Emmis in connection with SG Broadcasting's acquisition of a controlling interest in the Company. The Senior Credit Facility bears interest at a rate equal to the London Interbank Offered Rate ("LIBOR"), plus 7.5%, with a 2.0% LIBOR floor. The Senior Credit Facility requires interest payments on the first business day of each calendar month, and quarterly payments on the principal in an amount equal to one and one quarter percent of the initial aggregate principal amount are due on the last day of each calendar quarter. The Senior Credit Facility includes covenants pertaining to, among other things, the

ability to incur indebtedness, restrictions on the payment of dividends, minimum Liquidity (as defined in the Senior Credit Facility) of \$2.0 million for the period from the effective date until November 25, 2020, \$2.5 million for the period from November 26, 2020 until November 25, 2021, and \$3.0 million for the period thereafter, collateral maintenance, minimum Consolidated Fixed Charge Coverage Ratio (as defined in the Senior Credit Facility) of 1.10:1.00, and other customary restrictions. The Company borrowed \$23.4 million of the remaining available borrowings to fund the Fairway Acquisition on December 13, 2019. Proceeds received were \$22.6 million, net of a debt discount of \$0.8 million. The effective interest rate for the year ending December 31, 2020 was 10.3%. The obligations under the Senior Credit Facility are secured by a perfected first priority security interest in substantially all of the assets of MediaCo Holding Inc. and its consolidated subsidiaries.

Amendment No.1 to senior secured term loan agreement

On February 28, 2020, the Company entered into Amendment No. 1 to its Senior Credit Facility, in order to, among other things, increase the maximum aggregate principal amount issuable under the SG Broadcasting Promissory Note to \$10.3 million.

Amendment No.2 to senior secured term loan agreement

On March 27, 2020, the Company entered into Amendment No. 2 (“Amendment No. 2”) to its Senior Credit Facility, in order to, among other things, (i) reduce the required Consolidated Fixed Charge Coverage Ratio (as defined in the Senior Credit Facility) to 1.00x from June 30, 2020 to December 31, 2020, (ii) reduce the minimum Liquidity (as defined in the Senior Credit Facility) requirement to \$1.0 million through September 30, 2020, (iii) permit equity contributions and loans during calendar year 2020 under the SG Broadcasting Promissory Note and any amendments thereto to count toward Consolidated EBITDA (as defined in the Senior Credit Facility) for purposes of the Consolidated Fixed Charge Coverage Ratio calculation, and (iv) increase the maximum aggregate principal amount issuable under the Second Amended and Restated SG Broadcasting Promissory Note (as defined below) from \$10.3 million to \$20.0 million. In connection with Amendment No. 2, the Company incurred an amendment fee of approximately \$0.2 million, which was added to the principal amount of the Senior Credit Facility then outstanding.

Amendment No.3 to senior secured term loan agreement

On August 28, 2020, the Company entered into Amendment No. 3 (“Amendment No. 3”) to its Senior Credit Facility, in order, among other things, (i) to modify certain provisions relating to the repayment of the Term Loan (as defined in the Senior Credit Facility) such that no quarterly payments shall be required beginning with the fiscal quarter ending September 30, 2020 through and including the fiscal quarter ending June 30, 2021 and (ii) to suspend the testing of the Consolidated Fixed Charge Coverage Ratio (as defined in the Senior Credit Facility) from July 1, 2020 through and including June 30, 2021. In connection with Amendment No. 3, the Company incurred an amendment fee of approximately \$0.1 million, which was added to the principal amount of the Senior Credit Facility then outstanding.

The Senior Credit Facility is carried net of a total unamortized discount of \$2.2 million at December 31, 2020.

Going concern reclassification

The Senior Credit Facility includes a loan to value calculation, whereby the amount of debt outstanding thereunder is limited to a formula based on 60% of the fair value of the Company’s FCC licenses plus a multiple of the Company’s Billboard Cash Flow (as defined in the Senior Credit Facility). If the most recent appraisal of the fair value of our FCC licenses obtained in connection with our annual impairment testing as of October 1, 2020 is deemed to be an Acceptable Appraisal (as defined in the Senior Credit Facility) by our lender in its sole discretion, we will have a shortfall in this calculation, requiring a repayment of approximately \$8.0 million of Senior Credit Facility debt. Our lender is not required to accept this appraisal and has the right to obtain a different appraisal, which could result in a different repayment amount, if any.

As a result of this and other conditions described in Note 1, management has concluded that there is substantial doubt about the Company’s ability to continue as a going concern within one year after the date that these financial statements are issued. The Company’s independent auditor has included an explanatory paragraph regarding the Company’s ability to continue as a going concern in its report on these consolidated and combined financial statements, which constitutes an event of default under the Senior Credit Facility. Upon this event of default, under the Senior Credit Facility, the lender may, but is not required to, declare all or any portion of the unpaid principal amount of the Senior Credit Facility, including interest accrued and unpaid, to be immediately due and payable, and/or to increase the annual interest rate in effect by 3%. Consequently, amounts outstanding under the Senior Credit Facility as of December 31, 2020 have been classified as current liabilities in the consolidated and combined financial statements.

Emmis Convertible Promissory Note

On November 25, 2019, as part of the consideration owed to Emmis in connection with SG Broadcasting's acquisition of a controlling interest in the Company, the Company issued to Emmis the Emmis Convertible Promissory Note in the amount of \$5.0 million. The Emmis Convertible Promissory Note carries interest at a base rate equal to the interest on any senior credit facility, or if no senior credit facility is outstanding, of 6.0%, plus an additional 1.0% on any payment of interest in kind and, without regard to whether the Company pays such interest in kind, an additional increase of 1.0% following the second anniversary of the date of issuance and additional increases of 1.0% following each successive anniversary thereafter. Because the Senior Credit Facility prohibits the Company from paying interest in cash on the Emmis Convertible Promissory Note, the Company accrues interest using the rate applicable for interest paid in kind. The Emmis Convertible Promissory Note is convertible, in whole or in part, into MediaCo Class A common stock at the option of Emmis beginning six months after issuance and at a strike price equal to the thirty day volume weighted average price of the MediaCo Class A common stock on the date of conversion. The Emmis Convertible Promissory Note matures on November 25, 2024. On November 25, 2020, annual interest of \$0.5 million was paid in kind and added to the principal balance outstanding. Consequently, the principal amount outstanding under the Emmis Convertible Promissory Note as of December 31, 2020 was \$5.5 million.

SG Broadcasting Promissory Note and amendments thereto

On November 25, 2019, the Company issued the SG Broadcasting Promissory Note, a subordinated convertible promissory note payable by the Company to SG Broadcasting, in return for which SG Broadcasting contributed to MediaCo \$6.25 million for working capital and general corporate purposes. The SG Broadcasting Promissory Note carries interest at a base rate equal to the interest on any senior credit facility, or if no senior credit facility is outstanding, of 6.0%, and an additional increase of 1.0% following the second anniversary of the date of issuance and additional increases of 1.0% following each successive anniversary thereafter. The SG Broadcasting Promissory Note matures on May 25, 2025. Additionally, interest under the SG Broadcasting Promissory Note is payable in kind through maturity, and is convertible into MediaCo Class A common stock at the option of SG Broadcasting beginning six months after issuance and at a strike price equal to the thirty day volume weighted average price of the MediaCo Class A common stock on the date of conversion.

On February 28, 2020, the Company and SG Broadcasting amended and restated the SG Broadcasting Promissory Note such that the maximum aggregate principal amount issuable under the note was increased from \$6.3 million to \$10.3 million. Also on February 28, 2020, SG Broadcasting loaned an additional \$2.0 million to the Company pursuant to the amended note for working capital purposes.

On March 27, 2020, the Company and SG Broadcasting further amended and restated the SG Broadcasting Promissory Note (the "Second Amended and Restated SG Promissory Note") such that the maximum aggregate principal amount issuable under the note was increased from \$10.3 million to \$20.0 million. On March 27, 2020, SG Broadcasting loaned an additional \$3.0 million to the Company pursuant to the Second Amended and Restated SG Promissory Note for working capital purposes.

On August 28, 2020, SG Broadcasting loaned an additional \$8.7 million to the Company pursuant to the Second Amended and Restated SG Promissory Note for working capital purposes.

On November 25, 2020, annual interest of \$1.1 million was paid in kind and added to the principal balance outstanding. Consequently, the principal amount outstanding under the Second Amended and Restated SG Broadcasting Promissory Note as of December 31, 2020 was \$21.1 million.

On September 30, 2020, SG Broadcasting loaned an additional \$0.3 million to the Company pursuant to an additional SG Broadcasting Promissory Note (the "Additional SG Broadcasting Promissory Note") for working capital purposes. The Additional SG Broadcasting Promissory Note carries interest at a base rate equal to the interest on any senior credit facility, or if no senior credit facility is outstanding, of 6.0%, and an additional increase of 1.0% following the second anniversary of the date of issuance of the Second Amended and Restated SG Promissory Note and additional increases of 1.0% following each successive anniversary of the Second Amended and Restated SG Promissory Note thereafter. The Additional SG Broadcasting Promissory Note matures on May 25, 2025. Additionally, interest under the Additional SG Broadcasting Promissory Note is payable in kind through maturity, and is convertible into MediaCo Class A common stock at the option of SG Broadcasting at a strike price equal to the thirty day volume weighted average price of the MediaCo Class A common stock on the date of conversion. However, the Additional SG Broadcasting Promissory Note contains a limitation on conversion of the outstanding principal and any accrued but unpaid interest thereunder into shares of the Class A Common Stock, par value \$0.01 per share (the "Class A Stock"), of the Company, such that the maximum number of shares of Class A Stock to be issued in connection with the conversion of the Additional SG Broadcasting Promissory Note shall not, without the prior approval of the shareholders of the Company, (i) exceed a number of shares equal to 19.9% of the outstanding shares of common stock of the Company immediately prior to September 30, 2020, (ii) exceed a number of shares that would evidence voting power greater than 19.9% of the combined voting power of the outstanding voting securities of the Company immediately prior to September 30, 2020, or (iii) otherwise exceed such number of shares of capital stock of the Company that would violate applicable listing rules of the Nasdaq Stock Market ("Nasdaq"), in each of subsections (i) through (iii), only to the extent required by applicable Nasdaq rules and guidance (the "Share Cap"). In the event the number of shares of Class A Stock to be issued upon conversion of the Additional SG Broadcasting Promissory Note exceeds the Share Cap, then the portions of the Additional SG Broadcasting Promissory Note that would result in the issuance of any excess shares shall cease being convertible, and the Company shall instead either (x) repay such portions of the Additional SG Broadcasting Promissory Note in cash or (y) obtain shareholder approval of the issuance of shares of Class A Stock in excess of the Share Cap prior to the issuance thereof.

Based on amounts outstanding at December 31, 2020, mandatory principal payments of long-term debt for the next five years and thereafter are summarized below:

Year ended December 31,	Senior Credit Facility	Emmis Notes	SG Broadcasting Notes	Total
2021	70,972	—	—	70,972
2022	—	—	—	-
2023	—	—	—	-
2024	—	5,535	—	5,535
2025	—	—	21,400	21,400
Total	\$ 70,972	\$ 5,535	\$ 21,400	\$ 97,907

7. FAIR VALUE MEASUREMENTS

As defined in ASC Topic 820, “Fair Value Measurement,” fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Recurring Fair Value Measurements

The Company has no financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2019 or 2020.

Non-Recurring Fair Value Measurements

The Company has certain assets that are measured at fair value on a non-recurring basis including those described in Note 10, Intangible Assets and Goodwill, and are adjusted to fair value only when the carrying values are more than the fair values, and those described in Note 8, Acquisition, whereby assets and liabilities acquired as part of an acquisition are measured at fair value on the date of the acquisition. The categorization of the framework used to price the assets is considered a Level 3 measurement due to the subjective nature of the unobservable inputs used to determine the fair value (see Note 10 and Note 8 for more discussion).

Fair Value of Other Financial Instruments

Certain nonfinancial assets and liabilities are measured at fair value on a nonrecurring basis and are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment. The estimated fair value of financial instruments is determined using the best available market information and appropriate valuation methodologies. Considerable judgment is necessary, however, in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange, or the value that ultimately will be realized upon maturity or disposition. The use of different market assumptions may have a material effect on the estimated fair value amounts. The following methods and assumptions were used to estimate the fair value of financial instruments:

- *Cash and cash equivalents* : The carrying amount of these assets approximates fair value because of the short maturity of these instruments.

- *Senior Credit Facility* : As of December 31, 2020, the fair value and carrying value, excluding original issue discount, of the Company’s Senior Credit Facility debt was \$71.0 million. This debt is not actively traded and is considered a Level 3 instrument. The Company believes the current carrying value of this debt approximates its fair value.

- *Other long-term debt* : The Emmis Promissory Note and SG Broadcasting Note are not actively traded and are considered Level 3 instruments. The Company believes the current carrying value of this debt approximates its fair value.

8. ACQUISITION

On December 9, 2019, the Company’s Board approved the assumption from an affiliate of SG Broadcasting of an agreement to purchase FMG Valdosta, LLC and FMG Kentucky, LLC from Fairway Outdoor Advertising Group, LLC for a purchase price of \$43.1 million, subject to customary working capital adjustments. Closing of the transaction occurred on December 13, 2019. FMG Valdosta, LLC and FMG Kentucky, LLC are outdoor advertising businesses that operate advertising displays principally across Kentucky, West Virginia, Florida and Georgia. Fees and expenses associated with the transaction were \$1.2 million, which are included in corporate expenses in the consolidated and combined statement of operations. The acquisition was funded through \$23.4 million of additional borrowings under the Senior Credit Facility as described in Note 6, which were net of a debt discount of \$0.8 million, resulting in \$22.6 million of proceeds. The remainder was financed by SG Broadcasting through \$22.0 million of newly-issued Series A Convertible Preferred Stock. The Series A Convertible Preferred Stock

pays an in-kind dividend equal to the rate on the existing SG Broadcasting Promissory Note described in Note 6, is convertible into MediaCo Class A common stock on the same terms as the SG Broadcasting Promissory Note, and is redeemable at the option of the holder five years and six months after issuance. The Company believes this is a highly-scalable business model with attractive operative leverage.

As of December 31, 2020, our fair value allocation of the assets acquired and liabilities assumed from Fairway is considered final. A number of purchase price allocation adjustments were made in the year ended December 31, 2020, which resulted in an increase to goodwill of \$1.7 million. The Company believes there are growth opportunities in the billboard business, including organic growth and potential acquisitions, that could rapidly scale the business. The allocations presented in the table below are based upon management's estimate of the fair value using valuation techniques including income, cost and market approaches. The most significant asset acquired, property, plant and equipment, was valued using the cost approach. The purchase price allocation was as follows:

Cash consideration	\$	43,108
Due from Seller		(106)
Total Consideration	\$	43,002
Accounts receivable	\$	1,521
Other current assets		133
Property, plant and equipment		28,638
Operating lease, right-of-use assets		15,376
Goodwill		13,102
Intangibles (Note 10)		3,639
Deferred tax asset		1,028
Other assets		15
Assets Acquired	\$	63,452
Accounts payable and accrued expenses	\$	730
Current portion of operating lease liabilities		877
Operating lease liabilities, less current portion		12,320
Asset retirement obligations (Note 11)		5,618
Deferred revenue		753
Other noncurrent liabilities		152
Liabilities Assumed	\$	20,450
Net Assets Acquired	\$	43,002

The Fairway Acquisition was accounted for under the acquisition method of accounting, and, accordingly, the accompanying consolidated and combined financial statements include the results of operations of each acquired entity from the date of acquisition. The revenues and operating income contributed to MediaCo by the acquired businesses for the period December 13, 2019 to December 31, 2019 were \$0.7 million and \$0.2 million, respectively. The operating income is exclusive of acquisition costs of \$1.2 million that are included in "All Other" in Note 14.

The following unaudited pro forma financial information for the Company gives effect to the acquisitions as if they had occurred on March 1, 2019. These pro forma results do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred on such date or to project the Company's results of operations for any future period.

	Ten Months Ended December 31,
	2019
	(unaudited)
Net revenues	\$ 51,869
Net income attributable to common shareholders	1,042

Goodwill of \$13.1 million was recognized as a result of the purchase which represented the excess of the purchase price over the identifiable acquired assets, \$10.8 million of which is deductible for tax purposes. The goodwill acquired is assigned to the outdoor advertising segment.

9. LEASES

We determine if an arrangement is a lease at inception. We have operating leases for office space, tower space, the land on which some outdoor advertising structures are erected, equipment and automobiles expiring at various dates through October 2049. Some leases have options to extend and some have options to terminate. Beginning March 1, 2019, operating leases are included in operating lease right-of-use assets, current operating lease liabilities, and noncurrent operating lease liabilities in our consolidated balance sheets.

Operating lease assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. We use the implicit rate if it is readily determinable. Our lease terms may include options to extend or terminate the lease, which we treat as exercised when it is reasonably certain and there is a significant economic incentive to exercise that option.

Operating lease expense for operating lease assets is recognized on a straight-line basis over the lease term. Variable lease payments, which represent lease payments that vary due to changes in facts or circumstances occurring after the commencement date other than the passage of time, are expensed in the period in which the obligation for these payments was incurred. Variable lease expense recognized in the year ended December 31, 2020, was not material.

We elected not to apply the recognition requirements of ASC 842, "Leases," to short-term leases, which are deemed to be leases with a lease term of twelve months or less. Instead, we recognized lease payments in the consolidated and combined statements of operations on a straight-line basis over the lease term and variable payments in the period in which the obligation for these payments was incurred. We elected this policy for all classes of underlying assets. Short-term lease expense recognized in the year ended December 31, 2020, was not material.

The impact of operating leases to our consolidated and combined financial statements was as follows:

	Year Ended December 31,
	2020
Lease Cost	
Operating lease cost	\$ 4,986
Other Information	
Operating cash flows from operating leases	5,020
Right-of-use assets obtained in exchange for new operating lease liabilities	—
Weighted average remaining lease term - operating leases (in years)	9.0
Weighted average discount rate - operating leases	9.1 %

As of December 31, 2020, the annual minimum lease payments of our operating lease liabilities were as follows:

Year ending December 31,	
2021	\$ 5,293
2022	5,192
2023	4,218
2024	2,808
2025	2,802
After 2025	16,106
Total lease payments	36,419
Less imputed interest	12,670
Total recorded lease liabilities	\$ 23,749

Our outdoor advertising business generates lessor revenue derived from operating leases accounted for under ASC 842, "Leases." Minimum fixed lease consideration under non-cancelable operating leases for each of the next five years and thereafter, excluding variable lease consideration, as of December 31, 2020, is as follows:

Year ending December 31,	
2021	\$ 6,547
2022	41
2023	—
2024	—
2025	—
After 2025	—

10. INTANGIBLE ASSETS AND GOODWILL

As of December 31, 2019 and 2020, intangible assets consisted of the following:

	As of December 31, 2019	As of December 31, 2020
Indefinite-lived intangible assets:		
FCC Licenses	\$ 63,266	\$ 63,266
Trade Name	730	733
Goodwill	11,424	13,102
Definite-lived intangible assets:		
Programming Contract	514	220
Customer List	3,015	1,896
Total	\$ 78,949	\$ 79,217

In accordance with ASC Topic 350, *Intangibles—Goodwill and Other*, the Company reviews goodwill and other intangibles at least annually for impairment. In connection with any such review, if the recorded value of goodwill and other intangibles is greater than its fair value, the intangibles are written down and charged to results of operations. FCC licenses are renewed every eight years at a nominal cost, and historically both of our FCC licenses have been renewed at the end of their respective eight-year periods. Since we expect that both of our FCC licenses will continue to be renewed in the future, we believe they have indefinite lives. Given that our radio stations operate in the same geographic market they are considered a single unit of accounting. The trade name is an indefinite-lived intangible asset based on our intention to renew it when legally required and to utilize it going forward.

Impairment Testing

The Company generally performs its annual impairment review of indefinite-lived intangibles as of October 1 each year. In the ten months ended December 31, 2019, the Company performed the analysis of the FCC licenses as of November 25, the date of the transfer of the stations from Emmis to MediaCo. At the time of each impairment review, if the fair value of the indefinite-lived intangible is less than its carrying value, a charge is recorded to results of operations. When indicators of impairment are present, the Company will perform an interim impairment test. We will perform additional interim impairment assessments whenever triggering events suggest such testing for the recoverability of these assets is warranted. During the ten-month period ended December 31, 2019 and the year ended December 31, 2020, the Company did not record any impairment losses.

Valuation of Indefinite-lived Broadcasting Licenses

Fair value of our FCC licenses is estimated to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To determine the fair value of our FCC licenses, the Company considered both income and market valuation methods when it performed its impairment tests. Under the income method, the Company projects cash flows that would be generated by each of its units of accounting assuming the unit of accounting was commencing operations in its respective market at the beginning of the valuation period. This cash flow stream is discounted to arrive at a value for the FCC license. The Company assumes the competitive situation that exists in each market remains unchanged, with the exception that its unit of accounting commenced operations at the beginning of the valuation period. In doing so, the Company extracts the value of going concern and any other assets acquired, and strictly values the FCC license. Major assumptions involved in this analysis include market revenue, market revenue growth rates, unit of accounting audience share, unit of accounting revenue share and discount rate. Each of these assumptions may change in the future based upon changes in general economic conditions, audience behavior, consummated transactions, and numerous other variables that may be beyond our control. The projections incorporated into our license valuations take current economic conditions into consideration. Under the market method, the Company uses recent sales of comparable radio stations for which the sales value appeared to be concentrated entirely in the value of the license, to arrive at an indication of fair value.

Below are some of the key assumptions used in our income method annual impairment assessments. In recent years, we have reduced long-term growth rates in the New York market in which we operate based on recent industry trends and our expectations for the market going forward.

	November 25, 2019	October 1, 2020
Discount Rate	11.9%	12.4%
Long-term Revenue Growth Rate	-0.6%	1.0%
Mature Market Share	9.0%	9.4%
Operating Profit Margin	22.7-26.7%	26.6-29.5%

As of both December 31, 2019 and December 31 2020, the carrying amount of the Company's FCC licenses was \$63.3 million.

Valuation of Trade Name

As a result of the Fairway Acquisition, the Company acquired the trade name 'Fairway'. The trade name is well known in the industry and is being retained for continued market use following the acquisition. This trade name favorably factors into customer purchasing decisions. For the purchase price allocation, the trade name was valued using the relief from royalty method. This method is based on what a company would be willing to pay for a royalty in order to exploit the related benefits of the trade name. The value of the trade name is determined by discounting the inherent after-tax royalty savings associated with ownership or possession of the trade name. The valuation assigned to the trade name as a result of the purchase price accounting is \$0.7 million. We assess the trade name annually for impairment on October 1 of each year. We utilized the relief from royalty method to perform our annual impairment assessment. There was no impairment recognized for the year ended December 31, 2020.

Valuation of Goodwill

As a result of the Fairway Acquisition discussed in Note 8, the Company has recorded \$13.1 million of goodwill. This accounts for all goodwill on the consolidated balance sheet as of December 31, 2020. The Fairway Acquisition closed on December 13, 2019 and all assets acquired and liabilities assumed were valued as of that date, resulting in a goodwill valuation of \$13.1 million. ASC Topic 350-20-35 requires the Company to test goodwill for impairment at least annually. Under ASC 350 we have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value as a basis for determining whether it is necessary to perform an annual quantitative goodwill impairment test. Given the macroeconomic environment as a result of the COVID-19 pandemic we have elected not to perform the qualitative assessment. When performing a quantitative assessment for impairment, the Company uses a market approach to determine the fair value of the reporting unit. Management determines the fair value for the reporting unit by multiplying the cash flows of the reporting unit by an estimated market multiple. Management believes this methodology for valuing outdoor advertising businesses is a common approach and believes that the multiples used in the valuation are reasonable given our peer comparisons, analyst reports, and market transactions. To corroborate the fair values determined using the market approach described above, management also uses an income approach, which is a discounted cash flow method to determine the fair value of the reporting unit. If the carrying value of a reporting unit's goodwill exceeds its fair value, the Company recognizes an impairment charge equal to the difference in the statement of operations.

Definite-lived Intangibles

The following table presents the weighted-average remaining useful life at December 31, 2020 and gross carrying amount and accumulated amortization for each major class of definite-lived intangible assets at December 31, 2019 and 2020:

	Weighted Average Remaining Useful Life (in years)	As of December 31, 2019			As of December 31, 2020		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Programming Contract	0.8	\$ 2,154	\$ 1,640	\$ 514	\$ 2,154	\$ 1,934	\$ 220
Customer List	2.0	3,030	15	3,015	2,906	1,010	1,896

The customer list was acquired as part of the Fairway Acquisition on December 13, 2019 and was valued as part of the purchase price allocation performed at closing. Customer relationships represent a source of repeat business. The information contained in such relationships usually includes the preferences of the customer, the buying patterns of the customer, and the history of purchases that have been made by the customer. In calculating the value of Fairway Outdoors' customer relationships, we employed the multiperiod excess earnings method of the income approach, which estimates value based on the present value of future economic benefits. This methodology resulted in a valuation of \$2.9 million. A useful life of three years has been assigned to the customer list.

Total amortization expense from definite-lived intangibles for the ten-month period ended December 31, 2019, and the year ended December 31, 2020, was \$0.3 million and \$1.3 million, respectively. The following table presents the Company's estimate of amortization expense for each of the five succeeding years for definite-lived intangibles:

Year ended December 31,	Expected Amortization Expense
2021	\$ 1,189
2022	927
2023	—
2024	—
2025	—

11. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligation includes the costs associated with the removal of its structures, resurfacing of the land and retirement cost, if applicable, related to the Company's outdoor advertising portfolio. The following table reflects information related to our asset retirement obligations.

Balance at December 31, 2019	\$	5,623
Purchase price allocation adjustment		29
Accretion expense		726
Liabilities settled		(62)
Balance at December 31, 2020	\$	<u>6,316</u>

12. OTHER COMMITMENTS AND CONTINGENCIES

a. Commitments

In addition to the lease payments described in Note 9, the Company has various commitments under the following types of material contracts: (i) Management Agreement with Emmis (Note 15) and (ii) other contracts with annual commitments (including payouts to former management of Fairway Outdoor) at December 31, 2020 as follows:

Year ending December 31,	Management Agreement	Other Contracts	Total
2021	\$ 625	\$ 981	\$ 1,606
2022	—	581	581
2023	—	12	12
2024	—	—	—
2025	—	—	—
Thereafter	—	—	—
Total	<u>\$ 625</u>	<u>\$ 1,574</u>	<u>\$ 2,199</u>

The initial term of the management agreement with Emmis runs until November 25, 2021, however, MediaCo can terminate the agreement, without penalty, with six months' notice. Notice had not been given as of December 31, 2020 and therefore the amount shown in the table above represents the fee that would be due for that six month period.

As of December 31, 2020, WQHT-FM and WBLS-FM leased their employees from Emmis' wholly owned subsidiary, Emmis Operating Company under an employee leasing arrangement. Effective January 1, 2021, the Employee Leasing Agreement was terminated, and the Company hired all of the leased employees and assumed the employment and collective bargaining agreements related to leased employees. The Company has assumed employment contracts totaling \$2.9 million over the next three calendar years.

b. Litigation

From time to time, our stations are parties to various legal proceedings arising in the ordinary course of business. In the opinion of management of the Company, however, there are no legal proceedings pending against the Company that we believe are likely to have a material adverse effect on the Company.

13. INCOME TAXES

The provision for income taxes for the ten months ended December 31, 2019, and year ended December 31, 2020 consisted of the following:

	For the ten months ended December 31, 2019	For the year ended December 31, 2020
Current:		
Federal	\$ 187	\$ —
State	124	—
Total current	311	—
Deferred:		
Federal	522	10,146
State	689	5,415
Total deferred	1,211	15,561
Provision for income taxes	<u>\$ 1,522</u>	<u>\$ 15,561</u>

The provision for income taxes for the ten-month period ended December 31, 2019, and the year ended December 31, 2020 and differs from that computed at the Federal statutory corporate tax rate as follows:

	For the ten months ended December 31, 2019	For the year ended December 31, 2020
Federal statutory income tax rate	21 %	21 %
Computed income tax provision at federal statutory rate	\$ 729	\$ (2,350)
State income tax	265	5,415
State tax rate change	549	—
Entertainment disallowance	20	4
Valuation allowance	—	12,460
Other	(41)	32
Provision for income taxes	<u>\$ 1,522</u>	<u>\$ 15,561</u>

The final determination of our income tax liability may be materially different from our income tax provision. Significant judgment is required in determining our provision for income taxes. Our calculation of the provision for income taxes is subject to our interpretation of applicable tax laws in the jurisdictions in which we file. In addition, our income tax returns are subject to periodic examination by the Internal Revenue Service and other taxing authorities. As of December 31, 2020, the Company had no open income tax examinations.

The components of deferred tax assets and deferred tax liabilities at December 31, 2019, and December 31, 2020, were as follows:

	As of December 31, 2019	As of December 31, 2020
Deferred tax assets:		
Intangible assets	\$ 15,200	\$ 14,427
Lease liability	7,843	7,125
Interest deduction carryforward	—	2,219
Stock compensation	—	39
Net operating losses	6,013	8,009
Other	252	285
Valuation allowance	—	(18,795)
Total deferred tax assets	<u>29,308</u>	<u>13,309</u>
Deferred tax liabilities		
Indefinite-lived intangible assets	(4,818)	(5,939)
Right of use asset	(7,902)	(7,186)
Property and equipment	(2,725)	(1,895)
Total deferred tax liabilities	<u>(15,445)</u>	<u>(15,020)</u>
Net deferred tax liabilities	<u>\$ 13,863</u>	<u>\$ (1,711)</u>

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset (“DTA”) will not be realized. The Company has considered future taxable income and ongoing prudent and feasible tax-planning strategies in assessing the need for the valuation allowance. During 2020, as a result of a sharp deterioration of business activity related to the COVID-19 pandemic, the Company concluded that it was more likely than not that it would be unable to realize its deferred tax assets and recorded an \$18.8 million valuation allowance against these assets.

The Company records certain deferred tax liabilities (“DTLs”) related to indefinite lived intangibles that are not expected to reverse during the carry-forward period. These DTLs can be considered a source of future taxable income to support realization of net operating losses (“NOLs”) that do not expire and DTAs that upon reversal would give rise to NOLs that do not expire. With this consideration, the total valuation allowance recorded at December 31, 2020 was \$18.8 million, resulting in a net \$1.7 million DTL on the balance sheet.

The Company has federal net operating losses (“NOLs”) of \$33.3 million and state NOLs of \$16.7 million available to offset future taxable income. The federal and certain state net operating loss carryforwards do not expire, and the remaining state net operating loss carryforwards begin expiring in the year ending December 2039.

Accounting Standards Codification paragraph 740-10 clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken within a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest benefit that is greater than 50 percent likely of being realized upon ultimate settlement. As of December 31, 2020, the Company has no uncertain tax positions.

14. SEGMENT INFORMATION

The Company’s operations are aligned into two business segments: (i) Radio, and (ii) Outdoor advertising. Radio includes the operations and results of WQHT-FM and WBLS-FM, and outdoor advertising includes the operations and results of the Fairway businesses acquired in December 2019. The Company groups activities that are not considered operating segments in the “All Other” category.

These business segments are consistent with the Company’s management of these businesses and its financial reporting structure. Corporate expenses, including transaction costs, are not allocated to reportable segments. The Company’s segments operate exclusively in the United States.

The accounting policies as described in the summary of significant accounting policies included in Note 1 to these consolidated and combined financial statements, are applied consistently across segments.

Year Ended December 31, 2020	Radio	Outdoor Advertising	All Other	Consolidated
Net revenues	\$ 26,020	\$ 13,241	\$ —	\$ 39,261
Operating expenses excluding depreciation and amortization expense	22,827	9,517	—	32,344
Corporate expenses excluding depreciation and amortization expense	—	—	4,338	4,338
Depreciation and amortization	893	3,188	—	4,081
Loss on disposal of assets	—	197	—	197
Operating income (loss)	<u>\$ 2,300</u>	<u>\$ 339</u>	<u>\$ (4,338)</u>	<u>\$ (1,699)</u>

Ten Months Ended December 31, 2019	Radio	Outdoor Advertising	All Other	Consolidated
Net revenues	\$ 40,041	\$ 759	\$ —	\$ 40,800
Operating expenses excluding depreciation and amortization expense	30,751	375	—	31,126
Corporate expenses excluding depreciation and amortization expense	—	—	4,303	4,303
Depreciation and amortization	980	100	—	1,080
Operating income (loss)	<u>\$ 8,310</u>	<u>\$ 284</u>	<u>\$ (4,303)</u>	<u>\$ 4,291</u>

Total Assets	Radio	Outdoor Advertising	Consolidated
As of December 31, 2019	\$ 102,921	\$ 64,245	\$ 167,166
As of December 31, 2020	84,219	62,132	146,351

15. RELATED PARTY TRANSACTIONS

Corporate Overhead and Share-Based Compensation

Until November 25, 2019 of the ten-month period ended December 31, 2019, MediaCo was 100% owned by Emmis. Our financial statements for these periods are derived from the books and records of Emmis and were carved-out from Emmis at a carrying value reflective of historical cost in Emmis' records. Our historical combined financial results include an allocation of expense related to certain Emmis corporate functions, including executive oversight, legal, finance, human resources, and information technology. These expenses have been allocated to us based on direct usage or benefit where specifically identifiable, with the remainder allocated primarily on a pro rata basis of revenue, headcount and other measures. We consider this expense allocation methodology and results thereof to be reasonable for all periods presented.

Transaction Agreement with Emmis and SG Broadcasting

On June 28, 2019, MediaCo entered into a Contribution and Distribution Agreement with Emmis and SG Broadcasting, pursuant to which (i) Emmis contributed the assets of its radio stations WQHT-FM and WBLS-FM, in exchange for \$91.5 million in cash, a \$5.0 million note and 23.72% of the common stock of MediaCo, (ii) Standard General purchased 76.28% of the common stock of MediaCo, and (iii) the common stock of MediaCo received by Emmis was distributed pro rata in a taxable dividend to Emmis' shareholders on January 17, 2020. The common stock of MediaCo acquired by Standard General is entitled to ten votes per share and the common stock acquired by Emmis and distributed to Emmis' shareholders is entitled to one vote per share. The sale closed on November 25, 2019, at which time MediaCo and Emmis also entered into a management agreement (the "Management Agreement"), an employee leasing agreement (the "Employee Leasing Agreement") and certain other ancillary agreements. The Management Agreement with Emmis Operating Company is for an initial term of two years (cancellable by MediaCo after 18 months) under which Emmis provides various services to us, including accounting, human resources, information technology, legal, public reporting and tax. We pay Emmis an annual fee of \$1.3 million in equal monthly installments for these services, plus reimbursement of certain expenses directly related to our operations. For the year ended December 31, 2020, MediaCo recorded \$1.3 million of management fee expense which is included in corporate expenses in the accompanying consolidated and combined statements of operations. \$0.1 million of this amount was unpaid as of December 31, 2020 and is included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. Under the Employee Leasing Agreement, the employees of the Stations will remain employees of Emmis and we will reimburse Emmis for the cost of these employees, including health and benefit costs. The initial term of the Employee Leasing Agreement lasted through December 31, 2020. Effective January 1, 2021, the Employee Leasing Agreement was terminated, and the Company hired all of the leased employees and assumed the employment and collective bargaining agreements related to leased employees. The Employee Leasing Agreement was terminated at the expiration of the initial term, so no early termination penalties were incurred. Expense related to the Employee Leasing Agreement was \$9.6 million for the year ended December 31, 2020. This expense is recognized in operating expenses excluding depreciation and amortization in the consolidated and combined statements of operations. No amount remains unpaid as of December 31, 2020.

As part of the acquisition of SG Broadcasting's controlling interest in the Company from Emmis on November 25, 2019, MediaCo owed to Emmis the working capital of the stations, but the Company was permitted to collect and retain, for a period of nine months, the first \$5.0 million of net working capital attributable to the stations as of the closing date. This right to \$5.0 million of retained net working capital was satisfied in January 2020 and used in the operations of the business. This amount was paid to Emmis during the three months ended September 30, 2020.

Convertible Promissory Notes

As a result of the transaction described above, on November 25, 2019, we issued convertible promissory notes to both Emmis and SG Broadcasting in the amounts of \$5.0 million and \$6.3 million, respectively.

On February 28, 2020, the Company and SG Broadcasting amended and restated the SG Broadcasting Promissory Note such that the maximum aggregate principal amount issuable under the note was increased from \$6.3 million to \$10.3 million. Also on February 28, 2020, SG Broadcasting loaned an additional \$2.0 million to the Company pursuant to the amended note for working capital purposes.

On March 27, 2020, the Company and SG Broadcasting further amended and restated the SG Broadcasting Promissory Note such that the maximum aggregate principal amount issuable under the note was increased from \$10.3 million to \$20.0 million. On March 27, 2020, SG Broadcasting loaned an additional \$3.0 million to the Company pursuant to the Second Amended and Restated SG Promissory Note for working capital purposes.

On August 28, 2020, SG Broadcasting loaned an additional \$8.7 million to the Company pursuant to the Second Amended and Restated SG Promissory Note for working capital purposes.

On September 30, 2020, SG Broadcasting loaned an additional \$0.3 million to the Company pursuant to the Additional SG Broadcasting Promissory Note for working capital purposes.

On November 25, 2020, annual interest of \$0.5 million and \$1.1 million was paid in kind and added to the principal balances of the Emmis Convertible Promissory Note and the SG Broadcasting Promissory Note, respectively. Consequently, the principal amount outstanding under the Emmis Convertible Promissory Note and SG Broadcasting Promissory Note as of December 31, 2020 was \$5.5 million and \$21.2 million, respectively.

The Company recognized interest expense of \$0.5 million and \$1.3 million related to the Emmis Convertible Promissory Note and the SG Broadcasting Promissory Notes, respectively. The terms of these notes are described in Note 6.

Convertible Preferred Stock

On December 13, 2019, in connection with the Fairway Acquisition, the Company issued to SG Broadcasting 220,000 shares of MediaCo Series A Convertible Preferred Stock. Dividends on Series A Convertible Preferred Stock held by SG Broadcasting were \$2.1 million for the year ended December 31, 2020. On December 13, 2020 \$2.1 million of dividends were paid in kind. The payment in kind increased the accrued value of the preferred stock and no additional shares were issued as part of this payment. As of December 31, 2020, unpaid cumulative dividends were \$0.1 million, and included in the balance of preferred stock in the accompanying consolidated balance sheets. See Note 3 for a description of the Preferred Stock.

Loan Proceeds Participation Agreement

On April 22, 2020, MediaCo and Emmis entered into a certain Loan Proceeds Participation Agreement (the “LPPA”) pursuant to which (i) Emmis agreed to use certain of the proceeds of the loan Emmis received pursuant to the Paycheck Protection Program (“PPP”) under Division A, Title I of the CARES Act to pay certain wages of employees leased to MediaCo pursuant to the Employee Leasing Agreement, between Emmis and MediaCo (ii) Emmis agreed to waive up to \$1.5 million in reimbursement obligations of MediaCo to Emmis under the Employee Leasing Agreement to the extent that the PPP Loan is forgiven, and (iii) MediaCo agreed to promptly pay Emmis an amount equal to 31.56% of the amount of the PPP Loan, if any, that Emmis is required to repay, up to the amount of the reimbursement obligations forgiven under (ii) above. Standard General L.P., on behalf of all of the funds for which it serves as an investment advisor, agreed to guaranty MediaCo’s obligations under the LPPA. As of the date of these financial statements, Emmis believes that the loan will be forgiven as Emmis believes it has spent the proceeds on qualifying expenditures. Accordingly, \$1.5 million of leased employee expense was waived by Emmis during the year ended December 31, 2020.

Management Agreement for Billboards LLC

On August 11, 2020, the board of directors of the Company unanimously authorized the entry into a certain Management Agreement (the “Billboard Agreement”) between Fairway Outdoor LLC (a subsidiary of the Company, “Fairway”) and Billboards LLC (an affiliate of Standard General, “Billboards”). Under the Billboard Agreement, Fairway will manage the billboard business of Billboards in exchange for payments of \$25,000 per quarter and reimbursement of all out-of-pocket expenses incurred by Fairway in the performance of its duties under the Billboard Agreement. The Billboard Agreement has an effective date of August 1, 2020, has a term of three years, and has customary provisions on limitation of liability and indemnification. \$42 thousand of income was recognized in the year ended December 31, 2020 in relation to the Billboard Agreement, all of which was outstanding as of December 31, 2020. Additionally, Fairway incurred \$0.2 million of out-of-pocket expenses for the period, none of which has been reimbursed as of December 31, 2020.

16. SUBSEQUENT EVENTS

On November 25, 2019, MediaCo entered into an Employee Leasing Agreement by and between Emmis and the Company. Pursuant to the Employee Leasing Agreement, the Company leased from EOC personnel at radio stations WBLS-FM and WQHT-FM to perform services for the Company consistent with each leased employees’ past practices at the Radio Stations. Effective January 1, 2021, the Employee Leasing Agreement was terminated, and the Company hired all of the leased employees and assumed the employment and collective bargaining agreements related to leased employees. EOC serves as the manager of the Radio Stations and of the Company’s financial reporting, SEC compliance and similar obligations as a public company pursuant to a certain Management Agreement between the Company and EOC dated as of November 25, 2019. The Management Agreement remains in full force and effect. The Employee Leasing Agreement was terminated at the expiration of the initial term, so no early termination penalties were incurred.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this transition report, the Company evaluated the effectiveness of the design and operation of its “disclosure controls and procedures” (“Disclosure Controls”). This evaluation (the “Controls Evaluation”) was performed under the supervision and with the participation of management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”).

Based upon the Controls Evaluation, our CEO and CFO concluded that as of December 31, 2020, our Disclosure Controls are effective to ensure that information relating to MediaCo Holding Inc. and Subsidiaries that is required to be disclosed by us in the reports that we file or submit is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting.

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f)) that occurred during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures and Internal Control over Financial Reporting

In designing and evaluating the disclosure controls and procedures and internal control over financial reporting, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Management’s Report on Internal Control Over Financial Reporting

The management of MediaCo Holding Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Pursuant to the rules and regulations of the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, MediaCo Holding Inc.’s principal executive and principal financial officers and effected by MediaCo Holding Inc.’s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of MediaCo Holding Inc. are being made only in accordance with authorizations of management and directors of the Company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of MediaCo Holding Inc.’s assets that could have a material effect on the financial statements.

Management has evaluated the effectiveness of its internal control over financial reporting as of December 31, 2020, based on the control criteria established in a report entitled *Internal Control—Integrated Framework* (2013 Framework), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, management has concluded that its internal control over financial reporting is effective as of December 31, 2020.

Jeffrey H. Smulyan Chairman and Chief Executive Officer

Ryan A. Hornaday Executive Vice President, Chief Financial Officer and Treasurer

ITEM 9B. OTHER INFORMATION

Effective March 30, 2021, the Company amended Section 2.1 of its Amended and Restated Code of By-Laws to expressly permit meetings of shareholders to be held by means of remote communications. Shareholder meetings may still also be held in person at the principal office of the Company or at such other place within or without the State of Indiana as may be fixed from time to time by the Board of Directors or the Chairman of the Board. A copy of the Amended and Restated Code of By-Laws, as amended through the date of this Annual Report on Form 10-K, is attached hereto as Exhibit 3.2.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item with respect to directors or nominees to be directors of MediaCo is incorporated by reference from the sections entitled “Proposal 1: Election of Directors,” “Delinquent Section 16(a) Reports,” “Corporate Governance – Certain Committees of the Board of Directors,” and “Corporate Governance – Code of Ethics” in the proxy statement for the Annual Meeting of Shareholders expected to be filed within 120 days after the end of the fiscal year to which this report applies. Information about executive officers of MediaCo or its affiliates who are not directors or nominees to be directors is presented in Part I under the caption “Information about our Executive Officers.”

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference from the sections entitled “Corporate Governance – Compensation of Directors,” and “Executive Compensation” in the proxy statement for the Annual Meeting of Shareholders expected to be filed within 120 days after the end of the fiscal year to which this report applies.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information required by this item is incorporated by reference from the section entitled “Security Ownership of Beneficial Owners and Management” in the proxy statement for the Annual Meeting of Shareholders expected to be filed within 120 days after the end of the fiscal year to which this report applies.

Equity Compensation Plan Information

The following table gives information about our common stock that may be issued upon the exercise of options, warrants and rights under our 2020 Equity Compensation Plan as of December 31, 2020. Our shareholders have approved this plan.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)
<i>Class A common stock</i>			
Equity Compensation Plans			
Approved by Security Holders	102,617	\$ 5.41	897,383
Equity Compensation Plans			
Not Approved by Security Holders	—	—	—
Total	102,617	\$ 5.41	897,383

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

The information required by this item is incorporated by reference from the sections entitled “Corporate Governance – Independent Directors” and “Corporate Governance – Transactions with Related Persons” in the proxy statement for the Annual Meeting of Shareholders expected to be filed within 120 days after the end of the fiscal year to which this report applies.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item is incorporated by reference from the section entitled “Matters Relating to Independent Registered Public Accountants” in the proxy statement for the Annual Meeting of Shareholders expected to be filed within 120 days after the end of the fiscal year to which this report applies.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Financial Statements

The financial statements filed as a part of this report are set forth under Item 8.

Financial Statement Schedules

No financial statement schedules are required to be filed with this report.

Exhibits

The following exhibits are filed or incorporated by reference as a part of this report:

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			Filing Date
			Form	Period Ending	Exhibit	
3.1	Amended and Restated Articles of Incorporation of MediaCo Holding Inc., as amended.		10-KT	12/31/2019	3.1	3/27/2020
3.2	Amended and Restated Code of Bylaws of MediaCo Holding Inc.	X				
4.1	Description of Capital Stock		10-KT	12/31/2019	4.1	3/27/2020
10.1	Employee Leasing Agreement, dated as of November 25, 2019, by and between Emmis Operating Company and MediaCo Holding Inc.*#		8-K		10.2	11/27/2019
10.2	Management Agreement, dated as of November 25, 2019, by and between Emmis Operating Company and MediaCo Holding Inc.*#		8-K		10.3	11/27/2019
10.3	Amended and Restated Promissory Note, dated as of February 28, 2020, by MediaCo Holding Inc. in favor of SG Broadcasting LLC.		8-K		10.1	3/2/2020
10.4	Amendment No. 1 to Amended and Restated Term Loan Agreement, dated as of February 28, 2020, by and among MediaCo Holding Inc., the other parties designated as borrowers thereto, the financial institutions from time to time party thereto, and GACP Finance Co., LLC, a Delaware limited liability company, as administrative agent and collateral agent.		8-K		10.2	3/2/2020
10.5	Second Amended and Restated Promissory Note, dated as of March 27, 2020, by MediaCo Holding Inc. in favor of SG Broadcasting LLC.		10-KT	12/31/2019	10.19	3/27/2020
10.6	Amendment No. 2 to Amended and Restated Term Loan Agreement, dated as of March 27, 2020, by and among MediaCo Holding Inc., the other parties designated as borrowers thereto, the financial institutions from time to time party thereto, and GACP Finance Co., LLC, a Delaware limited liability company, as administrative agent and collateral agent.		10-KT	12/31/2019	10.20	3/27/2020
10.7	Loan Proceeds Participation Agreement, dated April 22, 2020, between MediaCo Holding Inc. and Emmis Operating Company.		8-K		10.1	4/27/2020
10.8	Form of Restricted Stock Agreement under 2020 Equity Compensation Plan.		10-Q	6/30/2020	10.2	8/14/2020
10.9	Management Agreement, effective August 1, 2020, between Fairway Outdoor LLC and Billboards LLC.		10-Q	6/30/2020	10.3	8/14/2020
10.10	Amendment No. 3 to Amended and Restated Term Loan Agreement, dated as of August 28, 2020, by and among MediaCo Holding Inc., the other parties designated as borrowers thereto, the financial institutions from time to time party thereto, and GACP Finance Co., LLC, a Delaware limited liability company, as administrative agent and collateral agent.		8-K		10.1	8/31/2020
21	Subsidiaries of MediaCo Holding Inc.	X				
23	Consent of Independent Registered Public Accounting Firm	X				
24	Powers of Attorney	X				
31.1	Certification of Principal Executive Officer of MediaCo	X				

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	Holding Inc. pursuant to Rule 13a-14(a) under the Exchange Act	
31.2	Certification of Principal Financial Officer of MediaCo Holding Inc. pursuant to Rule 13a-14(a) under the Exchange Act	X
32.1	Certification of Principal Executive Officer of MediaCo Holding Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
32.2	Certification of Principal Financial Officer of MediaCo Holding Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
101.INS	XBRL Instance Document	X
101.SCH	XBRL Taxonomy Extension Schema Document	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X
*	Schedules and exhibits omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant will furnish a copy of any omitted schedule or exhibit as a supplement to the Commission or its staff upon request.	

Portions of this exhibit, marked by brackets, have been omitted pursuant to Item 601(b)(10) of Regulation S-K because they are both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed. The registrant undertakes to promptly provide an unredacted copy of the exhibit on a supplemental basis, if requested by the Commission or its staff.

ITEM 16. FORM 10-K SUMMARY.

None.

Signatures.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEDIACO HOLDING INC.

Date: March 30, 2021

By: /s/ Jeffrey H. Smulyan
Jeffrey H. Smulyan
Chief Executive Officer

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

	SIGNATURE	TITLE
Date: March 30, 2021	<u>/s/ Jeffrey H. Smulyan</u> Jeffrey H. Smulyan	Chief Executive Officer and Director (Principal Executive Officer)
Date: March 30, 2021	<u>/s/ Ryan A. Hornaday</u> Ryan A. Hornaday	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
Date: March 30, 2021	<u>/s/ Patrick M. Walsh</u> Patrick M. Walsh	President and Director
Date: March 30, 2021	<u>/s/ J. Scott Enright</u> J. Scott Enright	Executive Vice President, General Counsel and Secretary and Director
Date: March 30, 2021	<u>Andrew Glaze*</u> Andrew Glaze	Director
Date: March 30, 2021	<u>Laura Lee*</u> Laura Lee	Director
Date: March 30, 2021	<u>Mary Beth McAdaragh*</u> Mary Beth McAdaragh	Director
Date: March 30, 2021	<u>Deborah McDermott*</u> Deborah McDermott	Director

*By: /s/ J. Scott Enright
J. Scott Enright
Attorney-in-Fact

AMENDED AND RESTATED
CODE OF BY-LAWS
OF
MEDIACO HOLDING INC.

ARTICLE 1
Identification And Offices

Section 1.1 Name. The name of the Corporation is MediaCo Holding Incorporated (hereinafter referred to as the “Corporation”).

Section 1.2 Registered Office. The registered office and registered agent of the Corporation is as provided and designated in the Corporation’s Amended and Restated Articles of Incorporation, as the same may be amended, restated, or otherwise modified from time to time (the “Articles”). The Board of Directors may, from time to time, change its registered office or registered agent. On or before the day that any such change is to become effective, a certificate of such change shall be filed with the Secretary of State of the State of Indiana.

Section 1.3 Other Offices. The Corporation may establish and maintain such other offices, within or without the State of Indiana, as are from time to time authorized by the Board of Directors. The principal office of the Corporation is One Emmis Plaza, Suite 700, 40 Monument Circle, Indianapolis, Indiana 46204.

ARTICLE 2
Meetings of Shareholders

Section 2.1 Place of Meeting. All meetings of the shareholders of the Corporation (the “Shareholders,” and each, a “Shareholder”) shall be held at the principal office of the Corporation in the State of Indiana or at such other place within or without the State of Indiana (or may not be held at any place, but may instead be held solely by means of remote communication) as may be fixed from time to time by the Board of Directors or the Chairman of the Board.

Section 2.2 Annual Meeting. The annual meeting of the Shareholders shall be held each year within twelve (12) months after the end of the previous fiscal year, unless otherwise required by law, for the purpose of electing Directors and for the transaction of such other business as may properly come before the annual meeting. If for any reason an annual meeting is not held during the time period herein provided, such annual meeting may be held at any time thereafter, or the business to be transacted at such annual meeting may be transacted at any special meeting of the Shareholders called for that purpose.

Section 2.3 Special Meetings. Special meetings of all Shareholders or a class of Shareholders for any purpose or purposes, unless otherwise prescribed by law or the Articles, may be called by the Board of Directors or the Chairman of the Board.

Section 2.4 Notice of Meetings. Written notice of the place, date and hour of each meeting of the Shareholders and, in the case of a special meeting, the purpose or purposes for

which such meeting is called, shall be mailed or delivered, not less than ten (10) days nor more than sixty (60) days prior to the meeting, to each Shareholder of record entitled to notice of such meeting. If such notice is mailed, it shall be deemed to have been given to a Shareholder when deposited in the United States mail, postage prepaid, addressed to the Shareholder at his or her address as it appears on the records of Shareholders of the Corporation. No notice shall be required to be given by mail or otherwise where the meeting is an adjourned meeting and the date, time and place of the meeting were announced at the time of adjournment.

Section 2.5 Waiver of Notice. Notice of any meeting may be waived in writing by a Shareholder before or after the date and time stated in the notice. Attendance by a Shareholder at a meeting in person or by proxy waives objection to (i) lack of notice or defective notice of the meeting unless the Shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting and (ii) consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Shareholder objects to considering the matter when it is presented.

Section 2.6 Quorum; Adjourned Meetings. Except as otherwise required by law, the presence in person or by proxy of the holders of record of a majority of the combined voting power of the outstanding shares entitled to vote at a meeting of the Shareholders shall constitute a quorum for the transaction of business at such meeting. In case a quorum shall not be present at a meeting, those present may adjourn to such day as they shall, by majority vote, agree upon, without notice other than announcement at the meeting of the date, time and place of the adjourned meeting, unless the date of the adjourned meeting requires that the Board of Directors fix a new record date therefor, in which case notice of the adjourned meeting shall be given. At adjourned meetings at which a quorum is present, any business may be transacted that might have been transacted at the meeting as originally noticed. Once a quorum is present during the meeting, the Shareholders may continue to transact business until adjournment notwithstanding the withdrawal of enough Shareholders to leave less than a quorum.

Section 2.7 Voting. Except as otherwise required by the Articles or as may be provided with respect to any series of Preferred Stock, each Shareholder of Class A Common Stock shall be entitled to one (1) vote for each such share held by such Shareholder and each Shareholder of Class B Common Stock shall be entitled to ten (10) votes for each such share held by such Shareholder. A Shareholder may vote in person or by proxy; *provided, however*, that no proxy shall be voted after eleven (11) months from its date unless such proxy provides for a longer or shorter period. Any such proxy shall be delivered to the secretary of such meeting at or prior to the time designated for holding such meeting, but in any event no later than the time designated in the order of business for so delivering such proxies. All actions shall be authorized by the affirmative vote of holders of a majority in voting power of the outstanding shares of the Corporation entitled to vote thereon, voting together as a single class, present in person (unless such meeting is held by means of the Internet or other electronic technology in which case the Proponent (as defined below) or Nominating Shareholder (as defined below) or its qualified representative shall be present at such meeting of Shareholders by means of the Internet or other electronic technology) (“Present in Person”) or represented by proxy, unless a different or minimum vote is required by the Articles or as may be provided with respect to any series of Preferred Stock, these By-Laws, the rules or regulations of any stock exchange applicable to the

Corporation, or any law or regulation applicable to the Corporation or its securities, in which case such different or minimum vote shall be the applicable vote on the matter.

Section 2.8 Closing of Books. The Board of Directors may fix a time, not exceeding seventy (70) calendar days preceding the date of any meeting of Shareholders, as a record date for the determination of the Shareholders entitled to notice of, and to vote at, such meeting, notwithstanding any transfer of shares on the books of the Corporation after any record date so fixed. The Board of Directors may close the books of the Corporation against the transfer of shares during the whole or any part of such period. If the Board of Directors fails to fix a record date for determination of the Shareholders entitled to notice of, and to vote at, any meeting of Shareholders, the record date shall be the date specified by the Chairman of the Board in his or her call of the meeting or, if no such date is so specified, the record date shall be the twentieth (20th) day preceding the date of such meeting.

Section 2.9 Organization of Meetings. The Chairman of the Board, or in his or her absence, any person appointed by the Chairman of the Board, or if no such person is appointed, any person chosen by the Board of Directors shall preside at and act as chairman of all meetings of the Shareholders; and the Secretary, or in his or her absence, any person appointed by the Chairman of the Board, shall act as secretary of the meeting. The order of business and all other matters of procedure at every meeting of the Shareholders shall be determined by the presiding officer of the meeting.

Section 2.10 Shareholder List. The Secretary shall prepare before each meeting a complete list of the Shareholders entitled to notice of such meeting, arranged in alphabetical order by class of shares (and each series within a class), and showing the address of, and the number of shares entitled to vote held by, each Shareholder (the "Shareholder List"). Beginning five (5) business days before the meeting and continuing throughout the meeting, the Shareholder List shall be on file at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held, and shall be available for inspection by any Shareholder entitled to vote at the meeting. On written demand, made in good faith and for a proper purpose and describing with reasonable particularity the Shareholder's purpose, and if the Shareholder List is directly connected with the Shareholder's purpose, a Shareholder (or such Shareholder's agent or attorney authorized in writing) shall be entitled to inspect and to copy the Shareholder List, during regular business hours and at the Shareholder's expense, during the period the Shareholder List is available for inspection. The original stock register or transfer book, or a duplicate thereof kept in the State of Indiana, shall be the only evidence as to who are the Shareholders entitled to examine the Shareholder List, or to notice of or to vote at any meeting.

Section 2.11 Advance Notice of Business to Be Presented at Annual Meetings.

(a) Except as otherwise provided by applicable law or regulations, at any annual meeting of Shareholders, only such business shall be conducted as shall have been properly brought before the annual meeting in accordance with the provisions of the Articles, these By-Laws and the Indiana Business Corporation Law (the "IBCL"). In order to be properly brought before an annual meeting of Shareholders, such business must have either been (i) specified in

the written notice of the meeting (or any supplement thereto) given to Shareholders of record on the record date for such meeting by or at the direction of the Board of Directors (or any committee thereof duly authorized by the affirmative vote of a majority of the Board of Directors), (ii) brought before the meeting at the direction of the Board of Directors, any committee thereof duly authorized by the affirmative vote of a majority of the Board of Directors, or the presiding officer of the meeting if delegated that authority by a resolution of the Board of Directors adopted by an affirmative vote of a majority of the Board of Directors, or (iii) brought before the meeting by any Shareholder of the Corporation Present in Person who (A) is a Shareholder of record of stock of the Corporation on the date of the delivery of the notice provided for in this Article II, (B) is entitled to vote at the meeting, and (C) complies with all applicable requirements set forth in this Section 2.11.

(b) Except with respect to proposed nominations of persons for election to the Board of Directors, which must be made in compliance with the provisions of Section 2.12 herein and except for Shareholder proposals submitted for inclusion in the Corporation's proxy statement pursuant to, and in compliance with, Rule 14a-8 (and the interpretations thereunder) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (as so amended and inclusive of such rules and regulations, the "Exchange Act") and which proposals are not excludable under Rule 14a-8 of the Exchange Act, whether pursuant to a no-action letter from the Staff of the U.S. Securities and Exchange Commission's ("SEC") Division of Corporation Finance or a determination of a federal court of competent jurisdiction, and which are included in the notice of meeting given by or at the direction of the Board of Directors (or any committee thereof duly authorized by the affirmative vote of a majority of the Entire Board) and the Corporation's proxy statement pursuant to Rule 14a-8 of the Exchange Act, Section 2.11(a)(iii) of this Article II shall be the exclusive means for a Shareholder to propose business to be brought before an annual meeting of Shareholders.

(c) In addition to the other requirements set forth in this Section 2, for any proposal of business to be properly brought before an annual meeting of Shareholders, it (i) must be a proper subject for action by Shareholders of the Corporation under these By-Laws, the Articles, the IBCL and other applicable law, and (ii) must not relate to a matter that is expressly reserved for action by the Board of Directors under these By-Laws, the Articles, the IBCL or other applicable law.

(d) Nothing in this Section 2.11 shall be deemed to give any Shareholder the right to have any proposal included in any proxy statement prepared by the Corporation, and, to the extent any such right exists under the Exchange Act, including pursuant to Rule 14a-8 under the Exchange Act (or any successor rule), or other applicable law or governmental regulation, such right shall be limited to the right expressly provided under such applicable law or governmental regulation and nothing in this Section 2.11 shall be deemed to affect such rights.

(e) In addition to any other applicable requirements, for business to be properly brought before an annual meeting of Shareholders by a Shareholder pursuant to Section 2.11(a)(iii) of this Article II, such Shareholder must (i) have given Timely Notice (as defined below) thereof in proper written form to the Secretary of the Corporation containing the information as required to be set forth by this Section 2.11 (the "Proposal Notice"), and

(ii) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.11. To be timely, a Proposal Notice or Nominating Notice (as defined in Section 2.12(b) herein) shall be delivered personally, or mailed to, the Secretary at the principal executive offices of the Corporation and received not less than ninety (90) calendar days nor more than one hundred twenty (120) calendar days prior to the first anniversary of the date of the preceding calendar year's annual meeting of Shareholders; *provided, however*, that in the event that the date of the annual meeting of Shareholders is advanced by more than thirty (30) calendar days or delayed by more than sixty (60) calendar days from the anniversary of the preceding calendar year's annual meeting, or if the Corporation did not hold an annual meeting in the preceding calendar year, the Proposal Notice or Nominating Notice to be timely must be delivered to, and received by, the Secretary at the principal executive offices of the Corporation not earlier than the one-hundred twentieth (120th) calendar day prior to such annual meeting and not later than the close of business on the later of (i) the ninetieth (90th) calendar day prior to such annual meeting or (ii) the tenth (10th) calendar day following the day on which notice of the date of such meeting was mailed or on which public disclosure (as defined below) of the date of such meeting is first made by the Corporation, whichever first occurs (such notice that is provided within such time periods, a "Timely Notice"). For purposes of these By-Laws, "Proposal Notice Deadline" shall mean the last date for a Shareholder to deliver a Proposal Notice in accordance with the provisions of the previous sentence. In no event shall any adjournment, postponement or recess of an annual meeting of Shareholders or the public disclosure thereof commence a new time period (or extend any time period) for the giving of a Proposal Notice as described above;

- (f) To be in proper written form, the Proposal Notice must set forth:
 - (i) the name and record address of each Shareholder proposing to bring business before the annual meeting of Shareholders (each, a "Proponent"), as they appear on the Corporation's books;
 - (ii) the name and address of each Shareholder Associated Person. "Shareholder Associated Person" means with respect to any Proponent or Nominating Shareholder (as defined below), (i) any other beneficial owner of stock of the Corporation owned of record or beneficially by such Proponent or Nominating Shareholder, (ii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such Proponent or Nominating Shareholder in any solicitation contemplated by the Proposal Notice or the Nominating Notice, (iii) each person who is disclosed as a member of a "group" with any such Proponent or Nominating Shareholder or beneficial owner in a Schedule 13D or an amendment thereto filed with the SEC relating to the equity securities of the Corporation, and (iv) any person that directly, or indirectly through one or more intermediaries, is Acting in Concert with such Proponent or Nominating Shareholder or a Shareholder Associated Person of such Proponent or Nominating Shareholder. A person shall be deemed to be "Acting in Concert" with another person if such person knowingly acts (whether or not pursuant to an express agreement, arrangement or

understanding) in concert with, or towards a common goal relating to the management, governance or control of the Corporation in parallel with, such other person where (A) each person is conscious of the other person's conduct or intent and this awareness is an element in their decision-making processes and (B) at least one additional factor suggests that such persons intend to act in concert or in parallel, which such additional factors may include, without limitation, exchanging information (whether publicly or privately), attending meetings, conducting discussions, or making or soliciting invitations to act in concert or in parallel; *provided*, that a person shall not be deemed to be Acting in Concert with any other person solely as a result of the solicitation or receipt of revocable proxies or consents from such other person in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a proxy or consent solicitation statement filed on Schedule 14A. A person Acting in Concert with another person shall be deemed to be Acting in Concert with any third party who is also Acting in Concert with such other person;

- (iii) as to each Proponent and each Shareholder Associated Person, (A) the class or series and number of shares of stock directly or indirectly held of record and beneficially by such Proponent or Shareholder Associated Person, (B) a description in reasonable detail of any agreement, arrangement or understanding, written or oral, direct or indirect, with respect to the business proposed to be brought before the annual meeting of Shareholders by the Proponent, between or among any Proponent or any Shareholder Associated Person and any other person or entity (naming each person or entity), including without limitation any agreements, arrangements and understandings that would be required to be disclosed pursuant to Item 5 or Item 6 of Schedule 13D if a Schedule 13D relating to the Corporation was filed by such Proponent or Shareholder Associated Person pursuant to the Exchange Act and the rules and regulations promulgated thereunder (regardless of whether the requirement to file a Schedule 13D is applicable to such Proponent or Shareholder Associated Person), (C) a description in reasonable detail of any plans or proposals of such Proponent or Shareholder Associated Person relating to the Corporation that would be required to be disclosed by such Proponent or Shareholder Associated Person pursuant to Item 4 of Schedule 13D if a Schedule 13D relating to the Corporation was filed with the SEC by such Proponent or Shareholder Associated Person pursuant to the Exchange Act and the rules and regulations promulgated thereunder (regardless of whether the requirement to file a Schedule 13D with the SEC is applicable to such Proponent or Shareholder Associated Person) together with a description of any agreements, arrangements or understandings (whether written or oral) that relate to such plans or proposals and naming all the parties to any such agreements, arrangements or understandings, (D) a

description in reasonable detail of any agreement, arrangement or understanding, written or oral, (including any derivative or short positions, profit interests, options, hedging transactions and borrowed or loaned shares) that has been entered into, directly or indirectly, as of the date of the notice by, or on behalf of, any Proponent or any Shareholder Associated Person, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, any Proponent or any Shareholder Associated Person with respect to shares of stock of the Corporation (a “Derivative”), (E) a description in reasonable detail of any proxy (including revocable proxies), contract, arrangement, understanding or other relationship between any Proponent or any Shareholder Associated Person and any other person or entity (naming each such person or entity) pursuant to which such Proponent or Shareholder Associated Person has a right to vote any shares of stock of the Corporation, and (F) a description in reasonable detail of any profit-sharing or any performance-related fees (other than an asset-based fee) that any Proponent or any Shareholder Associated Person is entitled to, based on any increase or decrease in the value of stock of the Corporation or Derivatives thereof, if any, as of the date of such notice. The information specified in Section 2.11(f)(i) to (iii) of this Article II is referred to herein as “Shareholder Information”;

- (iv) a representation that each Proponent is a holder of record of stock of the Corporation entitled to vote at the annual meeting and intends to be Present in Person at the annual meeting to propose such proposed business;
- (v) as to each item of business such Proponent proposes to bring before the annual meeting of Shareholders, (A) a description in reasonable detail of such business, (B) the complete text of the proposal (including the complete text of any resolutions proposed for consideration and, if such business includes a proposal to amend the By-Laws or the Articles, the language of the proposed amendment), and (C) a description in reasonable detail of the reasons for conducting such business at the annual meeting of Shareholders;
- (vi) any material interest of any Proponent and any Shareholder Associated Person in such proposed business;
- (vii) a representation as to whether the Proponent(s) intend (A) to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation’s outstanding capital stock required to approve or adopt such proposed business or (B) otherwise to solicit proxies from Shareholders in support of such proposed business;

- (viii) all other information relating to the proposal of such business that would be required to be disclosed in a proxy statement or other filing required to be filed with the SEC in connection with a contested solicitation of proxies in which the Proponent(s) or Shareholder Associated Persons are participants in a solicitation subject to Section 14 of the Exchange Act (or any successor of such section); and
- (ix) a representation that each Proponent shall provide any other information reasonably requested by the Corporation in the form and manner, and within the time period, reasonably requested by the Corporation.

(g) A Proponent shall update and supplement its Proposal Notice as necessary, from time to time, so that the information provided or required to be provided in such notice pursuant to this Section 2.11 shall be true, correct and complete in all respects not only as of the Proposal Notice Deadline but also at all times thereafter and prior to the annual meeting of Shareholders, and such update and supplement shall be received by the Secretary not later than the earlier of (A) five (5) business days following the occurrence of any event, development or occurrence that would cause the information provided in the Proposal Notice to be not true, correct and complete in all respects, or (B) ten (10) business days prior to the announced date of the meeting at which such proposals contained therein are to be considered; provided, however, that should any such event, development or occurrence take place within ten (10) business days prior to such meeting, such update and supplement shall be received by the Secretary not later than one (1) business day following any such event, development or occurrence. For the avoidance of doubt, the updates required pursuant to this Section 2.11 do not cause a notice that was not true, correct and complete in all respects and in compliance with this Section 2.11 when first delivered to the Corporation prior to the Proposal Notice Deadline to thereafter be in proper form in accordance with this Section 2.11.

(h) The presiding officer of the meeting shall, if the facts warrant, determine, in consultation with counsel (who may be the Corporation's internal counsel), and declare to the meeting, that the proposed business was not properly brought before the meeting in accordance with the procedures set forth in this Section 2.11, and, if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

(i) A Proponent, by delivering a Proposal Notice to the Corporation, represents and warrants that all information contained therein, as of the Proposal Notice Deadline, is true, accurate and complete in all respects and contains no false or misleading statements, and such Proponent acknowledges that it intends for the Corporation and the Board of Directors to rely on such information as being true, accurate and complete in all respects and not containing any false or misleading statements.

(j) If the Proponent proposing such business (or a qualified representative (as defined below) thereof) is not Present in Person at the annual meeting of Shareholders to present the proposed business, such business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. In addition, business proposed to be

brought by a Proponent may not be brought before an annual meeting of Shareholders if (i) such Shareholder takes action contrary to the representations made in the Proposal Notice applicable to such business, (ii) when submitted to the Corporation prior to the Proposal Notice Deadline, the Proposal Notice applicable to such business contained information submitted pursuant to this Section 2.11 that was not true, correct or complete in all respects, an untrue statement of a fact or an omission to state a fact necessary to make the statements therein not misleading, or (iii) after being submitted to the Corporation, the Proposal Notice applicable to such business was not updated in accordance with these By-Laws to cause the information provided in the Proposal Notice to be true, correct and complete in all respects and not contain any false or misleading statements. For purposes of this Section 2.11, a “qualified representative” of any Shareholder means a person who is a duly authorized officer, manager or partner of such Shareholder (including, as applicable, a Proponent or a Nominating Shareholder) or has been authorized by a writing executed by such Shareholder or an electronic transmission delivered by such Shareholder to act for such Shareholder as proxy with respect to the specific matter to be considered at the meeting of Shareholders and such person must produce such writing or electronic transmission, or a reliable reproduction (to the reasonable satisfaction of the presiding officer of the meeting) of the writing or electronic transmission, at the meeting of Shareholders prior to the taking of action by such person on behalf of the Shareholder.

(k) A Proponent, by delivering a Proposal Notice to the Corporation, acknowledges that it understands that nothing contained therein shall be considered confidential or proprietary information and that neither the Corporation nor the Board of Directors shall be restricted, in any manner, from publicly disclosing or using any of the information contained in the Proposal Notice.

(l) Notwithstanding any notice of a Shareholder meeting or proxy statement sent to Shareholder on behalf of the Corporation or filed with the SEC, a Shareholder must separately comply with this Section 2.11 to propose business at any annual meeting. If the Shareholder’s proposed business is the same or relates to business brought by the Corporation and included in the Corporation’s meeting notice, proxy statement or any supplement thereto, the Shareholder nevertheless is still required to comply with this Section 2.11 and deliver, prior to the Proposal Notice Deadline, its own separate and timely Proposal Notice to the Secretary that complies in all respects with the requirements of this Section 2.11.

(m) Nothing in this Section 2.11 shall be deemed to affect any rights of the holders of any series of Preferred Stock of the Corporation pursuant to any applicable provision of the Articles or as may be provided with respect to any such series of Preferred Stock.

Section 2.12 Advance Notice of Nominations to Be Presented.

(a) Subject to the rights of the holders of Class A Common Stock and Class B Common Stock and any outstanding series of Preferred Stock under the Articles, nominations of any person for election to the Board of Directors at an annual or special meeting of Shareholders (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting of Shareholders in accordance with these By-Laws) may be made at such meeting only (i) by or at the direction of the Board of Directors,

including by any committee or persons duly authorized to do so by the affirmative vote of a majority of the Board of Directors or these By-Laws (including, without limitation, by making reference to the nominees in the proxy statement delivered to the Corporation's Shareholders on behalf of the Board of Directors), or (ii) by a Shareholder Present in Person who (A) is a Shareholder of record on the date of the delivery of the notice provided for in this Section 2.12, (B) is entitled to vote at the meeting, and (C) complies with all applicable notice procedures and requirements set forth in this Section 2.12. The foregoing clause (ii) shall be the exclusive means for a Shareholder to propose any nomination of a person or persons for election to the Board of Directors at a Shareholders' meeting. If a Shareholder is entitled to vote only for a specific class or category of directors at an annual or special meeting of the Shareholders, such Shareholder's right to make an advance notice of nomination pursuant to this Section 2.12 shall be limited to such class or category of directors.

(b) Without qualification, for a Shareholder to propose a nomination of a person or persons for election to the Board of Directors at an annual meeting of Shareholders, such Shareholder must (i) provide Timely Notice thereof in proper written form to the Secretary containing the information with respect to such Shareholder and its proposed candidates for nomination for election to the Board of Directors as required to be set forth by this Section 2.12 (collectively, the "Nominating Notice"), and (ii) provide any updates or supplements to such Nominating Notice at the times and in the forms required by this Section 2.12.

(c) Without qualification, if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling a special meeting of Shareholders, then for a Shareholder to make any nomination of a person or persons for election to the Board of Directors at a special meeting of Shareholders, the Shareholder must (i) provide timely notice thereof in proper written form to the Secretary containing the information with respect to such Shareholder and its proposed candidates for nomination for election to the Board of Directors as required by this Section 2.12, and (ii) provide any updates or supplements to such notice at the times and in the forms required by this Section 2.12. To be timely, a Shareholder's notice for nominations to be made at a special meeting of Shareholders shall be delivered personally or mailed to the Secretary at the principal executive offices of the Corporation and received not earlier than the one hundred twentieth (120th) calendar day prior to such special meeting and not later than the close of business on the later of (x) the ninetieth (90th) calendar day prior to such special meeting or (y) the tenth (10th) calendar day following the day on which notice of the date of such special meeting was mailed or on which public disclosure of the date of such special meeting was first made by the Corporation, whichever first occurs.

(d) In no event shall any adjournment or postponement of an annual meeting of Shareholders or special meeting of Shareholders or the public disclosure thereof commence a new time period for the giving of a Nominating Notice as described above. For purposes of these By-Laws, "Nominating Notice Deadline" shall mean the last date for a Shareholder to deliver a Nominating Notice in accordance with the provisions of this Section 2.12.

(e) To be in proper written form, a Nominating Notice shall set forth:

- (i) the Shareholder Information with respect to each Shareholder nominating persons for election to the Board of Directors (each, a “Nominating Shareholder”) and each Shareholder Associated Person;
- (ii) a representation that each Nominating Shareholder is a holder of record of stock of the Corporation entitled to vote at the meeting and intends to be Present in Person at the meeting to propose such nomination;
- (iii) all information regarding each Nominating Shareholder, each person whom the Nominating Shareholder proposes to nominate for election or re-election as a director (each, a “Shareholder Nominee”) and each Shareholder Associated Person that would be required to be disclosed in a proxy statement or other filing required to be filed by the Nominating Shareholder with the SEC in connection with a contested solicitation of proxies subject to Section 14 of the Exchange Act;
- (iv) as to each Shareholder Nominee, (A) all information that would be required to be set forth in a Nominating Notice pursuant to this Section 2.12 if such Shareholder Nominee was a Nominating Shareholder; (B) a list of all other publicly-traded companies, whether or not currently publicly-traded or currently in existence, where such Shareholder Nominee had been proposed as a candidate for election to a board of directors by a Nominating Shareholder; (C) a description in reasonable detail of any and all other agreements, arrangements and/or understandings (whether written or oral and formal or informal) between such Shareholder Nominee and any person or entity (naming such person or entity) in connection with such Shareholder Nominee’s service or action as a proposed candidate and, if elected, as a member of the Board of Directors; (D) to the extent that such Shareholder Nominee has been convicted of any past criminal offenses involving a felony, fraud, dishonesty or a breach of trust or duty, a description in reasonable detail of such offense and all legal proceedings relating thereto; (E) to the extent that such Shareholder Nominee has been determined by any governmental authority or self-regulatory organization to have violated any federal or state securities or commodities laws, including but not limited to, the Securities Act of 1933, as amended, the Exchange Act or the Commodity Exchange Act, a description in reasonable detail of such violation and all legal proceedings relating thereto; (F) to the extent that such Shareholder Nominee has ever been suspended or barred by any governmental authority or self-regulatory organization from engaging in any profession or participating in any industry, or has otherwise been subject to a disciplinary action by a governmental authority or self-regulatory organization that provides oversight over the Shareholder Nominee’s current or past profession or an industry that the Shareholder Nominee has participated in, a description in reasonable detail of such action and the reasons therefor; and (G) a description in reasonable detail of any and all litigation, whether or not

judicially resolved, settled or dismissed, relating to the Shareholder Nominee's past or current service on the board of directors (or similar governing body) of any corporation, limited liability company, partnership, trust or any other entity where a legal complaint filed in any state or federal court located within the United States alleges that the proposed candidate committed any act constituting (1) a breach of fiduciary duties, (2) misconduct, (3) fraud, (4) breaches of confidentiality obligations, and/or (5) a breach of the entity's code of conduct applicable to directors;

- (v) (A) each Shareholder Nominee's written consent to being named in the proxy statement of the Nominating Shareholder as a nominee of the Nominating Shareholder and to serving as a director of the Corporation if elected; (B) a written questionnaire completed and signed by each Shareholder Nominee with respect to the background, qualifications and independence of such Shareholder Nominee and any other information of the Shareholder Nominee reasonably requested by the Corporation (in the form provided by the Secretary upon written request); and (C) each Shareholder Nominee's written representation and agreement (in the form provided by the Secretary upon written request), (w) that such person is not a party to any agreement, arrangement or understanding (written or oral) with, and has not given any commitment or assurance (written or oral) to, any person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been expressly disclosed in writing to the Corporation or any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (x) that such person is not a party to any agreement, arrangement, or understanding (written or oral) with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement, or indemnification in connection with service or action as a director that has not been expressly disclosed in writing to the Corporation, (y) that such person is not a party to any agreement, arrangement or understanding (written or oral) with any person or entity, that contemplates such person resigning as a member of the Board of Directors prior to the conclusion of the term of office to which such person was elected, and has not given any commitment or assurance (written or oral) to any person or entity that such person intends to, or if asked by such person or entity would, resign as a member of the Board of Directors prior to the end of the conclusion of the term of office to which such person was elected, except as expressly disclosed in writing to the Corporation, and (z) that in the person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable publicly disclosed policies, codes or guidelines of the Corporation with respect to

ethics and/or business conduct, corporate governance, conflicts of interest, confidentiality, public disclosure, hedging and pledging relating to the Corporation's securities, and stock ownership and stock trading, and any other policies, codes and guidelines of the Corporation applicable to Corporation directors; and (D) for each Shareholder Nominee who is not a member of the Board of Directors at the time of his or her nomination, such Shareholder Nominee's irrevocable and executed letter of resignation as a director of the Corporation, effective upon such person's failure to receive the required vote for re-election at the next meeting of Shareholders at which such person would face re-election and upon acceptance of such resignation by the Board of Directors;

- (vi) a description in reasonable detail of all direct and indirect compensation, reimbursement, indemnification, benefits and other monetary agreements, arrangements and understandings (written or oral) during the past three years, and any other relationships, between or among any Nominating Shareholder, Shareholder Associated Person or others Acting in Concert therewith, including, but not limited to, all information that would be required to be disclosed pursuant to Items 403 and 404 promulgated under Regulation S-K (or any such successor rule) if the Nominating Shareholder, Shareholder Associated Person or any person Acting in Concert therewith, were the "registrant" for purposes of such rule and the Shareholder Nominee were a director or executive of such registrant;
- (vii) a representation as to whether the Nominating Shareholder(s) intend (A) to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve the nomination or (B) otherwise to solicit proxies from Shareholders in support of such nomination;
- (viii) all other information that would be required to be disclosed in a proxy statement or other filing required to be filed with the SEC in connection with a contested solicitation of proxies in which the Nominating Shareholder(s) or Shareholder Associated Person(s) are participants in a solicitation subject to Section 14 of the Exchange Act (or any such successor of such section); and
- (ix) a representation that each Nominating Shareholder shall provide any other information reasonably requested by the Corporation in the form and manner, and within the time period, reasonably requested by the Corporation.

(f) A Nominating Shareholder shall update and supplement its Nominating Notice as necessary, from time to time, so that the information provided or required to be provided in such notice pursuant to this Section 2.12 shall be true, correct and complete in all respects not only as of the Nominating Notice Deadline but also at all times thereafter and prior to the Shareholders'

meeting, and such update and supplement shall be received by the Secretary not later than the earlier of (A) five (5) business days following the occurrence of any event, development or occurrence that would cause the information provided in the Nominating Notice to be not true, correct and complete in all respects, or (B) ten (10) business days prior to the meeting at which such proposed nominations contained therein are to be considered; *provided, however*, that should any such event, development or occurrence take place within ten (10) business days prior to such meeting, such update and supplement shall be received by the Secretary not later than one (1) business day following any such event, development or occurrence. For the avoidance of doubt, the updates required pursuant to this Section 2.12 do not cause a notice that was not true, correct and complete in all respects and in compliance with this Section 2.12 when delivered to the Corporation prior to the Nominating Notice Deadline to thereafter be in proper form in accordance with this Section 2.12.

(g) The presiding officer of the meeting shall, if the facts warrant, determine, in consultation with counsel (who may be the Corporation's internal counsel), and declare to the meeting, that the proposed nomination was not made in accordance with the procedures set forth in this Section 2.12, and, if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

(h) A Nominating Shareholder, by delivering a Nominating Notice to the Corporation, represents and warrants that all information contained therein, as of the Nominating Notice Deadline, is true, accurate and complete in all respects and contains no false or misleading statements, and such Nominating Shareholder acknowledges that it intends for the Corporation and the Board of Directors to rely on such information as being true, accurate and complete in all respects and not containing any false or misleading statements.

(i) If the Nominating Shareholder (or a qualified representative thereof) is not Present in Person at the applicable Shareholder meeting to nominate the Shareholder Nominees, such nomination shall be disregarded, notwithstanding that proxies in respect of such vote may have been received by the Corporation. In addition, a proposed nomination to be brought by a Nominating Shareholder may not be brought before a Shareholders' meeting if (i) such Shareholder takes action contrary to the representations made in the Nominating Notice applicable to such proposed nomination, (ii) when submitted to the Corporation prior to the Nominating Notice Deadline, the Nominating Notice applicable to such nomination contained information submitted pursuant to this Section 2.12 that was not true, correct or complete in all respects, an untrue statement of a fact or an omission to state a fact necessary to make the statements therein not misleading, or (iii) after being submitted to the Corporation, the Nominating Notice applicable to such nomination was not updated in accordance with these By-Laws to cause the information provided in the Nominating Notice to be true, correct and complete in all respects and not contain any false or misleading statements.

(j) A Nominating Shareholder, by delivering a Nominating Notice to the Corporation, acknowledges that it understands that nothing contained therein shall be considered confidential or proprietary information and that neither the Corporation nor the Board of Directors shall be restricted, in any manner, from publicly disclosing or using any of the information contained in the Nominating Notice.

(k) Notwithstanding any notice of a Shareholders' meeting or proxy statement sent to Shareholders on behalf of the Corporation or filed with the SEC by the Corporation, a Shareholder must separately comply with this Section 2.12 to propose director candidates at any Shareholders' meeting and is still required to deliver its own separate and timely Nominating Notice to the Secretary prior to the Nominating Notice Deadline that complies in all respects with the requirements of this Section 2.12.

(l) Nothing in this Section 2.12 shall be deemed to affect any rights of the holders of any series of Preferred Stock of the Corporation pursuant to any applicable provision of the Articles or as may be provided with respect to any such series of Preferred Stock.

ARTICLE 3
The Board of Directors

Section 3.1 General Powers. The business and affairs of the Corporation shall be managed by or under the authority of its Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law, the Articles or these By-Laws required to be exercised or done by the Shareholders.

Section 3.2 Number, Qualification and Term of Office.

(a) The business and affairs of the Corporation shall be managed under the direction of a Board of Directors consisting of at least six (6) directors (the "Directors"). Subject to the provisions of Section 9.1 of the Articles, the actual number of Directors shall be fixed from time to time by resolution of the Board of Directors.

(b) The Board of Directors shall be divided into three (3) classes, designated Class I, Class II and Class III, as nearly equal in number as possible. The number of Class A Directors (as defined in the Articles) and Class B Directors (as defined in the Articles) in each class shall also be as nearly equal in number as possible. The initial term of office of directors in Class I will expire at the annual meeting of Shareholders in 2020. The initial term of office of directors in Class II will expire at the annual meeting of Shareholders in 2021. The initial term of office of directors in Class III will expire at the annual meeting of Shareholders in 2022. At each annual election beginning at the annual meeting of Shareholders in 2020, the successors to the class of directors whose term then expires shall be elected to hold office for a term of three (3) years and until his or her successor is elected and qualified or until his or her earlier resignation, removal from office or death. This subsection (b) does not apply to any directors elected pursuant to special voting rights of one or more series of Preferred Stock.

(c) The Board of Directors shall appoint a Chairman of the Board, who shall preside at each Board of Directors meeting, and in his or her absence, any person appointed by the Chairman of the Board shall preside at the meeting. If no such person is appointed, any person appointed by the Board of Directors shall preside at the meeting.

Section 3.3 Annual Board Meeting. Unless otherwise determined by the Board of Directors, the Board of Directors shall meet each year immediately after the annual meeting of

the Shareholders, at the place where such meeting of the Shareholders has been held, for the purpose of organization, election of officers and consideration of any other business that may properly be brought before such annual meeting of the Board of Directors. No notice shall be necessary for the holding of the annual meeting of the Board of Directors. If the annual meeting of the Board of Directors is not held as above provided, the election of officers may be held at any subsequent duly constituted meeting of the Board of Directors.

Section 3.4 Regular Board Meetings. Regular meetings of the Board of Directors may be held at stated times or from time to time, and at such place, either within or outside the State of Indiana, as the Board of Directors may determine, without call and without notice.

Section 3.5 Special Board Meetings. Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board or the President, at such place (within or outside the State of Indiana), date and hour as specified in the respective notices of such meetings. Special meetings of the Board of Directors may be called on twenty-four (24) hours notice if notice is given to each Director personally or by telephone, telecopier or other telephonic or electronic communication, or on three (3) days' notice if notice is mailed to each Director.

Section 3.6 Waiver of Notice and Assent. A Director may waive notice of any meeting of the Board of Directors before or after the date and time of the meeting stated in the notice by a written waiver signed by the Director and filed with the minutes or corporate records. A Director's attendance at or participation in a meeting shall constitute a waiver of notice of such meeting and assent to any corporate action taken at such meeting, unless (i) the Director at the beginning of the meeting (or promptly upon his or her arrival) objects to the holding the meeting of or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting; (ii) the Director's dissent or abstention from the action taken is entered in the minutes of such meeting; or (iii) the Director delivers written notice of his or her dissent or abstention to the presiding officer at such meeting before its adjournment or to the Secretary immediately after its adjournment. The right of dissent or abstention is not available to a Director who votes in favor of the action taken.

Section 3.7 Quorum. At all meetings of the Board of Directors, a majority of the total number of Directors specified in Section 3.2(a) shall constitute a quorum for the transaction of any business, except (i) as provided in the Articles, (ii) for the purpose of filling vacancies, a majority of Directors then in office shall constitute a quorum; *provided, that*, if a vacancy occurs in in the Class A Directors or Class B Directors, a majority of the Directors representative of the class of director to-be-elected then in office shall constitute a quorum, and (iii) a lesser number may adjourn a meeting from time to time until a quorum is present. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, except as otherwise provided by law, the Articles or these By-Laws.

Section 3.8 Conference Communications. Any or all Directors may participate in any meeting, or of any duly authorized committee of Directors, by any means of communications through which the Directors may simultaneously hear each other during such meeting. For the purposes of establishing a quorum and taking any action at the meeting, such Directors

participating pursuant to this Section 3.8 shall be deemed present in person at the meeting, and the place of the meeting shall be the place of origination of the conference communication.

Section 3.9 Vacancies; Newly Created Directorships. Subject to Section 7.4 of the Articles, any vacancy occurring in the Board of Directors, including any vacancy resulting from an increase in the number of Directors, may be filled by a majority vote of the Directors then in office, although less than a quorum. A Director elected to fill a vacancy or a newly created Directorship shall hold office until his or her successor has been elected and qualified or until his or her earlier death, resignation or removal.

Section 3.10 Removal.

(a) A Director, other than a Class A Director or Class B Director, may be removed by the Shareholders only for cause and only if the removal has been approved by an 80% majority of the combined voting power of the shares entitled to vote for the election of such Director, cast at a special meeting of the Shareholders called for that purpose. A Class A Director may be removed by the holders of Class A Shares as provided in Section 9.3(a) of the Articles with or without cause and only if the removal has been approved by the holders of an 80% majority of the Class A Shares, cast at a special meeting of the Shareholders called for that purpose. A Class B Director may be removed by the holders of Class B Shares as provided in Section 9.3(a) of the Articles with or without cause and only if the removal has been approved by the holders of an 80% majority of the Class B Shares, cast at a special meeting of the Shareholders called for that purpose. Cause for removal exists only if:

- (i) the director whose removal is proposed has been convicted of a felony by a court of competent jurisdiction and the conviction is no longer subject to direct appeal; or
- (ii) the director whose removal is proposed has been adjudicated by a court of competent jurisdiction to be liable for negligence or misconduct in the performance of his or her duty to the Corporation in a matter of substantial importance to the Corporation, and the adjudication is not longer subject to direct appeal.

(b) This section does not apply to any directors elected pursuant to special voting rights of one or more series of Preferred Stock.

(c) Removal of a Director by the Board of Directors shall require the affirmative vote of the number of Directors constituting a majority of the total authorized number of Directors.

Section 3.11 Committees. A resolution approved by the affirmative vote of a majority of the Board of Directors may establish committees having the authority of the Board of Directors in the management of the business of the Corporation to the extent provided in the resolution and may appoint members of the Board of Directors to serve of them. Committees are subject to the direction and control of, and vacancies in the membership thereof shall be filled by, the Board, except as otherwise provided by law. A majority of the members of a committee

present at a meeting is a quorum for the transaction of business, unless a larger or smaller proportion or number is provided in a resolution approved by the Board of Directors.

Section 3.12 Written Action. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all members of the Board of Directors, and such written consent is filed with the minutes of the proceedings. Such action shall be effective on the date on which the last signature is placed on such writing or writings or such earlier or later effective date as is set forth therein.

Section 3.13 Resignations. Any Director may resign at any time by giving written notice to the Secretary. Such resignation shall take effect at the time of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.14 Compensation of Directors. By resolution of the Board, each Director may be paid his or her expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a stated amount as Director or a fixed sum for attendance at each meeting of the Board of Directors, or both. No such payment shall preclude a Director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed, pursuant to resolution by the Board of Directors, like compensation for attending committee meetings.

Section 3.15 Election Not to be Governed by § 23-1-33-6(c). The Corporation shall not be governed by Indiana Code (“I.C.”) § 23-1-33-6(c).

Section 3.16 Electronic Action. Subject to any limitations or requirements contained in applicable law or in any policy adopted by the Board of Directors, any notice or consent required or permitted to be given in writing by the Corporation to a Director or by a Director to the Corporation may be in the form of an electronic record and may be signed with an electronic signature, as those terms are defined in I.C. §26-2-8. Any electronic record to be sent by the Corporation to a Director is properly sent if it is sent in the manner and to the electronic address or other means of receipt designated by the Director to receive the electronic record as shown in the Corporation’s current records. Any electronic record to be sent by a Director to the Corporation is properly sent if it is sent in the manner and to the electronic address or other means of receipt designated by the Corporation in a publication or in a notice provided by the Corporation to the Director. The Corporation or a Director may revoke or change any instruction applicable to him or her regarding the manner, electronic address or means of receipt required for electronic records by sending notice of the change and the corresponding new information.

ARTICLE 4 Officers

Section 4.1 Number. The officers of the Corporation shall be chosen by the Board of Directors and shall include a Chief Executive Officer, a President, a Secretary, and a Treasurer. The Board of Directors may also choose one or more Divisional Presidents, Executive Vice

Presidents, Vice Presidents, Assistant Secretaries or Assistant Treasurers, or such other officers as they may deem advisable. Any number of offices may be held by the same person.

Section 4.2 Election, Term of Office and Qualifications. The Board of Directors shall elect the officers of the Corporation, each of whom shall have the powers, rights, duties, responsibilities, and terms in office provided in these By-Laws or in a resolution of the Board of Directors not inconsistent herewith. No officer need be a Director. The President and all other officers, who may be Directors other than the Chairman of the Board, shall continue to hold office until the election and qualification of their successors, notwithstanding an earlier termination of the directorship.

Section 4.3 Removal and Vacancies. Any officer may be removed from his or her office at any time, with or without cause, by majority vote of the entire Board of Directors. Such removal, however, shall be without prejudice to the contract rights of the person so removed. If there is a vacancy among the officers of the Corporation by reason of death, resignation, or otherwise, such vacancy shall be filled for the unexpired term by the Board of Directors.

Section 4.4 Chief Executive Officer. The Chief Executive Officer shall, subject to the provisions of these by-laws, the control of the Board of Directors and as may be required by applicable law, have general supervision, direction, and control over the business of the Corporation and over its officers. The Chief Executive Officer shall make reports to the Board of Directors and the Shareholders, and shall see that all orders and resolutions of the Board of Directors and of any committee thereof are carried into effect. The Chief Executive Officer shall perform all duties incident to the office of the Chief Executive Officer, and any other duties as may be from time to time assigned to the Chief Executive Officer by the Board of Directors, in each case subject to the control of the Board of Directors.

Section 4.5 President. The President shall act in a general executive capacity and shall report and be responsible to the Chief Executive Officer. The President shall have such powers and perform such duties as from time to time may be assigned or delegated to the President by the Board of Directors or the Chief Executive Officer or that are incident to the office of president.

Section 4.6 Executive Vice Presidents and other Vice Presidents. The Executive Vice Presidents and any other Vice Presidents shall have such powers and perform such duties as may be assigned to him or her from time to time by the Board of Directors, the Chief Executive Officer, or the President, or that are incident to the office of vice president.

Section 4.7 Secretary. The Secretary shall be the secretary of and shall attend all meetings of the Shareholders and Board of Directors and record all proceedings of such meetings in the minute book of the Corporation. The Secretary shall give proper notice of meetings of Shareholders and Directors, and shall perform such other duties as may be prescribed from time to time by the Chief Executive Officer or Board of Directors.

Section 4.8 Chief Financial Officer. The Chief Financial Officer shall act in an executive financial capacity. The Chief Financial Officer shall assist the Chief Executive Officer

and the President in the general supervision of the Corporation's financial policies and affairs and shall perform all duties incidental to the office that may be required by applicable law and shall perform such other duties as may be prescribed from time to time by the Chief Executive Officer or Board of Directors.

Section 4.9 Treasurer. The Treasurer shall maintain a correct and complete record of account showing accurately at all times the financial condition of the Corporation. The Treasurer shall be the legal custodian of all monies, notes, securities and other valuables, which may from time to time come into the possession of the Corporation. The Treasurer shall immediately deposit all funds of the Corporation coming into his or her hands in some reliable bank or other depository to be designated by the Board of Directors and shall keep such bank account in the name of the Corporation and shall perform such other duties as may be prescribed from time to time by Chief Executive Officer or Board of Directors.

Section 4.10 Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Chief Executive Officer or Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

Section 4.11 Delegation of Authority. In the case of the absence or disability of any officer, or for any other reason that the Board of Directors may deem sufficient, the Chief Executive Officer or the Board of Directors may delegate the powers or duties of such officer to any other officer or to any director.

ARTICLE 5 Certificates of Stock

Section 5.1 Certificates of Stock.

(a) The shares of the Corporation shall be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of such stock or, if approved by the Board of Directors, shall be represented by certificates in such form as shall be approved by the Board of Directors, or a combination of both. Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a notice in accordance with I.C. 23-1-26-7(b). To the extent that shares are represented by certificates, the certificates shall be signed by any two officers of the Corporation authorized by the Board of Directors. Each certificate shall set forth the number and class of shares and series, if any, and shall state that the Corporation will furnish information relating to the rights, preferences and limitations of the class or series upon request.

(b) The stock ledger and blank share certificates, if any, shall be kept by the Secretary or by a transfer agent or registrar or by any other officer or agent designated by the Board of Directors.

Section 5.2 Issuance of Shares. The Board of Directors is authorized to cause to be issued shares of the Corporation up to the full amount authorized by the Articles in such amounts as determined by the Board of Directors and permitted by law. If shares are issued for promissory notes or for promises to render services in the future, the Corporation must comply with I.C. 23-1-53-2(b).

Section 5.3 Facsimile Signatures. Where a certificate is signed (i) by a transfer agent or an assistant transfer agent, or (ii) by a transfer clerk acting on behalf of the Corporation, and a registrar, the signature of the officers may be a facsimile. In case any officer or officers who have signed or whose facsimile signature or signatures have been used on any such certificate or certificates shall cease to be such officer or officers of the Corporation, such certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer or officers of the Corporation.

Section 5.4 Lost or Destroyed Certificates. Any Shareholder claiming a certificate for shares to be lost, stolen or destroyed shall make an affidavit of that fact in such form as the Board of Directors, the Chairman of the Board or President shall require and shall, if the Board of Directors so requires, give the Corporation a bond of indemnity in a form, in an amount, and with one or more sureties satisfactory to the Board of Directors or the Chief Executive Officer, to indemnify the Corporation against any claim which may be made against it on account of the reissue of such certificate, whereupon a new certificate may be issued in the same tenor and for the same number of shares as the one alleged to have been lost, stolen or destroyed.

Section 5.5 Transfers of Stock. Subject to the power of the Board of Directors under Article XI of the Articles to provide certain transfers of stock ownership to Aliens (as defined in the Articles), upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares fully endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 5.6 Registered Shareholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

Section 5.7 Restrictions on Ownership, Voting and Transfer Right to Redeem. Article XI of the Articles restricts the ownership, voting and transfer of shares of capital stock of the Corporation to the extent necessary to prevent ownership of such shares by Aliens from violating the Communications Act of 1934, as amended (the "Communications Act"), and the regulations of the Federal Communications Commission (the "FCC Regulations"). In addition, Article XI of the Articles entitles the Corporation to redeem shares of capital stock determined by the Board of

Directors to be owned beneficially by an Alien or Aliens if such ownership violates the Communications Act or FCC Regulations. Each certificate representing shares of capital stock of the Corporation shall contain a legend referencing such restrictions and right to redeem set forth in Article XI of the Articles.

ARTICLE 6
General Provisions

Section 6.1 Dividends. Subject to applicable law and the Articles, dividends upon the capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting and may be paid in cash, in property or in shares of the capital stock.

Section 6.2 Record Date. Subject to any provisions of the Articles, the Board of Directors may fix a date not more than 120 days before the date fixed for the payment of any dividend as the record date for the determination of the Shareholders entitled to receive payment of the dividend, and, in such case, only Shareholders of record on the date so fixed shall be entitled to receive payment of such dividend notwithstanding any transfer of shares on the books of the Corporation after the record date. The Board of Directors may close the books of the Corporation against the transfer of shares during the whole or any part of such period.

Section 6.3 Checks. All agreements, checks or demands for money or notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate. If no such designation is made, they may be signed by any officer, singly.

Section 6.4 Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board and in the absence of such resolution, the Corporation shall have a February 28/29 fiscal year.

Section 6.5 Seal. The Corporation shall have no corporate seal.

Section 6.6 Exclusive Forum for Certain Claims. Unless the Corporation consents in writing to the selection of an alternative forum, a Circuit or Superior Courts of the Marion County, State of Indiana, or the United States District Court in the Southern District of Indiana in a case of pendent jurisdiction, shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim for breach of a fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Shareholders, (iii) any action asserting a claim arising pursuant to any provision of the IBCL, the articles of incorporation or the bylaws of the Corporation or (iv) any action asserting a claim governed by the internal affairs doctrine, in each case subject to said court having personal jurisdiction over the indispensable parties named as defendants therein. This Section 6.6 shall not apply to any claims brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder.

ARTICLE 7
Amendments

Section 7.1 Any amendment of these By-Laws shall require approval by the number of Directors constituting a majority of the total number of Directors specified in Section 3.2(a).

Section 7.2 Any amendment of these By-Laws shall be consistent with the Articles and provisions of applicable law then in effect, including without limitation, the Communications Act and the FCC Regulations.

ARTICLE 8
Securities of Other Corporations

Unless otherwise ordered by the Board of Directors, the Chief Executive Officer, the President, the Secretary or the Treasurer shall have full power and authority on behalf of the Corporation to purchase, sell, transfer, encumber or vote any and all securities of any other corporation owned by the Corporation, and may execute and deliver such documents as may be necessary to effectuate such purchase, sale, transfer, encumbrance or vote. The Board of Directors may, from time to time, confer like powers upon any other person or persons.

INFORMATION REGARDING SUBSIDIARIES OF THE REGISTRANT

Name Under Which Subsidiary Does Business	Jurisdiction of Organization
MediaCo Holding Inc.	IN
MediaCo WQHT License LLC	IN
MediaCo WBLS License LLC	IN
FMG Kentucky, LLC	DE
FMG Valdosta, LLC	DE
Fairway Outdoor LLC	DE

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-246338) pertaining to the 2020 Equity Compensation Plan of MediaCo Holding Inc. of our report dated March 30, 2021, with respect to the consolidated and combined financial statements of MediaCo Holding Inc. and Subsidiaries included in this Annual Report (Form 10-K) for the year ended December 31, 2020.

/s/ Ernst & Young LLP
Indianapolis, Indiana
March 30, 2021

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below, hereby constitutes and appoints Jeffrey H. Smulyan, Patrick M. Walsh and J. Scott Enright, or any of them, his attorneys-in-fact and agents, with full power of substitution and resubstitution for him in any and all capacities, to sign the annual report of MediaCo Holding Inc. on Form 10-K under the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2020, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of such attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary in connection with such matters and hereby ratifying and confirming all that each of such attorneys-in-fact and agents or his substitute or substitutes may do or cause to be done by virtue hereto.

Dated: March 18, 2021

/s/ Andrew Glaze
Andrew Glaze

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below, hereby constitutes and appoints Jeffrey H. Smulyan, Patrick M. Walsh and J. Scott Enright, or any of them, his attorneys-in-fact and agents, with full power of substitution and resubstitution for him in any and all capacities, to sign the annual report of MediaCo Holding Inc. on Form 10-K under the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2020, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of such attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary in connection with such matters and hereby ratifying and confirming all that each of such attorneys-in-fact and agents or his substitute or substitutes may do or cause to be done by virtue hereto.

Dated: March 2, 2021

/s/ Laura Lee
Laura Lee

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below, hereby constitutes and appoints Jeffrey H. Smulyan, Patrick M. Walsh and J. Scott Enright, or any of them, his attorneys-in-fact and agents, with full power of substitution and resubstitution for him in any and all capacities, to sign the annual report of MediaCo Holding Inc. on Form 10-K under the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2020, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of such attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary in connection with such matters and hereby ratifying and confirming all that each of such attorneys-in-fact and agents or his substitute or substitutes may do or cause to be done by virtue hereto.

Dated: March 3, 2021

/s/ Mary Beth McAdaragh
Mary Beth McAdaragh

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below, hereby constitutes and appoints Jeffrey H. Smulyan, Patrick M. Walsh and J. Scott Enright, or any of them, his attorneys-in-fact and agents, with full power of substitution and resubstitution for him in any and all capacities, to sign the annual report of MediaCo Holding Inc. on Form 10-K under the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2020, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto each of such attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary in connection with such matters and hereby ratifying and confirming all that each of such attorneys-in-fact and agents or his substitute or substitutes may do or cause to be done by virtue hereto.

Dated: March 4, 2021

/s/ Deborah McDermott
Deborah McDermott

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Jeffrey H. Smulyan, certify that:

1. I have reviewed this transition report on Form 10-K of MediaCo Holding Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2021

/s/ Jeffrey H. Smulyan
Jeffrey H. Smulyan
Chief Executive Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Ryan A. Hornaday, certify that:

1. I have reviewed this transition report on Form 10-K of MediaCo Holding Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 30, 2021

/s/ Ryan A. Hornaday
Ryan A. Hornaday
Executive Vice President, Chief Financial Officer
and Treasurer

SECTION 1350 CERTIFICATION

The undersigned hereby certifies, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of MediaCo Holding Inc. (the "Company"), that, to his knowledge:

- (1) the Transition Report of the Company on Form 10-K for the period ended December 31, 2020, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 30, 2021

/s/ Jeffrey H. Smulyan
Jeffrey H. Smulyan
Chief Executive Officer

SECTION 1350 CERTIFICATION

The undersigned hereby certifies, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of MediaCo Holding Inc. (the "Company"), that, to his knowledge:

- (1) the Transition Report of the Company on Form 10-K for the period ended December 31, 2020, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 30, 2021

/s/ Ryan A. Hornaday

Ryan A. Hornaday

Executive Vice President, Chief Financial Officer and Treasurer