

Section 1: 10-Q (FORM 10-Q)

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

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended June 30, 2018

or

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

For the transition period from _____ to

Commission file number 1-11588

Saga Communications, Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

**73 Kercheval Avenue
Grosse Pointe Farms, Michigan**
(Address of principal executive offices)

38-3042953

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

48236
(Zip Code)

(313) 886-7070

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

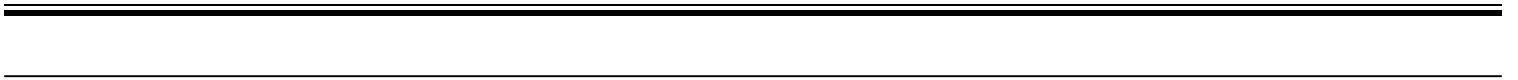
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company Emerging growth company
(Do not check if a smaller reporting company)

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

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

The number of shares of the registrant's Class A Common Stock, \$.01 par value, and Class B Common Stock, \$.01 par value, outstanding as of August 3, 2018 was 5,027,635 and 898,633, respectively.



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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2018 <u>(Unaudited)</u>	December 31, 2017 <u>(Note)</u>
(In thousands)		
Assets		
Current assets:		
Cash and cash equivalents	\$ 52,911	\$ 53,030
Accounts receivable, net	18,564	19,307
Prepaid expenses and other current assets	1,851	2,517
Barter transactions	1,794	1,320
Total current assets	<u>75,120</u>	<u>76,174</u>
Property and equipment	135,907	135,856
Less accumulated depreciation	79,806	79,621
Net property and equipment	<u>56,101</u>	<u>56,235</u>
Other assets:		
Broadcast licenses, net	93,259	93,259
Goodwill	15,558	15,558
Other intangibles, deferred costs and investments, net	6,133	7,543
	<u>\$ 246,171</u>	<u>\$ 248,769</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,400	\$ 2,206
Payroll and payroll taxes	7,258	7,836
Dividend payable	—	6,529
Other accrued expenses	3,622	3,243
Barter transactions	1,644	1,091
Total current liabilities	<u>14,924</u>	<u>20,905</u>
Deferred income taxes	22,167	21,072
Long-term debt	25,000	25,000
Other liabilities	1,666	2,327
Total liabilities	<u>63,757</u>	<u>69,304</u>
Commitments and contingencies		
	—	—
Stockholders' equity:		
Common stock	76	76
Additional paid-in capital	63,699	62,675
Retained earnings	153,747	151,608
Treasury stock	(35,108)	(34,894)
Total stockholders' equity	<u>182,414</u>	<u>179,465</u>
	<u>\$ 246,171</u>	<u>\$ 248,769</u>

Note: The balance sheet at December 31, 2017 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. Certain prior period amounts have been reclassified to conform to the current year presentation.

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(Unaudited)			
	(In thousands, except per share data)			
Net operating revenue	\$ 32,234	\$ 30,261	\$ 60,243	\$ 56,416
Station operating expense	23,140	21,426	46,537	42,766
Corporate general and administrative	2,848	2,880	5,392	5,743
Other operating expense (income), net	213	79	(38)	58
Operating income from continuing operations	6,033	5,876	8,352	7,849
Interest expense	255	229	474	437
Other income	(188)	—	(277)	—
Income from continuing operations before income tax expense	5,966	5,647	8,155	7,412
Income tax expense	1,795	2,272	2,455	2,990
Income from continuing operations, net of tax	4,171	3,375	5,700	4,422
Income from discontinued operations, net of tax (Note 6)	—	1,159	—	2,050
Net income	<u>\$ 4,171</u>	<u>\$ 4,534</u>	<u>\$ 5,700</u>	<u>\$ 6,472</u>
Basic Earnings per share:				
From continuing operations	\$.70	\$.57	\$.96	\$.75
From discontinued operations	—	.20	—	.35
Basic earnings per share	<u>\$.70</u>	<u>\$.77</u>	<u>\$.96</u>	<u>\$ 1.10</u>
Weighted average common shares	<u>5,834</u>	<u>5,803</u>	<u>5,838</u>	<u>5,796</u>
Diluted Earnings per share:				
From continuing operations	\$.70	\$.57	\$.96	\$.75
From discontinued operations	—	.20	—	.35
Diluted earnings per share	<u>\$.70</u>	<u>\$.77</u>	<u>\$.96</u>	<u>\$ 1.10</u>
Weighted average common and common equivalent shares	<u>5,834</u>	<u>5,806</u>	<u>5,838</u>	<u>5,804</u>
Dividends declared per share	<u>\$.30</u>	<u>\$.30</u>	<u>\$.60</u>	<u>\$.60</u>

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2018	2017
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Cash provided by operating activities	\$ 13,193	\$ 13,203
Cash flows from investing activities:		
Acquisition of property and equipment	(2,906)	(3,425)
Acquisition of broadcast properties	—	(1,650)
Other investing activities	307	(1,056)
Net cash used in investing activities	(2,599)	(6,131)
Cash flows from financing activities:		
Cash dividends paid	(10,091)	(3,541)
Purchase of treasury shares	(547)	—
Other financing activities	(75)	—
Net cash used in financing activities	(10,713)	(3,541)
Net (decrease) increase in cash and cash equivalents	(119)	3,531
Cash and cash equivalents, beginning of period	53,030	26,697
Cash and cash equivalents, end of period	<u>\$ 52,911</u>	<u>\$ 30,228</u>

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for annual financial statements.

In our opinion, the accompanying financial statements include all adjustments of a normal, recurring nature considered necessary for a fair presentation of our financial position as of June 30, 2018 and the results of operations for the three and six months ended June 30, 2018 and 2017. Results of operations for the three and six months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

We own or operate broadcast properties in 26 markets, including 75 FM and 33 AM radio stations.

On May 9, 2017 the Company entered into an agreement to sell its Joplin, Missouri and Victoria, Texas television stations. The disposition closed on September 1, 2017. The historical results of operations for the television stations are presented in discontinued operations for all periods presented (see Note 6). Unless indicated otherwise, the information in the notes to the accompanying unaudited condensed consolidated financial statements relates to the Company's continuing operations. As a result of the Company's television stations sale, the Company only has one reportable segment at June 30, 2018.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Saga Communications, Inc. Annual Report on Form 10-K for the year ended December 31, 2017.

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2018, for items that should potentially be recognized in these financial statements or discussed within the notes to the financial statements.

SAGA COMMUNICATIONS, INC.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS — (Continued)**

Earnings Per Share Information

Earnings per share is calculated using the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating security. The Company has participating securities related to restricted stock units, granted under the Company's Second Amended and Restated 2005 Incentive Compensation Plan, that earn dividends on an equal basis with common shares. In applying the two-class method, earnings are allocated to both common shares and participating securities.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(In thousands, except per share data)				
Numerator:				
Income from continuing operations	\$ 4,171	\$ 3,375	\$ 5,700	\$ 4,422
Less: Income allocated to unvested participating securities	71	59	97	78
Income from continuing operations available to common stockholders	<u>\$ 4,100</u>	<u>\$ 3,316</u>	<u>\$ 5,603</u>	<u>\$ 4,344</u>
Income from discontinued operations	\$ —	\$ 1,159	\$ —	\$ 2,050
Less: Income allocated to unvested participating securities	—	21	—	36
Income from discontinued operations available to common stockholders	<u>\$ —</u>	<u>\$ 1,138</u>	<u>\$ —</u>	<u>\$ 2,014</u>
Net income available to common stockholders	<u>\$ 4,100</u>	<u>\$ 4,454</u>	<u>\$ 5,603</u>	<u>\$ 6,358</u>
Denominator:				
Denominator for basic earnings per share — weighted average shares	5,834	5,803	5,838	5,796
Effect of dilutive securities:				
Common stock equivalents	—	3	—	8
Denominator for diluted earnings per share — adjusted weighted-average shares and assumed conversions	<u>5,834</u>	<u>5,806</u>	<u>5,838</u>	<u>5,804</u>
Basic earnings per share:				
From continuing operations	\$.70	\$.57	\$.96	\$.75
From discontinued operations	—	.20	—	.35
Basic earnings per share	<u>\$.70</u>	<u>\$.77</u>	<u>\$.96</u>	<u>\$ 1.10</u>
Diluted earnings per share				
From continuing operations	\$.70	\$.57	\$.96	\$.75
From discontinued operations	—	.20	—	.35
Diluted earnings per share	<u>\$.70</u>	<u>\$.77</u>	<u>\$.96</u>	<u>\$ 1.10</u>

There were no stock options outstanding that had an antidilutive effect on our earnings per share for the three and six months ended June 30, 2018 and 2017. The actual effect of these shares, if any, on the diluted earnings per share calculation will vary significantly depending on the fluctuation in the stock price.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS — (Continued)

Financial Instruments

Our financial instruments are comprised of cash and cash equivalents, accounts receivable, accounts payable and long-term debt. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short maturities. The carrying value of long-term debt approximates fair value as it carries interest rates that either fluctuate with the euro-dollar rate, prime rate or have been reset at the prevailing market rate at June 30, 2018.

Income Taxes

Our effective tax rate is higher than the federal statutory rate as a result of the inclusion of state taxes in the income tax amount.

Time Brokerage Agreements/Local Marketing Agreements

We have entered into Time Brokerage Agreements (“TBAs”) or Local Marketing Agreements (“LMAs”) in certain markets. In a typical TBA/LMA, the FCC licensee of a station makes available, for a fee, blocks of air time on its station to another party that supplies programming to be broadcast during that air time and sells their own commercial advertising announcements during the time periods specified. Revenue and expenses related to TBAs/LMAs are included in the accompanying unaudited Condensed Consolidated Statements of Income.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation.

2. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, “*Revenue from Contracts with Customers*” (“ASU 2014-09”), which provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under GAAP. The FASB has also issued a number of updates to this standard. This amendment and all updates, which established Accounting Standards Codification (“ASC”) Topic 606 (the “new revenue standard”) were adopted on January 1, 2018. The Company adopted the new revenue standard using the modified retrospective method. Results for reporting periods beginning after January 1, 2018 are presented under the new revenue standard, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. Impacts of the new revenue standard do not have a material impact on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, “*Classification of Certain Cash Receipts and Cash Payments (Topic 230): Statement of Cash Flows*” (“ASU 2016-15”), which clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. ASU 2016-15 also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. ASU 2016-15 was adopted on January 1, 2018 and did not have a material impact on our consolidated financial statements.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Recent Accounting Pronouncements – Not Yet Adopted

In January 2017, the FASB issued ASU 2017-04, “*Intangibles – Goodwill and Other (Topic 355)*” (“ASU 2017-04”) which removes step 2 from the goodwill impairment test. Under the new guidance, if a reporting unit’s carrying amount exceeds its fair value, an entity will record an impairment charge based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. ASU 2017-04 will be applied prospectively and is effective for fiscal years and interim impairment tests performed in periods beginning after December 15, 2019 with early adoption permitted. The Company is currently evaluating the impact of adopting this standard on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, “*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*” (“ASU 2016-13”), which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. ASU 2016-13 is effective for fiscal years and interim periods beginning after December 15, 2019. The Company is currently evaluating the impact that this standard will have on our consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, “*Leases (Topic 842)*” (“ASU 2016-02”) which requires that all leases with a term of more than one year, covering leased assets such as real estate, broadcasting towers and equipment, be reflected on the balance sheet as assets and liabilities for the rights and obligations created by these leases. ASU 2016-02 is effective for fiscal years and interim periods beginning after December 15, 2018. The Company is currently evaluating the impact of the provisions of this new standard on our consolidated financial statements.

3. Revenue

Adoption of the new revenue standard

We adopted the new revenue standard on January 1, 2018, using the modified retrospective method with no impact on our financial statements. The cumulative effect of initially adopting the new guidance had no impact on the opening balance of retained earnings as of January 1, 2018. There was no material impact on the condensed consolidated balance sheets as of June 30, 2018, or on the condensed consolidated statement of income for the three or six months ended June 30, 2018. Results for reporting periods beginning after January 1, 2018 are presented under the new revenue standard, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

Disaggregation of Revenue

The following table presents revenues disaggregated by revenue source:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Types of Revenue				
Broadcast Advertising Revenue, net	\$ 29,798	\$ 28,032	\$ 55,556	\$ 52,103
Digital Advertising Revenue	1,001	968	1,951	1,847
Other Revenue	1,435	1,261	2,736	2,466
Net Revenue	<u>\$ 32,234</u>	<u>\$ 30,261</u>	<u>\$ 60,243</u>	<u>\$ 56,416</u>

SAGA COMMUNICATIONS, INC.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS — (Continued)**

Nature of goods and services

The following is a description of principal activities from which we generate our revenue:

Broadcast Advertising Revenue

Our primary source of revenue is from the sale of advertising for broadcast on our stations. We recognize revenue from the sale of advertising as performance obligations are satisfied upon airing of the advertising; therefore, revenue is recognized at a point in time when each advertising spot is transmitted. Agency commissions are calculated based on a stated percentage applied to gross billing revenue for our advertising inventory placed by agency and are reported as a reduction of advertising revenue.

Digital Advertising Revenue

We recognize revenue from our digital initiatives across multiple platforms such as targeted digital advertising, online promotions, advertising on our websites, mobile messaging, email marketing and other e-commerce. Revenue is recorded when each specific performance obligation in the digital advertising campaign takes place, typically within a one month period.

Other Revenue

Other revenue includes revenue from concerts, promotional events, tower rent and other miscellaneous items. Revenue is generally recognized when the event is completed, as the promotional events are completed or as each performance obligation is satisfied.

Contract Liabilities

At times a customer may pay for the services in advance of the performance obligations and therefore these prepayments are recorded as contract liabilities. Typical contract liabilities relate to prepayments for advertising spots not yet run; prepayments from sponsors for events that have not yet been held; and gift cards sold on our websites used to finance a broadcast advertising campaign. Generally all contract liabilities are expected to be recognized within one year and are included in Accounts payable in the Company's Condensed Consolidated Financial Statements and are immaterial.

Transaction Price Allocated to the Remaining Performance Obligations

As the majority of our contracts are one year or less, we have utilized the optional exemption under ASC 606-10-50-14 and will not disclose information about the remaining performance obligations for contracts which have original expected durations of one year or less.

SAGA COMMUNICATIONS, INC.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS — (Continued)**

4. Intangible Assets

We evaluate our FCC licenses for impairment annually as of October 1st or more frequently if events or circumstances indicate that the asset might be impaired. FCC licenses are evaluated for impairment at the market level using a direct method. If the carrying amount of FCC licenses is greater than their estimated fair value in a given market, the carrying amount of FCC licenses in that market is reduced to its estimated fair value. If the carrying amount of goodwill in a reporting unit is greater than the implied value of goodwill determined by completing a hypothetical purchase price allocation using estimated fair value of the reporting unit, the carrying amount of goodwill in that reporting unit is reduced to its implied value.

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

5. Common Stock and Treasury Stock

The following summarizes information relating to the number of shares of our common stock issued in connection with stock transactions through June 30, 2018:

	Common Stock Issued	
	Class A	Class B
	(Shares in thousands)	
Balance, January 1, 2017	6,638	878
Conversion of shares	17	(17)
Issuance of restricted stock	19	29
Forfeiture of restricted stock	(1)	—
Exercise of stock options	21	8
Balance, December 31, 2017	6,694	898
Issuance of restricted stock	4	—
Forfeiture of restricted stock	(1)	—
Balance, June 30, 2018	<u>6,697</u>	<u>898</u>

We have a Stock Buy-Back Program to allow us to purchase up to \$75.8 million of our Class A Common Stock. As of June 30, 2018, we have remaining authorization of \$21.9 million for future repurchases of our Class A Common Stock. On September 14, 2017, the Board of Directors authorized the repurchase of our Class A Common Stock under our trading plan adopted pursuant to Securities and Exchange Commission Rule 10b5-1. The Rule 10b5-1 repurchase plan allows the Company to repurchase its shares during periods when it would normally not be active in the market due to its internal trading blackout periods. Under the plan, the Company may repurchase its Class A Common Stock in any combination of open market, block transactions and privately negotiated transactions subject to market conditions, legal requirements including applicable SEC regulations (which include certain price, market, volume and timing constraints), specific repurchase instructions and other corporate considerations. Purchases under the plan will be funded by cash on the Company's balance sheet. The plan does not obligate Saga to acquire any particular amount of Class A Common Stock. The authorization is effective until September 1, 2018, but may be suspended, extended or amended at any time at the Company's discretion except during internal trading blackout periods. During the three and six months ended June 30, 2018, approximately 12,000 and 14,500 shares, respectively, were repurchased for \$454,000 and \$547,000 respectively, related to the Stock Buy-Back Program.

SAGA COMMUNICATIONS, INC.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS — (Continued)**

6. Discontinued Operations

On May 9, 2017 we entered into a definitive agreement to sell our Joplin, Missouri and Victoria, Texas television stations (“Television Sale”) for approximately \$66.6 million, subject to certain adjustments, to Evening Telegram Company d/b/a Morgan Murphy Media. The Television Sale was completed on September 1, 2017 and the Company received net proceeds of \$69.5 million which included the sales price of \$66.6 million, the sale of accounts receivable of approximately \$3.4 million, offset by certain closing adjustments and transactional costs of \$500 thousand. The Company recognized a pretax gain of \$50.8 million as a result of the Television Sale in the third quarter of 2017. The gain net of tax for the Television Sale was \$29.9 million. Effective September 1, 2017, the Company used \$24.2 million of the proceeds from the Television Sale to finance the acquisition of radio stations in South Carolina, which included the purchase price of \$23 million, the purchase of \$1.3 million in accounts receivable offset by certain closing adjustments and transactional costs of approximately \$50,000 (as described in Note 7). On October 5, 2017 and November 3, 2017, the Company used \$5,287,000 and \$5,000,000 respectively of the proceeds from the Television Sale to pay down a portion of its Revolving Credit Facility (as defined and described in Note 10).

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

The following table shows the components of the results from discontinued operations associated with the Television Sale as reflected in the Company’s unaudited Condensed Consolidated Statements of Operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018 ⁽³⁾	2017 ⁽³⁾	2018 ⁽³⁾	2017 ⁽³⁾
	(in thousands)			
Net operating revenue	\$ —	\$ 5,688	\$ —	\$ 10,942
Station operating expense	—	3,643	—	7,355
Other operating expense	—	—	—	31
Operating income	—	2,045	—	3,556
Interest expense ⁽¹⁾	—	8	—	16
Income before income taxes	—	2,037	—	3,540
Income tax expense ⁽²⁾	—	878	—	1,490
Income from discontinued operations, net of tax	<u>\$ —</u>	<u>\$ 1,159</u>	<u>\$ —</u>	<u>\$ 2,050</u>

- (1) Interest expense related to the Surtsey Media, LLC debt that is guaranteed by the television stations. Our affiliate repaid this loan when the television stations were sold on September 1, 2017.
- (2) The effective tax rates on pretax income from discontinued operations were approximately 42%.
- (3) Results of operations for the Television stations are reflected through June 30, 2017. The effective date of the sale was September 1, 2017.

SAGA COMMUNICATIONS, INC.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS — (Continued)**

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

	June 30, 2018	June 30, 2017
	(in thousands)	
Significant operating non-cash items		
Depreciation and amortization	\$ —	\$ 445
Broadcast program rights amortization	—	316
Barter revenue, net	—	17
Loss on sale of assets	—	31
Significant investing items		
Acquisition of property and equipment	\$ —	\$ 110
Proceeds from sale and disposal of assets	—	94

7. Acquisitions and Dispositions

We actively seek and explore opportunities for expansion through the acquisition of additional broadcast properties. The consolidated statements of income include the operating results of the acquired stations from their respective dates of acquisition. All acquisitions were accounted for as purchases and, accordingly, the total purchase consideration was allocated to the acquired assets and assumed liabilities based on their estimated fair values as of the acquisition dates. The excess of the consideration paid over the estimated fair value of net assets acquired have been recorded as goodwill. The Company accounts for acquisitions under the provisions of FASB ASC Topic 805, *Business Combinations*.

Management assigned fair values to the acquired property and equipment through a combination of cost and market approaches based upon each specific asset's replacement cost, with a provision for depreciation, and to the acquired intangibles, primarily an FCC license, based on the Greenfield valuation methodology, a discounted cash flow approach.

2017 Acquisitions and Disposals

On May 9, 2017 we entered into a definitive agreement to sell our Joplin, Missouri and Victoria, Texas television stations for approximately \$66.6 million, subject to certain adjustments, to Evening Telegram Company d/b/a Morgan Murphy Media. The Television Sale was completed on September 1, 2017 and the Company received net proceeds of \$69.5 million which included the sales price of \$66.6 million, the sale of accounts receivable of approximately \$3.4 million, offset by certain closing adjustments and transactional costs of approximately \$500 thousand.

On May 9, 2017, the Company entered into an Asset Purchase Agreement with Apex Media Corporation and Pearce Development, LLC f/k/a Apex Real Property, LLC to purchase radio stations principally serving the South Carolina area for approximately \$23 million (subject to certain purchase price adjustments) plus the right to air certain radio commercials, substantially all the assets related to the operation of the following radio stations: WCKN(FM), WMXF(FM), WXST(FM), WAVF(FM), WSPO(AM), W261DG, W257BQ, WVSC(FM), WLHH(FM), WOEZ(FM), W256CB, W293BZ. The Company closed this transaction effective September 1, 2017, simultaneously with the closing of the Television Sale using funds generated from the Television Sale for \$24.2 million, which included the purchase price of \$23 million, the purchase of \$1.3 million in accounts receivable offset by certain closing adjustments and transactional costs of approximately \$50,000. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Charleston, South Carolina and Hilton Head, South Carolina market as well as synergies and growth opportunities expected through the combination with the Company's existing stations.

SAGA COMMUNICATIONS, INC.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
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On January 16, 2017, we entered into an asset purchase agreement to purchase an FM radio station (WCVL) from WUVA, Incorporated, serving the Charlottesville, Virginia market for approximately \$1,658,000, which included \$8,000 in transactional costs. Simultaneously, we entered into a TBA to begin operating the station on February 1, 2017. We completed this acquisition on April 18, 2017. This acquisition was financed through funds generated from operations. Unaudited proforma results of operations for this acquisition are not required, as such information is not material to our financial statements and therefore is not presented.

Condensed Consolidated Balance Sheet of 2018 and 2017 Acquisitions:

The following unaudited condensed balance sheets represent the estimated fair value assigned to the related assets and liabilities of the 2017 acquisitions at their respective acquisition dates.

Saga Communications, Inc.

Condensed Consolidated Balance Sheet of 2018 and 2017 Acquisitions

	Acquisitions in	
	2018	2017
	(In thousands)	
Assets Acquired:		
Current assets	\$ —	\$ 1,335
Property and equipment	—	6,678
Other assets:		
Broadcast licenses	—	8,086
Goodwill	—	8,151
Other intangibles, deferred costs and investments	—	2,019
Total other assets	—	18,256
Total assets acquired	—	26,269
Liabilities Assumed:		
Current liabilities	—	413
Total liabilities assumed	—	413
Net assets acquired	\$ —	\$ 25,856

SAGA COMMUNICATIONS, INC.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
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Pro Forma Results of Operations for Acquisitions (Unaudited)

The following unaudited pro forma results of our operations for the three and six months ended June 30, 2018 and 2017 assume the 2017 acquisitions occurred as of January 1, 2017. The translators are start-up stations and therefore, have no pro forma revenue and expenses. The pro forma results give effect to certain adjustments, including depreciation, amortization of intangible assets, increased interest expense on acquisition debt and related income tax effects. The pro forma results have been prepared for comparative purposes only and do not purport to indicate the results of operations which would actually have occurred had the combinations been in effect on the dates indicated or which may occur in the future.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
ProForma Results of Operation				
Net operating revenue	\$ 32,234	\$ 32,509	\$ 60,243	\$ 60,641
Station operating expense	23,140	23,255	46,537	46,325
Corporate general and administrative	2,848	2,880	5,392	5,743
Other operating income, net	213	79	(38)	58
Operating income from continuing operations	6,033	6,295	8,352	8,515
Interest expense	255	229	474	437
Other income	(188)	—	(277)	—
Income from continuing operations, before income tax expense	5,966	6,066	8,155	8,078
Income tax expense	1,795	2,444	2,455	3,263
Income from continuing operations, net of tax	4,171	3,622	5,700	4,815
Income from discontinued operations, net of tax	—	1,159	—	2,050
Net income	<u>\$ 4,171</u>	<u>\$ 4,781</u>	<u>\$ 5,700</u>	<u>\$ 6,865</u>
Basic earnings per share:				
From continuing operations	\$.70	\$.61	\$.96	\$.81
From discontinued operations	—	.20	—	.35
Basic earnings per share	<u>\$.70</u>	<u>\$.81</u>	<u>\$.96</u>	<u>\$ 1.16</u>
Diluted earnings per share:				
From continuing operations	\$.70	\$.61	\$.96	\$.81
From discontinued operations	—	.20	—	.35
Diluted earnings per share	<u>\$.70</u>	<u>\$.81</u>	<u>\$.96</u>	<u>\$ 1.16</u>

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS — (Continued)

8. Income taxes

On December 22, 2017, the Tax Cut and Jobs Act ("the Act") was signed into law, which enacted significant changes to U.S. tax and related laws. Some of the provisions of the new tax law affecting corporations include, but are not limited to a reduction of the federal corporate income tax rate from 35% to 21%, limiting the interest expense deduction, expensing of cost of acquired qualified property and allowing federal net operating losses generated in taxable years ending after December 31, 2017 to be carried forward indefinitely.

In accordance with ASU 2018-05 and Staff Accounting Bulletin No. 118 ("SAB 118"), we recognized the provisional tax impacts related to the revaluation of net deferred tax assets and the impact of the changes to the limitation on the deductibility of executive compensation, during the year ended December 31, 2017. As of June 30, 2018, we have not made any additional measurement period adjustments related to these items. Such adjustments may be necessary in future periods due to, among other things, additional analysis and changes in interpretations and assumptions as applicable and additional regulatory guidance that may be issued. We are continuing to gather information to assess the application of the Act.

9. Stock-Based Compensation

2005 Incentive Compensation Plan

On October 16, 2013 our stockholders approved the Second Amended and Restated Saga Communications, Inc. 2005 Incentive Compensation Plan (the "Second Restated 2005 Plan"). The 2005 Incentive Compensation Plan was first approved by stockholders in 2005 and replaced our 2003 Stock Option Plan (the "2003 Plan"). The 2005 Incentive Compensation Plan was re-approved by stockholders in 2010. The changes made in the Second Restated 2005 Plan (i) increases the number of authorized shares by 233,334 shares of Common Stock, (ii) extends the date for making awards to September 6, 2018, (iii) includes directors as participants, (iv) targets awards according to groupings of participants based on ranges of base salary of employees and/or retainers of directors, (v) requires participants to retain 50% of their net annual restricted stock awards during their employment or service as a director, and (vi) includes a clawback provision. The Second Restated 2005 Plan allows for the granting of restricted stock, restricted stock units, incentive stock options, nonqualified stock options, and performance awards to eligible employees and non-employee directors. The Company received stockholder approval at the 2018 Annual Meeting of Stockholders to amend the Second Restated 2005 Plan to (i) extend the date for making awards to September 6, 2023 and (ii) increase the number of authorized shares under the Plan by 90,000 shares of Class B Common Stock.

The number of shares of Common Stock that may be issued under the Second Restated 2005 Plan may not exceed 370,000 shares of Class B Common Stock, 990,000 shares of Class A Common Stock of which up to 620,000 shares of Class A Common Stock may be issued pursuant to incentive stock options and 370,000 Class A Common Stock issuable upon conversion of Class B Common Stock. Awards denominated in Class A Common Stock may be granted to any employee or director under the Second Restated 2005 Plan. However, awards denominated in Class B Common Stock may only be granted to Edward K. Christian, President, Chief Executive Officer, Chairman of the Board of Directors, and the holder of 100% of the outstanding Class B Common Stock of the Company. Stock options granted under the Second Restated 2005 Plan may be for terms not exceeding ten years from the date of grant and may not be exercised at a price which is less than 100% of the fair market value of shares at the date of grant.

Stock-Based Compensation

All stock options granted were fully vested and expensed at December 31, 2012, therefore there was no compensation expense related to stock options for the three and six months ended June 30, 2018 and the three and six months ended June 30, 2017, respectively.

There were no options granted during 2018 and 2017 and there were no stock options outstanding as of June 30, 2018. All outstanding stock options were exercised in 2017.

SAGA COMMUNICATIONS, INC.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
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The following summarizes the restricted stock transactions for the six months ended June 30, 2018:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2018	96,639	\$ 44.85
Granted	3,850	39.00
Forfeited	(1,397)	45.24
Non-vested and outstanding at June 30, 2018	99,092	\$ 44.62

For the three and six months ended June 30, 2018 and the three and six months ended June 30, 2017, we had \$554,000, \$1,105,000, \$574,000 and \$1,132,000, respectively, of total compensation expense related to restricted stock-based compensation arrangements. This expense is included in corporate general and administrative expenses in our results of operations. The associated tax benefit recognized for the three and six months ended June 30, 2018 and the three and six months ended June 30, 2017, was \$63,000, \$126,000, \$230,000 and \$453,000, respectively.

10. Long-Term Debt

Long-term debt consisted of the following:

	June 30, 2018	December 31, 2017
(In thousands)		
Revolving credit facility	\$ 25,000	\$ 25,000
Amounts payable within one year	—	—
	\$ 25,000	\$ 25,000

On August 18, 2015, we entered into a new credit facility (the “Credit Facility”) with JPMorgan Chase Bank, N.A., The Huntington National Bank, Citizens Bank, National Association and J.P. Morgan Securities LLC. In connection with the execution of the Credit Facility, the credit agreement in place at June 30, 2015 (the “Old Credit Agreement”) was terminated, and all outstanding amounts were paid in full. The Credit Facility consists of a \$100 million five-year revolving facility (the “Revolving Credit Facility”) and originally matured on August 18, 2020. On June 27, 2018, the Company entered into a Second Amendment to its Credit Facility, dated August 18, 2015, and amended on September 1, 2017, extending the revolving credit maturity date under the Credit Agreement for five years after the date of the amendment to June 27, 2023.

We have pledged substantially all of our assets (excluding our FCC licenses and certain other assets) in support of the Credit Facility and each of our subsidiaries has guaranteed the Credit Facility and has pledged substantially all of their assets (excluding their FCC licenses and certain other assets) in support of the Credit Facility.

Approximately \$266,000 of transaction fees related to the Credit Facility were capitalized and are being amortized over the life of the Credit Facility. Those deferred debt costs are included in other assets, net in the condensed consolidated balance sheets. As a result of the Second Amendment, the Company incurred an additional \$75,000 of transaction fees related to the Credit Facility that were capitalized. The cumulative transaction fees are being amortized over the remaining life of the Credit Facility.

SAGA COMMUNICATIONS, INC.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
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Interest rates under the Credit Facility are payable, at our option, at alternatives equal to LIBOR (2.06% at June 30, 2018), plus 1% to 2% or the base rate plus 0% to 1%. The spread over LIBOR and the base rate vary from time to time, depending upon our financial leverage. Letters of credit issued under the Credit Facility will be subject to a participation fee (which is equal to the interest rate applicable to Eurocurrency Loans, as defined in the Credit Agreement) payable to each of the Lenders and a fronting fee equal to 0.25% per annum payable to the issuing bank. We also pay quarterly commitment fees of 0.2% to 0.3% per annum on the unused portion of the Revolving Credit Facility.

The Credit Facility contains a number of financial covenants (all of which we were in compliance with at June 30, 2018) which, among other things, require us to maintain specified financial ratios and impose certain limitations on us with respect to investments, additional indebtedness, dividends, distributions, guarantees, liens and encumbrances.

We had approximately \$75 million of unused borrowing capacity under the Revolving Credit Facility at June 30, 2018.

On October 5, 2017 and November 3, 2017, the Company used \$5,287,000 and \$5,000,000 respectively of the proceeds from the Television Sale to pay down a portion of its Revolving Credit Facility.

11. Litigation

The Company is subject to various outstanding claims which arise in the ordinary course of business and to other legal proceedings. Management anticipates that any potential liability of the Company, which may arise out of or with respect to these matters, will not materially affect the Company's financial statements.

SAGA COMMUNICATIONS, INC.

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS — (Continued)**

12. Dividends

On May 15, 2018, the Company's Board of Directors declared a regular cash dividend of \$0.30 per share on its Classes A and B Common Stock. This dividend, totaling approximately \$1.8 million, was paid on June 22, 2018 to shareholders of record on May 31, 2018.

On February 28, 2018, the Company's Board of Directors declared a regular cash dividend of \$0.30 per share on its Classes A and B Common Stock. This dividend, totaling approximately \$1.8 million, was paid on March 30, 2018 to shareholders of record on March 12, 2018.

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

On September 13, 2017, the Company's Board of Directors declared a regular cash dividend of \$0.30 per share on its Classes A and B Common Stock. This dividend, totaling approximately \$1.8 million was paid on October 13, 2017 to shareholders of record on September 25, 2017 and funded by cash on the Company's balance sheet.

On May 3, 2017, the Company's Board of Directors declared a regular cash dividend of \$0.30 per share on its Classes A and B Common Stock. This dividend, totaling approximately \$1.8 million, was paid on June 9, 2017 to shareholders of record on May 22, 2017 and funded by cash on the Company's balance sheet.

On March 3, 2017, the Company's Board of Directors declared a regular quarterly cash dividend of \$0.30 per share on its Classes A and B Common Stock. This dividend, totaling approximately \$1.8 million, was paid on April 14, 2017 to shareholders of record on March 28, 2017 and funded by cash on the Company's balance sheet.

13. Subsequent Events

For the period from July 1, 2018 to August 3, 2018, we repurchased approximately 4,000 shares of our common stock on the open market for an aggregate purchase price of \$153,000, including fees and commissions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto of Saga Communications, Inc. and its subsidiaries contained elsewhere herein and the audited financial statements and Management Discussion and Analysis contained in our Annual Report on Form 10-K for the year ended December 31, 2017. The following discussion is presented on a consolidated basis. On May 9, 2017 the Company entered into an agreement to sell its Joplin, Missouri and Victoria, Texas television stations and subsequently closed on this transaction on September 1, 2017. The historical results of operations for the television stations are presented in discontinued operations for all periods presented (see Note 6). As a result of the Company's television stations being reported as discontinued operations the Company only has one reportable segment at June 30, 2018. Unless indicated otherwise, the information in the notes to the accompanying unaudited condensed consolidated financial statements relates to the Company's continuing operations.

We use certain financial measures that are not calculated in accordance with generally accepted accounting principles in the United States of America (GAAP) to assess our financial performance. For example, we evaluate the performance of our markets based on "station operating income" (operating income plus corporate general and administrative expenses, depreciation and amortization, other operating (income) expenses, and impairment of intangible assets). Station operating income is generally recognized by the broadcasting industry as a measure of performance, is used by analysts who report on the performance of the broadcasting industry and it serves as an indicator of the market value of a group of stations. In addition, we use it to evaluate individual stations, market-level performance, overall operations and as a primary measure for incentive based compensation of executives and other members of management. Station operating income is not necessarily indicative of amounts that may be available to us for debt service requirements, other commitments, reinvestment or other discretionary uses. Station operating income is not a measure of liquidity or of performance in accordance with GAAP, and should be viewed as a supplement to, and not a substitute for our results of operations presented on a GAAP basis.

General

We are a broadcast company primarily engaged in acquiring, developing and operating broadcast properties. We actively seek and explore opportunities for expansion through the acquisition of additional broadcast properties. We review acquisition opportunities on an ongoing basis. For additional information with respect to acquisitions, see "Liquidity and Capital Resources" below. We own or operate broadcast properties in 26 markets, including 75 FM and 33 AM radio stations.

Continuing Operations – Radio Stations

Our radio stations' primary source of revenue is from the sale of advertising for broadcast on our stations. Depending on the format of a particular radio station, there are a predetermined number of advertisements available to be broadcast each hour. We have twenty-six radio station markets, which include all 108 of our radio stations. The discussion of our operating performance focuses on operating income because we manage our stations primarily on operating income. Operating performance is evaluated for each individual market.

Most advertising contracts are short-term and generally run for a few weeks only. The majority of our revenue is generated from local advertising, which is sold primarily by each radio markets' sales staff. For the six months ended June 30, 2018 and 2017, approximately 87% and 89%, respectively, of our radio stations' gross revenue was from local advertising. To generate national advertising sales, we engage independent advertising sales representative firms that specialize in national sales for each of our broadcast markets.

Our revenue varies throughout the year. Advertising expenditures, our primary source of revenue, generally have been lowest during the winter months, which include the first quarter of each year. We expect an increase in political advertising for 2018 due to the increased number of national, state and local elections in most of our markets as compared to the prior year.

Our net operating revenue, station operating expense and operating income varies from market to market based upon the market's rank or size which is based upon population and the available radio advertising revenue in that particular market.

The broadcasting industry, and advertising in general, are influenced by the state of the overall economy, including unemployment rates, inflation, energy prices and consumer interest rates. Our stations primarily broadcast in small to midsize markets. Historically, these markets have been more stable than major metropolitan markets during downturns in advertising spending, but may not experience increases in such spending as significant as those in major metropolitan markets in periods of economic improvement.

Our financial results are dependent on a number of factors, the most significant of which is our ability to generate advertising revenue through rates charged to advertisers. The rates a station is able to charge are, in large part, based on a station's ability to attract audiences in the demographic groups targeted by its advertisers. In a number of our markets this is measured by periodic reports generated by independent national rating services. In the remainder of our markets it is measured by the results advertisers obtain through the actual running of an advertising schedule. Advertisers measure these results based on increased demand for their goods or services and/or actual revenues generated from such demand. Various factors affect the rate a station can charge, including the general strength of the local and national economies, population growth, ability to provide popular programming, local market competition, target marketing capability of radio compared to other advertising media and signal strength.

When we acquire and/or begin to operate a station or group of stations we generally increase programming and advertising and promotion expenses to increase our share of our target demographic audience. Our strategy sometimes requires levels of spending commensurate with the revenue levels we plan on achieving in two to five years. During periods of economic downturns, or when the level of advertising spending is flat or down across the industry, this strategy may result in the appearance that our cost of operations are increasing at a faster rate than our growth in revenues, until such time as we achieve our targeted levels of revenue for the acquired station or group of stations.

The number of advertisements that can be broadcast without jeopardizing listening levels (and the resulting ratings) is limited in part by the format of a particular radio station. Our stations strive to maximize revenue by constantly managing the number of commercials available for sale and adjusting prices based upon local market conditions and ratings. While there may be shifts from time to time in the number of advertisements broadcast during a particular time of day, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year. Any change in our revenue, with the exception of those instances where stations are acquired or sold, is generally the result of inventory sell out ratios and pricing adjustments, which are made to ensure that the station efficiently utilizes available inventory.

Our radio stations employ a variety of programming formats. We periodically perform market research, including music evaluations, focus groups and strategic vulnerability studies. Because reaching a large and demographically attractive audience is crucial to a station's financial success, we endeavor to develop strong listener loyalty. Our stations also employ audience promotions to further develop and secure a loyal following. We believe that the diversification of formats on our radio stations helps to insulate us from the effects of changes in musical tastes of the public on any particular format.

The primary operating expenses involved in owning and operating radio stations are employee salaries, sales commissions, programming expenses, depreciation, and advertising and promotion expenses.

The radio broadcasting industry is subject to rapid technological change, evolving industry standards and the emergence of new media technologies and services. These new technologies and media are gaining advertising share against radio and other traditional media.

We are continuing to expand our digital initiative to provide a seamless experience across multiple platforms. Our goal is to allow our listeners to connect with our brands on demand, wherever, however and whenever they choose. We continue to create opportunities through targeted digital advertising and an array of digital services that include online promotions, mobile messaging, and email marketing. In 2017, we also made a concentrated effort to ensure our stations were available via smart speakers such as Amazon Echo, Google Home, etc.

During the six months ended June 30, 2018 and 2017 and the years ended December 31, 2017 and 2016, our Columbus, Ohio; Des Moines, Iowa; Manchester, New Hampshire; Milwaukee, Wisconsin; and Norfolk, Virginia markets, when combined, represented approximately 41%, 43%, 41%, and 43%, respectively, of our consolidated net operating revenue from continuing operations. An adverse change in any of these radio markets or our relative market position in those markets could have a significant impact on our operating results as a whole.

The following tables describe the percentage of our consolidated net operating revenue represented by each of these markets:

Market:	Percentage of Consolidated Net Operating Revenue for the Six Months Ended		Percentage of Consolidated Net Operating Revenue for the Years Ended	
	June 30,		December 31,	
	2018	2017	2017	2016
Columbus, Ohio	11%	11%	11%	12%
Des Moines, Iowa	7%	8%	7%	8%
Manchester, New Hampshire	5%	5%	5%	6%
Milwaukee, Wisconsin	12%	13%	12%	12%
Norfolk, Virginia	6%	6%	6%	5%

During the six months ended June 30, 2018 and 2017 and the years ended December 31, 2017 and 2016, the radio stations in our five largest markets when combined, represented approximately 49%, 49%, 48%, and 49%, respectively, of our consolidated station operating income from continuing operations. The following tables describe the percentage of our consolidated station operating income represented by each of these markets:

Market:	Percentage of Consolidated Station Operating Income (*) for the Six Months Ended		Percentage of Consolidated Station Operating Income (*) for the Years Ended	
	June 30,		December 31,	
	2018	2017	2017	2016
Columbus, Ohio	16%	15%	15%	15%
Des Moines, Iowa	6%	8%	7%	7%
Manchester, New Hampshire	6%	6%	6%	9%
Milwaukee, Wisconsin	15%	15%	14%	14%
Norfolk, Virginia	6%	5%	6%	4%

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

Discontinued Operations - Television Stations

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

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

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

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

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

Most of our revenue was generated from local advertising, which was sold primarily by each television markets' sales staff. For the six months ended June 30, 2017 approximately 83% of our television stations' gross revenue was from local advertising. To generate national advertising sales, we engaged independent advertising sales representatives that specialize in national sales for each of our television markets.

Our revenue varies throughout the year. Advertising expenditures, our primary source of revenue, generally have been lowest during the winter months, which include the first quarter of each year. Political advertising for 2017 was lower than previous years due to the decreased number of national, state and local elections in most of our markets.

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

Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Results of Operations

The following tables summarize our results of operations for the three months ended June 30, 2018 and 2017.

Consolidated Results of Operations

	Three Months Ended June 30,		\$ Increase (Decrease)	% Increase (Decrease)
	2018	2017		
	(In thousands, except percentages and per share information)			
Net operating revenue	\$ 32,234	\$ 30,261	\$ 1,973	6.5%
Station operating expense	23,140	21,426	1,714	8.0%
Corporate general and administrative	2,848	2,880	(32)	(1.1)%
Other operating expense	213	79	134	N/M
Operating income from continuing operations	6,033	5,876	157	2.7%
Interest expense	255	229	26	11.4%
Other income	(188)	—	(188)	N/M
Income from continuing operations before income tax expense	5,966	5,647	319	5.6%
Income tax expense	1,795	2,272	(477)	(21.0)%
Income from continuing operations, net of tax	4,171	3,375	796	23.6%
Income from discontinued operations, net of tax	—	1,159	(1,159)	N/M
Net income	\$ 4,171	\$ 4,534	\$ (363)	(8.0)%
Earnings per share:				
From continuing operations	\$.70	\$.57	\$.13	22.8%
From discontinued operations	—	.20	(20)	N/M
Earnings per share (diluted)	\$.70	\$.77	\$ (.07)	(9.1)%

Results of Discontinued Operations

	Three Months Ended June 30,		\$ Increase (Decrease)	% Increase (Decrease)
	2018 ⁽¹⁾	2017 ⁽¹⁾		
	(In thousands, except percentages)			
Net operating revenue	\$ —	\$ 5,688	\$ (5,688)	N/M
Station operating expense	—	3,643	(3,643)	N/M
Operating income from discontinued operations	—	2,045	(2,045)	N/M
Interest expense	—	8	(8)	N/M
Incomes before income taxes from discontinued operations	—	2,037	(2,037)	N/M
Income tax expense	—	878	(878)	N/M
Income from discontinued operations	\$ —	\$ 1,159	\$ (1,159)	N/M

(1) Results of operations for the Television stations are reflected through June 30, 2017. The effective date of the sale was September 1, 2017.

N/M = Not Meaningful

For the three months ended June 30, 2018, consolidated net operating revenue was \$32,234,000 compared with \$30,261,000 for the three months ended June 30, 2017, an increase of \$1,973,000 or 6.5%. We had an increase of approximately \$2,156,000 that was attributable to stations that we did not own or operate for the entire comparable period, offset by a decrease of approximately \$183,000 generated by stations we owned or operated for the comparable period in 2017 (“same station”). On a same station basis gross local revenue decreased \$799,000. This was partially offset by an increase in gross national revenue of approximately \$550,000 and a decrease in agency commissions of \$76,000 from the second quarter of 2017. The decrease in gross local revenue was due to decreases in our Harrisonburg, Virginia; Jonesboro, Arkansas; Manchester, New Hampshire; and Springfield, Massachusetts markets. The increase in gross national revenue was due to increases in our Manchester, New Hampshire and Norfolk, Virginia markets. The decrease in agency commissions was due to lower local agency revenues.

Station operating expense was \$23,140,000 for the three months ended June 30, 2018, compared with \$21,426,000 for the three months ended June 30, 2017, an increase of \$1,714,000 or 8.0%. We had an increase of approximately \$1,924,000 that was attributable to stations that we did not own or operate for the entire comparable period, offset by a decrease of approximately \$210,000 generated by stations we owned or operated for the comparable period in 2017. The decrease is primarily attributable to a decrease of \$174,000 in bad debt expense.

Operating income for the three months ended June 30, 2018 was \$6,033,000 compared to \$5,876,000 for the three months ended June 30, 2017, an increase of \$157,000 or 2.7%. The increase was a result of the increase in net operating revenue partially offset by an increase in station operating expense, described above, a decrease in our corporate general and administrative expenses of \$32,000 or 1.1%, and an increase in other operating expense of \$134,000 from the second quarter of 2017 due to losses on the sale and disposal of fixed assets.

Income from continuing operations, net of tax for the three months ended June 30, 2018 was \$4,171,000 compared to \$3,375,000 for the three months ended June 30, 2017, an increase of \$796,000 or 23.6%. The increase in income from continuing operations, net of tax is due to the increase of operating income, described above, an increase in other income of \$188,000, a decrease in income taxes of \$477,000, partially offset by an increase in interest expense of \$26,000 due to an increase in our interest rates partially offset by a decrease in our debt outstanding. The increase in other income is attributable to an increase in interest and dividend income earned on cash and cash equivalents. The decrease in our income tax expense is due to the decrease in our federal tax rate from 35% to 21% as a result of the Tax Cuts and Jobs Act.

We generated net income of \$4,171,000 (\$.70 per share on a fully diluted basis) during the three months ended June 30, 2018, compared to \$4,534,000 (\$.77 per share on a fully diluted basis) for the three months ended June 30, 2017, a decrease of \$363,000 or 8%. This is a direct result of the increase in income from continuing operations of \$796,000, described above, offset by a decrease in income from discontinued operations of \$1,159,000 due to the sale of the television stations in September 2017.

Six Months Ended June 30, 2018 Compared to Six Months Ended June 30, 2017

Results of Operations

The following tables summarize our results of operations for the six months ended June 30, 2018 and 2017.

Consolidated Results of Operations

	Six Months Ended June 30,		\$ Increase (Decrease)	% Increase (Decrease)
	2018	2017		
	(In thousands, except percentages and per share information)			
Net operating revenue	\$ 60,243	\$ 56,416	\$ 3,827	6.8%
Station operating expense	46,537	42,766	3,771	8.8%
Corporate general and administrative	5,392	5,743	(351)	(6.1)%
Other operating (income) expense, net	(38)	58	(96)	N/M
Operating income	8,352	7,849	503	6.4%
Interest expense	474	437	37	8.5%
Other income	(277)	—	(277)	N/M
Income from continuing operations before income tax expense	8,155	7,412	743	10.0%
Income tax provision	2,455	2,990	(535)	(17.9)%
Income from continuing operations, net of tax	5,700	4,422	1,278	28.9%
Income from discontinued operations, net of tax	—	2,050	(2,050)	N/M
Net income	<u>\$ 5,700</u>	<u>\$ 6,472</u>	<u>\$ (772)</u>	<u>(11.9)%</u>
Earnings per share:				
From continuing operations	\$.96	\$.75	\$.21	28.0%
From discontinued operations	—	.35	(35)	N/M
Earnings per share (diluted)	<u>\$.96</u>	<u>\$ 1.10</u>	<u>\$ (.14)</u>	<u>(12.7)%</u>

Results of Discontinued Operations

	Six Months Ended June 30,		\$ Increase (Decrease)	% Increase (Decrease)
	2018 ⁽¹⁾	2017 ⁽¹⁾		
	(In thousands, except percentages)			
Net operating revenue	\$ —	\$ 10,942	\$ (10,942)	N/M
Station operating expense	—	7,355	(7,355)	N/M
Other operating	—	31	(31)	N/M
Operating income from discontinued operations	—	3,556	(3,556)	N/M
Interest expense	—	16	(16)	N/M
Incomes before income taxes from discontinued operations	—	3,540	(3,540)	N/M
Income tax expense	—	1,490	(1,490)	N/M
Income from discontinued operations	<u>\$ —</u>	<u>\$ 2,050</u>	<u>\$ (2,050)</u>	<u>N/M</u>

(1) Results of operations for the Television stations are reflected through June 30, 2017. The effective date of the sale was September 1, 2017.

N/M = Not Meaningful

For the six months ended June 30, 2018, consolidated net operating revenue was \$60,243,000 compared with \$56,416,000 for the six months ended June 30, 2017, an increase of \$3,827,000 or 6.8%. We had an increase of approximately \$3,947,000 that was attributable to stations that we did not own or operate for the entire comparable period, offset by a decrease of approximately \$120,000 generated by stations we owned or operated for the comparable period in 2017 (“same station”). On a same station basis gross local revenue decreased \$1,535,000 from 2017. This decrease was partially offset by increases in gross national revenue of \$886,000 and gross political revenue of \$431,000 and a decrease in agency commissions of \$119,000. The decrease in gross local revenue was due to decreases in our Harrisonburg, Virginia; Jonesboro, Arkansas; and Manchester, New Hampshire markets. The increase in gross national revenue was due to increases in our Manchester, New Hampshire and Norfolk, Virginia markets. The increase in gross political revenue was due to the increased number of state and local elections in most of our markets with the majority of the increase coming from our Milwaukee, Wisconsin market as compared to prior year.

Station operating expense was \$46,537,000 for the six months ended June 30, 2018, compared with \$42,766,000 for the six months ended June 30, 2017, an increase of \$3,771,000 or 8.8%. We had an increase of approximately \$3,853,000 that was attributable to stations that we did not own or operate for the entire comparable period, offset by a decrease of approximately \$82,000 or 0.2% generated by stations we owned or operated for the comparable period in 2017.

Operating income for the six months ended June 30, 2018 was \$8,352,000 compared to \$7,849,000 for the six months ended June 30, 2017, an increase of \$503,000 or 6.4%. The increase was a result of the increase in net operating revenue partially offset by an increase in station operating expense, described above, a decrease in our corporate general and administrative expenses of \$351,000 or 6.1%, and a decrease in other operating expense of \$96,000 from 2017 due to a net gain on the sale of fixed assets as to a net loss in prior year. The decrease in corporate expenses is primarily due to a decrease in legal expenses of \$279,000, and a decrease in key man life insurance policy of \$136,000.

Income from continuing operations, net of tax for the six months ended June 30, 2018 was \$5,700,000 compared to \$4,422,000 for the six months ended June 30, 2017, an increase of \$1,278,000 or 28.9%. The increase in income from continuing operations, net of tax is due to the increase of operating income, described above, an increase in other income of \$277,000, and a decrease in income taxes of \$535,000 partially offset by an increase in interest expense of \$37,000 due to an increase in our interest rates offset by a decrease in our debt outstanding. The increase in other income is attributable to an increase in interest and dividend income earned on cash and cash equivalents. The decrease in our income tax expense is due to the decrease in our federal tax rate from 35% to 21% as a result of the Tax Cuts and Jobs Act.

We generated net income of \$5,700,000 (\$.96 per share on a fully diluted basis) during the six months ended June 30, 2018, compared to \$6,742,000 (\$1.10 per share on a fully diluted basis) for the six months ended June 30, 2017, a decrease of \$772,000 or 11.9%. This is a direct result of the increase in income from continuing operations of \$1,278,000, as described above, partially offset by a decrease in income from discontinued operations of \$2,050,000 due to the sale of the television stations in September 2017.

Forward-Looking Statements

Statements contained in this Form 10-Q that are not historical facts are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In addition, words such as “believes,” “anticipates,” “estimates,” “plans,” “expects,” and similar expressions are intended to identify forward-looking statements. These statements are made as of the date of this report or as otherwise indicated, based on current expectations. We undertake no obligation to update this information. A number of important factors could cause our actual results for 2018 and beyond to differ materially from those expressed in any forward-looking statements made by us or on our behalf. Forward-looking statements are not guarantees of future performance as they involve a number of risks, uncertainties and assumptions that may prove to be incorrect and that may cause our actual results and experiences to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks, uncertainties and assumptions that may affect our performance include our financial leverage and debt service requirements, dependence on key personnel, dependence on key stations, U.S. and local economic conditions, our ability to successfully integrate acquired stations, regulatory requirements, new technologies, natural disasters and terrorist attacks. We cannot be sure that we will be able to anticipate or respond timely to changes in any of these factors, which could adversely affect the operating results in one or more fiscal quarters. Results of operations in any past period should not be considered, in and of itself, indicative of the results to be expected for future periods. Fluctuations in operating results may also result in fluctuations in the price of our stock.

For a more complete description of the prominent risks and uncertainties inherent in our business, see Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017.

Liquidity and Capital Resources

Debt Arrangements and Debt Service Requirements

On August 18, 2015, we entered into a new credit facility (the “Credit Facility”) with JPMorgan Chase Bank, N.A., The Huntington National Bank, Citizens Bank, National Association and J.P. Morgan Securities LLC. In connection with the execution of the Credit Facility, the credit agreement in place at June 30, 2015 (the “Old Credit Agreement”) was terminated, and all outstanding amounts were paid in full. The Credit Facility consists of a \$100 million five-year revolving facility (the “Revolving Credit Facility”) and originally matured on August 18, 2020. On June 27, 2018, the Company entered into a Second Amendment to its Credit Facility, dated August 18, 2015, and amended on September 1, 2017, extending the revolving credit maturity date under the Credit Agreement for five years after the date of the amendment to June 27, 2023.

We have pledged substantially all of our assets (excluding our FCC licenses and certain other assets) in support of the Credit Facility and each of our subsidiaries has guaranteed the Credit Facility and has pledged substantially all of their assets (excluding their FCC licenses and certain other assets) in support of the Credit Facility.

Approximately \$266,000 of transaction fees related to the Credit Facility were capitalized and are being amortized over the life of the Credit Facility. Those deferred debt costs are included in other assets, net in the condensed consolidated balance sheets. As a result of the Second Amendment, the Company incurred an additional \$75,000 of transaction fees related to the Credit Facility that were capitalized. The cumulative transaction fees are being amortized over the remaining life of the Credit Facility.

Interest rates under the Credit Facility are payable, at our option, at alternatives equal to LIBOR (2.06% at June 30, 2018), plus 1% to 2% or the base rate plus 0% to 1%. The spread over LIBOR and the base rate vary from time to time, depending upon our financial leverage. Letters of credit issued under the Credit Facility will be subject to a participation fee (which is equal to the interest rate applicable to Eurocurrency Loans, as defined in the Credit Agreement) payable to each of the Lenders and a fronting fee equal to 0.25% per annum payable to the issuing bank. We also pay quarterly commitment fees of 0.2% to 0.3% per annum on the unused portion of the Revolving Credit Facility.

The Credit Facility contains a number of financial covenants (all of which we were in compliance with at June 30, 2018) which, among other things, require us to maintain specified financial ratios and impose certain limitations on us with respect to investments, additional indebtedness, dividends, distributions, guarantees, liens and encumbrances.

We had approximately \$75 million of unused borrowing capacity under the Revolving Credit Facility at June 30, 2018.

On October 5, 2017 and November 3, 2017, the Company used \$5,287,000 and \$5,000,000, respectively of the proceeds from the Television Sale to pay down a portion of its Revolving Credit Facility.

Sources and Uses of Cash

During the six months ended June 30, 2018 and 2017, we had net cash flows from operating activities of \$13,193,000 and \$13,203,000, respectively. We believe that cash flow from operations will be sufficient to meet quarterly debt service requirements for interest and payments of principal under our Credit Facility. However, if such cash flow is not sufficient we may be required to sell additional equity securities, refinance our obligations or dispose of one or more of our properties in order to make such scheduled payments. There can be no assurance that we would be able to effect any such transactions on favorable terms, if at all.

In March 2013, our board of directors authorized an increase to our Stock Buy-Back Program to allow us to purchase up to \$75.8 million of our Class A Common Stock. From its inception in 1998 through June 30, 2018, we have repurchased two million shares of our Class A Common Stock for \$53.9 million. During the three and six months ended June 30, 2018, approximately 12,000 and 14,500 shares, respectively, were repurchased for \$454,000 and \$547,000 respectively, related to the Stock Buy-Back Program.

Our capital expenditures, exclusive of acquisitions, for the six months ended June 30, 2018 were \$2,906,000 (\$3,425,000 in 2017). We anticipate capital expenditures in 2017 to be approximately \$5.0 – \$6.0 million, which we expect to finance through funds generated from operations.

On May 15, 2018, the Company's Board of Directors declared a regular cash dividend of \$0.30 per share on its Classes A and B Common Stock. This dividend, totaling approximately \$1.8 million, was paid on June 22, 2018 to shareholders of record on May 31, 2018.

On February 28, 2018, the Company's Board of Directors declared a regular cash dividend of \$0.30 per share on its Classes A and B Common Stock. This dividend, totaling approximately \$1.8 million, was paid on March 30, 2018 to shareholders of record on March 12, 2018.

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

We continue to actively seek and explore opportunities for expansion through the acquisitions of additional broadcast properties.

We anticipate that any future acquisitions of radio and television stations and dividend payments will be financed through funds generated from operations, borrowings under the Credit Agreement, the Television Sale, additional debt or equity financing, or a combination thereof. However, there can be no assurances that any such financing will be available on acceptable terms, if at all.

Summary Disclosures About Contractual Obligations and Commercial Commitments

We have future cash obligations under various types of contracts, including the terms of our Credit Facility, operating leases, programming contracts, employment agreements, and other operating contracts. For additional information concerning our future cash obligations see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation — Summary Disclosures About Contractual Obligations” in our Annual Report on Form 10-K for the year ended December 31, 2017.

We anticipate that our contractual cash obligations will be financed through funds generated from operations or additional borrowings under the Credit Facility, or a combination thereof.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require us to make estimates, judgments and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures and contingencies. We evaluate estimates used in preparation of our financial statements on a continual basis. There have been no significant changes to our critical accounting policies that are described in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates” in our Annual Report on Form 10-K for the year ended December 31, 2016.

Recent Accounting Pronouncements

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

Inflation

The impact of inflation on our operations has not been significant to date. There can be no assurance that a high rate of inflation in the future would not have an adverse effect on our operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Market Risk and Risk Management Policies” in our Annual Report on Form 10-K for the year ended December 31, 2017 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2017 Annual Report on Form 10-K.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective to cause the material information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 to be recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms. There were no changes in the Company’s internal controls over financial reporting during the quarter ended June 30, 2018, that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to various outstanding claims which arise in the ordinary course of business and to other legal proceedings. Management anticipates that any potential liability of the Company, which may arise out of or with respect to these matters, will not materially affect the Company's financial statements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes our repurchases of our Class A Common Stock during the three months ended June 30, 2018. Shares repurchased during the quarter were from the retention of shares for cashless exercise of stock options.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program(a)
April 1 – April 30, 2018	6,813	\$ 37.61	6,813	\$ 22,057,376
May 1 – May 31, 2018	4,928	\$ 37.88	4,928	\$ 21,870,687
June 1 – June 30, 2018	292	\$ 37.96	292	\$ 21,859,603
Total	<u>12,033</u>	<u>\$ 37.73</u>	<u>12,033</u>	<u>\$ 21,859,603</u>

- (a) We have a Stock Buy-Back Program which allows us to purchase our Class A Common Stock. In February 2013, our Board of Directors authorized an increase in the amount committed to the Stock Buy-Back Program from \$60 million to approximately \$75.8 million.

Item 6. Exhibits

<u>10(p)</u>	<u>First Amendment dated September 1, 2017 to the Credit Agreement dated August 18, 2015 entered into between the Company and JPMorgan Chase , N.A., The Huntington National Bank and Citizens Bank</u>
<u>10(q)</u>	<u>Letter of Employment of Christopher S. Forgy dated as of May 24, 2018.</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 and Rule 13-14(b) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements 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.

SAGA COMMUNICATIONS, INC.

Date: August 9, 2018

/s/ SAMUEL D. BUSH

Samuel D. Bush

Senior Vice President and Chief Financial Officer (Principal Financial Officer)

Date: August 9, 2018

/s/ CATHERINE A. BOBINSKI

Catherine A. Bobinski

Senior Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)

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Section 2: EX-10.(P) (EXHIBIT 10(P))

EXHIBIT 10(p)

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT, dated as of September 1, 2017 (this "Amendment"), is among SAGA COMMUNICATIONS, INC. (the "Borrower"), the other Loan Parties party hereto, the Lenders party hereto, and JPMORGAN CHASE BANK, N.A., as Administrative Agent (in such capacity, the "Administrative Agent").

RECITALS

A. The Borrower, the other Loan Parties party thereto, the Lenders party thereto, and the Administrative Agent are parties to a Credit Agreement dated as of August 18, 2015 (as amended or modified from time to time, the "Credit Agreement").

B. The Borrower and the other Loan Parties desire to amend the Credit Agreement, and the Administrative Agent and the Lenders are willing to do so in accordance with the terms hereof.

TERMS

In consideration of the premises and of the mutual agreements herein contained, the parties agree as follows:

ARTICLE I. AMENDMENTS. Upon fulfillment of the conditions set forth in Article III hereof, the Credit Agreement shall be amended as follows:

1.1 The following new definitions are added to Section 1.01 of the Credit Agreement in proper alphabetical order:

“Approved Escrow Agreement” means the Escrow Agreement dated May 9, 2017 among the ETC Purchaser, the Borrower, and First Business Trust & Investments, a division of First Business Bank, a Wisconsin banking corporation.

“ETC APA” means the Asset Purchase Agreement dated as of May 9, 2017 among the ETC Purchaser, Saga Broadcasting LLC, Saga Quad States Communications, LLC, and the Borrower, in the form delivered to the Administrative Agent on the First Amendment Effective Date.

“ETC Assets” means all assets being disposed of pursuant to the ETC APA.

“ETC Disposition” means the Disposition of the ETC Assets pursuant to the ETC Disposition Documents.

“ETC Disposition Documents” means the ETC APA and all agreements and documents executed in connection therewith.

“ETC Purchaser” means Evening Telegram Company d/b/a/ Morgan Murphy Media, a Wisconsin corporation.

“First Amendment” means the First Amendment to Credit Agreement dated as of August 31, 2017.

“First Amendment Effective Date” means the effective date of the First Amendment

1.2 The “and” at the end of Section 6.05(h) of the Credit Agreement is deleted, clause (i) of Section 6.05 of the Credit Agreement is restated as set forth below, and the following new clauses (j) and (k) are added to Section 6.05 of the Credit Agreement:

- (i) so long as no Default or Event of Default has occurred and is continuing, the ETC Disposition;
- (j) all Dispositions made prior to the First Amendment Effective Date (which Borrower represents and warrants were made in compliance with this Agreement, as in effect at the time of such Dispositions); and
- (k) so long as no Default or Event of Default has occurred and is continuing, other Dispositions of property where the aggregate fair market value of all such Dispositions of property after the First Amendment Effective Date is not in excess of \$7,500,000.

1.3 The following new Section 3.23 is added to Article III of the Credit Agreement in proper numerical order:

SECTION 3.23 ETC Disposition. The ETC Disposition complies in all material respects with all applicable Requirements of Law (including, without limitation, the Communications Act), and all material governmental, regulatory, member and other material consents and approvals required for the consummation of the ETC Disposition (including, without limitation, consents and approvals from the FCC and SEC) have been, or prior to the consummation thereof will be, duly obtained and in full force and effect. All applicable waiting periods with respect to the ETC Disposition have expired without any action being taken by any competent Governmental Authority (including, without limitation, the FCC and SEC) which restrains, prevents or imposes material adverse conditions upon the consummation of such transaction. At the time of consummation thereof, there shall not exist any judgment, order or injunction prohibiting or imposing material adverse conditions on the ETC Disposition or any transaction contemplated hereby. The ETC Disposition will be consummated on the First Amendment Effective Date in accordance with the terms of the ETC Disposition Documents, without waiver of any of the conditions thereof. The consummation of the ETC Disposition will not violate any statute or regulation of the United States or any other applicable jurisdiction, or any order, judgment or decree of any court or other Governmental Authority (including, without limitation, the FCC and SEC), or result in a breach of, or constitute a default under, any Material Contract or indenture, or any order or decree, binding on any Loan Party. Correct and complete copies of all ETC Disposition Documents have been delivered to the Administrative Agent. The representations and warranties in the ETC Disposition Documents are true and correct in all material respects on the date of the First Amendment, and there have been no amendments to or waivers under the ETC Disposition Documents. All ETC Assets are listed on Schedule 3.23 and there are no other assets being disposed of in connection with the ETC Disposition other than the ETC Assets listed on Schedule 3.23. The total consideration paid or payable in connection with the ETC Disposition shall not be less than \$66,600,000.

1.4 The “and” at the end of Section 6.01(i) of the Credit Agreement is deleted, the period at the end of Section 6.01(j) is replaced with “; and”, and the following new clause (k) is added to Section 6.01 of the Credit Agreement:

(k) Any Lien deemed to exist on the funds in an amount not to exceed \$3,500,000 that are escrowed under the Approved Escrow Agreement pursuant to the terms thereof, which Lien shall not exist after the first to occur of (x) the disbursement of such funds in accordance with the Approved Escrow Agreement and (y) May 9, 2018.

1.5 Section 6.12 of the Credit Agreement is restated as follows:

SECTION 6.12. Amendments of Material Documents. The Borrower will not, and will not permit its Subsidiaries to, amend, modify or waive any of its rights under (a) its Organizational Documents other than immaterial amendments, modifications or waivers that could not reasonably be expected to adversely affect the Administrative Agent or any of the Lenders, (b) any of the ETC Disposition Documents, or (c) any other Material Contract, to the extent any such amendment, modification or waiver would be materially adverse to the Administrative Agent or any of the Lenders.

1.6 Schedule 3.23 attached hereto is added to the Credit Agreement as Schedule 3.23.

ARTICLE II. REPRESENTATIONS. Each Loan Party represents and warrants to the Administrative Agent and the Lenders that:

2.1 The execution, delivery and performance of this Amendment are (a) within each Loan Party's organizational powers and have been duly authorized by all necessary organizational actions and, if required, actions by equity holders; (b) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect and except for filings necessary to perfect Liens created pursuant to the Loan Documents, (c) will not violate any Requirement of Law applicable to any Loan Party or any Subsidiary, (d) will not violate or result in a default under any indenture, material agreement or other material instrument binding upon any Loan Party or any Subsidiary or the assets of any Loan Party or any Subsidiary, or give rise to a right thereunder to require any payment to be made by any Loan Party or any Subsidiary, and (e) will not result in the creation or imposition of any Lien on any asset of any Loan Party or any Subsidiary, except Liens created pursuant to the Loan Documents.

2.2 This Amendment has been duly executed and delivered by such Loan Party and constitutes a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

2.3 After giving effect to this Amendment, the representations and warranties contained in Article III of the Credit Agreement and in the other Loan Documents are true in all material respects on and as of the date hereof with the same force and effect as if made on and as of the date hereof (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date, and that any representation or warranty which is subject to any materiality qualifier shall be required to be true and correct in all respects).

2.4 As of the date hereof, no Default exists or has occurred and is continuing, and no Default will be caused after giving effect to this Amendment.

2.5 Both before and after the consummation of the ETC Disposition, the Borrower is in pro forma compliance with Section 6.11 of the Credit Agreement, as provided in the Credit Agreement.

ARTICLE III. CONDITIONS OF EFFECTIVENESS. This Amendment shall become effective as of the date hereof when each of the following conditions is satisfied:

3.1 The Borrower, the other Loan Parties and the Lenders shall have signed this Amendment.

3.2 The Administrative Agent and its counsel shall have received complete copies of all of ETC Disposition Documents, all of which shall be satisfactory to Lender

3.3 The Administrative Agent shall have received such resolutions and certificates of the Loan Parties, such opinions of counsel and such other documents and instruments, in each case as the Administrative Agent may reasonably request.

ARTICLE IV. RELEASE OF COLLATERAL. Upon fulfillment of the conditions set forth in Article III hereof, Administrative Agent's security interests in the ETC Assets, but not any proceeds paid for the ETC Assets or any other Collateral, shall automatically be released. Promptly thereafter, Administrative Agent shall file the UCC-3 financing statements attached hereto as Exhibit A and deliver a letter to Borrower (a copy of which Borrower may provide to the ETC Purchaser) confirming such release.

ARTICLE V. MISCELLANEOUS.

5.1 References in the Credit Agreement or in any other Loan Document to the Credit Agreement shall be deemed to be references to the Credit Agreement as amended hereby and as further amended from time to time.

5.2 Except as expressly amended hereby, the Loan Parties agree that the Credit Agreement and all other Loan Documents are ratified and confirmed, as amended hereby, and shall remain in full force and effect in accordance with their terms and that they have no set off, counterclaim, defense or other claim or dispute with respect to any of the foregoing. Each of the Loan Parties acknowledges and agrees that the Administrative Agent and the Lenders have fully performed all of their obligations under all Loan Documents or otherwise with respect to the Loan Parties, all actions taken by the Administrative Agent and the Lenders are reasonable and appropriate under the circumstances and within their rights under the Loan Documents and they are not aware of any currently existing claims or causes of action against the Administrative Agent or any Lender, any Subsidiary or Affiliate thereof or any of their successors or assigns, and waives any such claims or causes of action of which they are aware. The amendment contained herein shall not be construed as a waiver or amendment of any other provision of the Credit Agreement or the other Loan Documents or for any purpose except as expressly set forth herein.

5.3 Capitalized terms used but not defined herein shall have the respective meanings ascribed thereto in the Credit Agreement. This Amendment is a Loan Document. This Amendment may be signed upon any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument, and telecopied signatures or signatures sent by other electronic imaging shall be effective as originals.

IN WITNESS WHEREOF, the parties signing this Amendment have caused this Amendment to be executed and delivered as of the day and year first above written.

SAGA COMMUNICATIONS, INC.

By: /s/ Samuel D. Bush

Name: Samuel D. Bush

Title: Chief Financial Officer

FRANKLIN COMMUNICATIONS, INC.

SAGA RADIO NETWORKS, LLC

SAGA BROADCASTING, LLC

SAGA COMMUNICATIONS OF NEW ENGLAND, LLC

SAGA COMMUNICATIONS OF ARKANSAS, LLC

SAGA COMMUNICATIONS OF NORTH CAROLINA, LLC

TIDEWATER COMMUNICATIONS, LLC

SAGA COMMUNICATIONS OF ILLINOIS, LLC

SAGA COMMUNICATIONS OF SOUTH DAKOTA, LLC

LAKEFRONT COMMUNICATIONS, LLC

SAGA COMMUNICATIONS OF NEW HAMPSHIRE, LLC

SAGA COMMUNICATIONS OF CHARLOTTESVILLE, LLC

SAGA COMMUNICATIONS OF IOWA, LLC

SAGA QUAD STATES COMMUNICATIONS, LLC

SAGA COMMUNICATIONS OF TUCKESSEE, LLC

SAGA COMMUNICATIONS OF MILWAUKEE, LLC

By: /s/ Samuel D. Bush

Name: Samuel D. Bush

Title: Treasurer

JPMORGAN CHASE BANK, N.A., individually, and as Administrative Agent, Swingline Lender and Issuing Bank

By: /s/ Marc Moses

Name: Marc Moses

Title: Vice President

THE HUNTINGTON NATIONAL BANK

By: /s/ Peter Stasovich

Name: Peter Stasovich

Title: Senior Vice President

By: /s/ Jennifer Pughain
Name: Jennifer Pughain
Title: Vice President

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Section 3: EX-10.(Q) (EXHIBIT 10(Q))

EXHIBIT 10(q)



May 24, 2018

Christopher S. Forgy

Dear Chris:

This Letter of Employment is intended to summarize the terms under which you would agree to serve in the corporate position of Senior Vice President/Operations working out of our Grosse Pointe office. This letter is not intended to serve as an employment contract, nor is it intended to create any contractual obligation by either party. The terms of this agreement are as follows:

1. Beginning May 28, 2018, in consideration for your services, you will be paid an annual base salary of \$285,000 payable bi-weekly in accordance with Saga's current payroll policies.
2. You will be eligible for an annual discretionary bonus of up to \$35,000 as determined by the Company's Compensation Committee based on the Company's performance.
3. You will be given a \$750/monthly car allowance paid bi-weekly in the amount of \$346.15.
4. You will be eligible for continued participation in the Company's 2005 Incentive Compensation Plan, 401k Plan, and Non-Qualified Deferred Compensation Plan as well as the medical, life, disability, dental, vision plans etc. that you are currently enrolled in as part of the Company's benefit plan.
5. You will be eligible to enroll in the Company's executive medical reimbursement plan for senior officers with Benicomp Select. Under this plan, you will submit any eligible out-of-pocket expenses and RX that are not covered by your BlueCross Plan for reimbursement. Such reimbursement will be subject to ordinary payroll tax.
6. You will receive temporary housing for up to 90 days to assist you in this transition.
7. You will also receive reimbursement for reasonable moving expenses for a move by DMS Moving Systems from Columbus, Ohio to Grosse Pointe.
8. You will be reimbursed for up to \$2,000 for other documented out of pocket expenses associated with your move.

If you are in agreement with the terms set forth above, please sign and return this Letter of Employment.

We look forward to having you join the corporate team!

Sincerely,

/s/ Marcia K. Lobaito

Marcia K. Lobaito
Sr. Vice President

Agreed to:

/s/ Chris Forgy
Chris Forgy

5/24/18
Date

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Section 4: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)
AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Edward K. Christian, Chief Executive Officer of Saga Communications, Inc., certify that:

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

Date: August 9, 2018

/s/ Edward K. Christian

Edward K. Christian
Chief Executive Officer

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Section 5: EX-31.2 (EXHIBIT 31.2)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a)
AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS AMENDED**

I, Samuel D. Bush, Chief Financial Officer of Saga Communications, Inc., certify that:

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

Date: August 9, 2018

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

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Section 6: EX-32 (EXHIBIT 32)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Saga Communications, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Edward K. Christian, Chief Executive Officer of the Company,

and Samuel D. Bush, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2018

/s/ Edward K. Christian

Edward K. Christian
Chief Executive Officer

Dated: August 9, 2018

/s/ Samuel D. Bush

Samuel D. Bush
Chief Financial Officer

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