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

Form 10-Q

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

For the Quarterly Period ended March 31, 2017

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)*	**38-3042953** *(I.R.S. Employer Identification No.)*
73 Kercheval Avenue **Grosse Pointe Farms, Michigan** *(Address of principal executive offices)*	**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 þ 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 þ No ☐.

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

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

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

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

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 May 2, 2017 was 5,026,372 and 882,141, respectively.

INDEX

PART I — FINANCIAL INFORMATION

Item 1. *Financial Statements*

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2017 (Unaudited)	December 31, 2016 (Note)
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 30,580	$ 26,640
Accounts receivable, net	19,183	21,660
Prepaid expenses and other current assets	2,802	3,022
Barter transactions	1,952	1,450
Total current assets	54,517	52,772
Property and equipment	157,207	159,968
Less accumulated depreciation	100,888	103,406
Net property and equipment	56,319	56,562
Other assets:		
Broadcast licenses, net	96,229	96,229
Goodwill	7,407	7,407
Other intangibles, deferred costs and investments, net	7,095	7,028
	$ 221,567	$ 219,998
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 2,681	$ 2,377
Payroll and payroll taxes	5,591	7,718
Other accrued expenses	4,878	3,405
Barter transactions	1,916	1,467
Current portion of long-term debt	—	1,078
Total current liabilities	15,066	16,045
Deferred income taxes	30,167	29,741
Long-term debt	36,365	35,287
Other liabilities	3,986	3,943
Total liabilities	85,584	85,016
Commitments and contingencies	—	—
Stockholders' equity:		
Common stock	74	74
Additional paid-in capital	60,128	59,557
Retained earnings	108,902	108,733
Treasury stock	(33,121)	(33,382)
Total stockholders' equity	135,983	134,982
	$ 221,567	$ 219,998

Note: The balance sheet at December 31, 2016 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.

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	2017	2016
	(Unaudited) (In thousands, except per share data)	
Net operating revenue	$ 31,410	$ 32,745
Station operating expenses	25,052	24,685
Corporate general and administrative	2,863	2,717
Other operating expense	10	—
Operating income	3,485	5,343
Interest expense	217	189
Income before income tax expense	3,268	5,154
Income tax expense	1,330	2,130
Net income	$ 1,938	$ 3,024
Earnings per share:		
Basic earnings per share	$ .32	$ 0.52
Diluted earnings per share	$ .32	$ 0.52
Weighted average common shares	6,002	5,751
Weighted average common and common equivalent shares	6,014	5,759
Dividends declared per share	$ 0.30	$ 0.25

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2017	**2016**
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Cash provided by operating activities	$ 5,455	$ 7,190
Cash flows from investing activities:		
Acquisition of property and equipment	(1,439)	(1,010)
Acquisition of broadcast properties	—	(12,483)
Other investing activities	(76)	25
Net cash used in investing activities	(1,515)	(13,468)
Net (decrease) increase in cash and cash equivalents	3,940	(6,278)
Cash and cash equivalents, beginning of period	26,640	21,614
Cash and cash equivalents, end of period	$ 30,580	$ 15,336

See notes to unaudited condensed consolidated financial statements.

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 March 31, 2017 and the results of operations for the three months ended March 31, 2017 and 2016. Results of operations for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

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, 2016.

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of March 31, 2017, for items that should potentially be recognized in these financial statements or discussed within the notes to the financial statements.

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 March 31, 2017	Three Months Ended March 31, 2016
	(In thousands, except per share data)	
Numerator:		
Net income	$ 1,938	$ 3,024
Less: Net income allocated to unvested participating securities	33	56
Net income available to common stockholders	$ 1,905	$ 2,968
Denominator:		
Denominator for basic earnings per share— weighted average shares	6,002	5,751
Effect of dilutive securities:		
Stock options	12	8
Denominator for diluted earnings per share — adjusted weighted-average shares and assumed conversions	6,014	5,759
Basic earnings per share	$ 0.32	$ 0.52
Diluted earnings per share	$ 0.32	$ 0.52

The number of stock options outstanding that had an antidilutive effect on our earnings per share calculation, and therefore have been excluded from diluted earnings per share calculation, was 0 and 0 for the three months ended March 31, 2017 and 2016, respectively. 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.

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 March 31, 2017.

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 ("TBA's") or Local Marketing Agreements ("LMA's") 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 TBA's/LMA's 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 November 2015, the FASB issued Accounting Standards Update No. 2015-17, *"Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes"* ("ASU 2015-17"), which requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. This amendment was adopted on January 1, 2017 on a retrospective basis. As a result we have reclassified approximately $1,022,000 of current deferred tax assets into the noncurrent deferred tax liability line item within the Condensed Consolidated Balance Sheet for the period ended December 31, 2016.

In March 2016, the FASB issued ASU No. 2016-09, *"Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting"* ("ASU 2019-09"), which includes multiple amendments intended to simplify aspects of share-based payment accounting. Amendments to the timing of when excess tax benefits are recognized, minimum statutory withholding requirements, and forfeitures will be applied using a modified retrospective transition method through a cumulative-effect adjustment to equity as of the beginning of the period of adoption. Amendments to the presentation of employee taxes paid on the statement of cash flows when an employer withholds shares to meet the minimum statutory withholding requirement will be applied retrospectively, and amendments requiring the recognition of excess tax benefits and tax deficiencies in the income statement are to be applied prospectively. This amendment was adopted on January 1, 2017 and did not have a material impact on our consolidated financial statements.

Recent Accounting Pronouncements – Not Yet Adopted

In January 2017, the FASB issued ASU 2017-04, "*Intangibles – Goodwill and Other (Topic 350)*" ("ASU 2017-04") which removes step 2 from the goodwill impairment test. Under the new guidance, if a reporting unit's carrying amount exceeds it 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 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 is effective for fiscal years and interim periods beginning after December 15, 2017. The Company is currently evaluating the impact that this standard will have 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 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.

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 standard is effective for the fiscal and interim periods beginning January 1, 2018. The Company has made progress on our analysis of the standard, related evaluation of contracts and potential impacts of this standard on our consolidated financial statements. We have not yet determined if we will apply the new standard using the retrospective or modified retrospective method.

3. Intangible Assets

We evaluate our FCC licenses and goodwill 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.

4. 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 March 31, 2017:

	Common Stock Issued	
	Class A	Class B
	(Shares in thousands)	
Balance, January 1, 2016	6,603	865
Conversion of shares	12	(12)
Issuance of restricted stock	23	25
Balance, December 31, 2016	6,638	878
Balance, March 31, 2017	6,638	878

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 March 31, 2017 we have remaining authorization of $24.2 million for future repurchases of our Class A Common Stock.

5. 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 Acquisition

On January 16, 2017, we entered into an asset purchase agreement to purchase an FM radio station (WCVL) from WUVA, Incorporated, serving the Charlottesville, Virginia market for approximately $1,650,000. Simultaneously, we entered into a TBA to begin operating the station on February 1, 2017. We completed this acquisition on April 18, 2017. This acquisition was financed through funds generated from operations. 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.

2016 Acquisitions

On November 2, 2015, we entered into an agreement to acquire an FM radio station (WLVQ) from Wilks Broadcast - Columbus, LLC, serving the Columbus, Ohio market for approximately $13,791,000, which included $734,000 in accounts receivable and $57,000 in transactional costs. We operated this station under an LMA from November 16, 2015 through our completion of this acquisition on February 3, 2016. This acquisition was financed through funds generated from operations. Management attributes the goodwill recognized in the acquisition to the power of the existing brands in the Columbus, Ohio market as well as the synergies and growth opportunities expected through the combination with the Company's existing stations.

On March 16, 2016 we acquired an FM translator serving the Portland, Maine market for approximately $50,000.

On March 25, 2016 we acquired an FM translator serving the Milwaukee, Wisconsin market for approximately $50,000.

On April 8, 2016 we acquired an FM translator serving the Charlottesville, Virginia market for approximately $100,000.

On April 11, 2016 we acquired an FM translator serving the Clarksville, Tennessee market for approximately $30,000.

On June 3, 2016 we acquired an FM translator serving the Spencer, Iowa market for approximately $35,000.

On August 11, 2016 we acquired two FM translators serving the Bellingham, Washington market for approximately $50,000.

On September 12, 2016 we acquired an FM translator serving the Portland, Maine market for approximately $45,000.

On October 11, 2016 we acquired a FM Translator serving the Bellingham, Washington market for approximately $25,000.

On November 8, 2016 we acquired a FM Translator serving the Des Moines, Iowa market for approximately $25,000.

On November 14, 2016 we acquired a FM Translator serving the Springfield, Illinois market for approximately $23,000.

On December 2, 2016 we acquired a FM Translator serving the Ithaca, New York market for approximately $35,000.

Condensed Consolidated Balance Sheet of 2017 and 2016 Acquisitions:

The following unaudited condensed balance sheets represent the estimated fair value assigned to the related assets and liabilities of the 2016 acquisitions at their respective acquisition dates.

Saga Communications, Inc.

Condensed Consolidated Balance Sheet of 2017 and 2016 Acquisitions

	Acquisitions in	
	2017	**2016**
	(In thousands)	
Assets Acquired:		
Current assets	$ —	$ 814
Property and equipment	—	375
Other assets:		
Broadcast licenses-Radio segment	—	8,123
Broadcast licenses-Television segment	—	—
Goodwill-Radio segment	—	4,533
Goodwill-Television segment	—	—
Other intangibles, deferred costs and investments	—	398
Total other assets	—	13,054
Total assets acquired	—	14,243
Liabilities Assumed:		
Current liabilities	—	41
Total liabilities assumed	—	41
Net assets acquired	$ —	$ 14,202

6. 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 number of shares of Common Stock that may be issued under the Second Restated 2005 Plan may not exceed 280,000 shares of Class B Common Stock, 900,000 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 280,000 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 months ended March 31, 2017 and 2016, respectively.

The following summarizes the stock option transactions for the Second Restated 2005 and 2003 Plans for the three months ended March 31, 2017:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2017	29,035	$ 28.47	0.4	$ 633,834
Outstanding at March 31, 2017	29,035	$ 28.47	0.3	$ 655,610
Exercisable at March 31, 2017	29,035	$ 28.47	0.3	$ 655,610

The following summarizes the restricted stock transactions for the three months ended March 31, 2017:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2017	103,262	$ 43.73
Non-vested and outstanding at March 31, 2017	103,262	$ 43.73

For the three months ended March 31, 2017 and 2016, we had $558,000 and $528,000, 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 months ended March 31, 2017 and 2016 was $223,000 and $211,000, respectively.

7. Long-Term Debt

Long-term debt consisted of the following:

	March 31, 2017	December 31, 2016
	(In thousands)	
Revolving credit facility	$ 35,287	$ 35,287
Secured debt of affiliate	1,078	1,078
	36,365	36,365
Amounts payable within one year	—	1,078
	$ 36,365	$ 35,287

On August 18, 2015, we entered into a new credit facility (the "Credit Facility") with JPMorgan Chase Bank, N.A., The Huntington National Bank, Citizens Bank, National Association and J.P. Morgan Securities LLC. In connection with the execution of the Credit Facility, the credit agreement in place at June 30, 2015 (the "Old Credit Agreement") was terminated, and all outstanding amounts were paid in full. The Credit Facility consists of a $100 million five-year revolving facility (the "Revolving Credit Facility") and matures on August 18, 2020.

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.

Interest rates under the Credit Facility are payable, at our option, at alternatives equal to LIBOR (1.0% at March 31, 2017), 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 March 31, 2017) 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 $65 million of unused borrowing capacity under the Revolving Credit Facility at March 31, 2017.

The loan agreement of approximately $1.1 million of secured debt of an affiliate was amended in April, 2017 to extend the due date of the loan for three years to mature on May 1, 2020.

8. Segment Information

We evaluate the operating performance of our markets individually. For purposes of business segment reporting, we have aligned operations with similar characteristics into two business segments: Radio and Television.

The Radio segment includes twenty-four markets, which includes all one hundred of our radio stations. The Television segment includes two markets and consists of four television stations and five low power television ("LPTV") stations. The Radio and Television segments derive their revenue from the sale of commercial broadcast inventory. The category "Corporate general and administrative" represents the income and expense not allocated to reportable segments.

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended March 31, 2017:				
Net operating revenue	$ 26,155	$ 5,255	$ —	$ 31,410
Station operating expense	21,340	3,712	—	25,052
Corporate general and administrative	—	—	2,863	2,863
Other operating (income) expense, net	(21)	31	—	10
Operating income (loss)	$ 4,836	$ 1,512	$ (2,863)	$ 3,485
Depreciation and amortization	$ 1,358	$ 316	$ 71	$ 1,745
Total assets	$ 160,071	$ 22,565	$ 38,931	$ 221,567

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended March 31, 2016:				
Net operating revenue	$ 27,464	$ 5,281	$ —	$ 32,745
Station operating expense	21,140	3,545	—	24,685
Corporate general and administrative	—	—	2,717	2,717
Other operating (income) expense, net	(3)	3	—	—
Operating income (loss)	$ 6,327	$ 1,733	$ (2,717)	$ 5,343
Depreciation and amortization	$ 1,346	$ 321	$ 69	$ 1,736
Total assets	$ 163,401	$ 23,655	$ 22,671	$ 209,727

9. 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.

10. Dividends

On May 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 will be paid on June 9, 2017 to shareholders of record on May 22, 2017. The aggregate amount of the payment to be made in connection with the quarterly dividend will be approximately $1.8 million. The quarterly cash dividend will be 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 $1.8 million, which is recorded within other accrued expenses as of March 31, 2017, was paid on April 14, 2017 to shareholders of record on March 28, 2017.

On November 21, 2016 the Company's Board of Directors declared a quarterly cash dividend of $0.30 per share and a special cash dividend of $0.20 per share on its Classes A and B shares. This dividend totaling $2.9 million was paid on December 23, 2016 to shareholders of record on December 5, 2016.

On August 30, 2016, 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 $1.8 million was paid on September 30, 2016 to shareholders of record on September 14, 2016.

On June 1, 2016, the Company's Board of Directors declared a regular cash dividend of $0.25 per share on its Classes A and B Common Stock. This dividend, totaling $1.5 million, was paid on July 8, 2016 to shareholders of record on June 15, 2016.

On March 2, 2016, the Company's Board of Directors declared a regular quarterly cash dividend of $0.25 per share on its Classes A and B Common Stock. This dividend, totaling $1.5 million, was paid on April 15, 2016 to shareholders of record on March 28, 2016.

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, 2016. The following discussion is presented on both a consolidated and segment basis. Corporate general and administrative expenses, interest expense, other (income) expense, and income tax expense are managed on a consolidated basis and are reflected only in our discussion of consolidated results.

For purposes of business segment reporting, we have aligned operations with similar characteristics into two business segments: Radio and Television. The Radio segment includes twenty-four markets, which includes all one hundred of our radio stations. The Television segment includes two markets and consists of four television stations and five LPTV stations. The discussion of our operating performance focuses on segment operating income because we manage our segments primarily on operating income. Operating performance is evaluated for each individual market.

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

General

We are a broadcast company primarily engaged in acquiring, developing and operating broadcast properties.

Radio Segment

Our radio segment's primary source of revenue is from the sale of advertising for broadcast on our stations. Depending on the format of a particular radio station, there are a predetermined number of advertisements available to be broadcast each hour.

Most advertising contracts are short-term and generally run for a few weeks only. The majority of our revenue is generated from local advertising, which is sold primarily by each radio markets' sales staff. For the three months ended March 31, 2017 and 2016, approximately 89% and 87%, respectively, of our radio segment's gross revenue was from local advertising. To generate national advertising sales, we engage independent advertising sales representative firms that specialize in national sales for each of our broadcast markets.

Our revenue varies throughout the year. Advertising expenditures, our primary source of revenue, generally have been lowest during the winter months, which include the first quarter of each year. We expect a decrease in political advertising for 2017 due to the decreased number of national, state and local elections in most of our markets as compared to 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, is 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 numerous platforms to allow our listeners and viewers to connect with our products where and when they want. 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 addition, we continue the rollout of HD radio™. HD radio™ utilizes digital technology that provides improved sound quality over standard analog broadcasts and also allows for the delivery of additional channels of diversified programming or data streaming in each radio market.

During the three months ended March 31, 2017 and 2016 and the years ended December 31, 2016 and 2015, our Columbus, Ohio; Des Moines, Iowa; Manchester, New Hampshire; Milwaukee, Wisconsin and Norfolk, Virginia markets, when combined, represented approximately 33%, 35%, 35% and 34%, respectively, of our consolidated net operating revenue. 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:

	Percentage of Consolidated Net Operating Revenue for the Three Months Ended March 31,		**Percentage of Consolidated Net Operating Revenue for the Years Ended December 31,**	
	2017	**2016**	**2016**	**2015**
Market:				
Columbus, Ohio	9%	9%	10%	7%
Des Moines, Iowa	6%	7%	6%	7%
Manchester, New Hampshire	4%	5%	5%	5%
Milwaukee, Wisconsin	10%	10%	10%	10%
Norfolk, Virginia	4%	4%	4%	5%

During the three months ended March 31, 2017 and 2016 and the years ended December 31, 2016 and 2015, the radio stations in our five largest markets when combined, represented approximately 36%, 37%, 37% and 36%, respectively, of our consolidated station operating income. The following tables describe the percentage of our consolidated station operating income represented by each of these markets:

	Percentage of Consolidated Station Operating Income (*) for the Three Months Ended March 31,		Percentage of Consolidated Station Operating Income(*) for the Years Ended December 31,	
	2017	2016	2016	2015
Market:				
Columbus, Ohio	11%	9%	11%	8%
Des Moines, Iowa	6%	7%	5%	6%
Manchester, New Hampshire	5%	8%	7%	7%
Milwaukee, Wisconsin	12%	10%	11%	11%
Norfolk, Virginia	2%	3%	3%	4%

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

Television Segment

Our television segment’s primary source of revenue is from the sale of advertising for broadcast on our stations. The number of advertisements available for broadcast on our television stations is limited by network affiliation and syndicated programming agreements and, with respect to children’s programs, federal regulation. Our television stations’ local market managers determine the number of advertisements to be broadcast in locally produced programs only, which are 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 is based upon population, available television advertising revenue in that particular market, and the popularity of programming being broadcast.

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, 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 strive to maximize revenue by constantly adjusting prices for our commercial spots based upon local market conditions, advertising demands 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 pricing adjustments, which are made to ensure that the station efficiently utilizes available inventory.

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

Most of our revenue is generated from local advertising, which is sold primarily by each television markets' sales staff. For the three months ended March 31, 2017 and 2016, approximately 83% and 81%, respectively of our television segment's gross revenue was from local advertising. To generate national advertising sales, we engage 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. We expect a decrease in political advertising for 2017 due to the decreased number of national, state and local elections in most of our markets as compared to the prior year.

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

Our television market in Joplin, Missouri represented approximately 11%, 10%, 11% and 10%, respectively, of our net operating revenues, and approximately 17%, 14%, 16% and 13%, respectively, of our consolidated station operating income (operating income plus corporate general and administrative expenses, depreciation and amortization, other operating (income) expenses, and impairment of intangible assets.) for the three months ended March 31, 2017 and 2016 and the years ended December 31, 2016 and 2015.

Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Results of Operations

The following tables summarize our results of operations for the three months ended March 31, 2017 and 2016.

Consolidated Results of Operations

	Three Months Ended March 31,		$ Increase	% Increase
	2017	2016	(Decrease)	(Decrease)
	(In thousands, except percentages and per share information)			
Net operating revenue	$ 31,410	$ 32,745	$ (1,335)	(4.1)%
Station operating expense	25,052	24,685	367	1.5%
Corporate general and administrative	2,863	2,717	146	5.4%
Other operating (income) expense, net	10	—	10	N/M
Operating income	3,485	5,343	(1,858)	(34.8)%
Interest expense	217	189	28	14.8%
Income before income tax expense	3,268	5,154	(1,886)	(36.6)%
Income tax expense	1,330	2,130	(800)	(37.6)%
Net income	$ 1,938	$ 3,024	$ (1,086)	(35.9)%
Earnings per share (diluted)	$ 0.32	$ 0.52	$ (0.20)	(38.5)%

Radio Broadcasting Segment

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$ 26,155	$ 27,464	$ (1,309)	(4.8)%
Station operating expense	21,340	21,140	200	1.0%
Other operating income	(21)	(3)	(18)	N/M
Operating income	$ 4,836	$ 6,327	$ (1,491)	(23.6)%

Television Broadcasting Segment

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$ 5,255	$ 5,281	$ (26)	(0.5)%
Station operating expense	3,712	3,545	167	4.7%
Other operating expense	31	3	28	N/M
Operating income	$ 1,512	$ 1,733	$ (221)	(12.8)%

N/M = Not Meaningful

Reconciliation of segment operating income to consolidated operating income:

	Radio	Television	Corporate and Other	Consolidated
	(In thousands)			
Three Months Ended March 31, 2017:				
Net operating revenue	$ 26,155	$ 5,255	$ —	$ 31,410
Station operating expense	21,340	3,712	—	25,052
Corporate general and administrative	—	—	2,863	2,863
Other operating (income) expense, net	(21)	31	—	10
Operating income (loss)	$ 4,836	$ 1,512	$ (2,863)	$ 3,485

	Radio	Television	Corporate and Other	Consolidated
	(In thousands)			
Three Months Ended March 31, 2016:				
Net operating revenue	$ 27,464	$ 5,281	$ —	$ 32,745
Station operating expense	21,140	3,545	—	24,685
Corporate general and administrative	—	—	2,717	2,717
Other operating (income) expense, net	(3)	3	—	—
Operating income (loss)	$ 6,327	$ 1,733	$ (2,717)	$ 5,343

Consolidated

For the three months ended March 31, 2017, consolidated net operating revenue was $31,410,000 compared with $32,745,000 for the three months ended March 31, 2016, a decrease of $1,335,000 or 4.1%. We had an increase of approximately $47,000 attributable to stations that we did not own or operate for the entire comparable period offset by a decrease of $1,382,000 or 4.2% generated by stations we owned or operated for the comparable period in 2016 ("same station"). The decrease in same station revenue was due to decreases in gross political revenue, and gross national revenue of $1,252,000, and $95,000, respectively, from the first quarter of 2016. The decrease in gross political revenue was due to a lower number of national, state and local elections in most of our markets. The decrease in gross national revenue was primarily attributable to a decrease in our Yankton, South Dakota market.

Station operating expense was $25,052,000 for the three months ended March 31, 2017, compared with $24,685,000 for the three months ended March 31, 2016, an increase of $367,000 or 1.5%. We had an increase of approximately $56,000 attributable to stations that we did not own or operate for the entire comparable period and an increase of $311,000 or 1.3% on a same station basis. The increase in same station operating expense was primarily a result of an increase in health care costs of $547,000 partially offset by decreases of $195,000 in sales surveys and $57,000 in bad debt expense.

Operating income for the three months ended March 31, 2017 was $3,485,000 compared to $5,343,000 for the three months ended March 31, 2016, a decrease of $1,858,000 or 34.8%. The decrease was a result of the decrease in net operating revenue and the increase in station operating expense, noted above and an increase in corporate general and administrative expenses of $146,000 and an increase in other operating expenses of $10,000. The $146,000 increase in corporate general and administrative expenses was primarily attributable to an increase of $95,000 in key man life insurance related costs and an increase of $49,000 in healthcare costs.

We generated net income of $1,938,000 ($.32 per share on a fully diluted basis) during the three months ended March 31, 2017, compared to $3,024,000 ($.52 per share on a fully diluted basis) for the three months ended March 31, 2016, a decrease of $1,086,000 or 35.9%. We had a decrease in operating income of $1,858,000, as described above, and an increase in interest expense of $28,000 partially offset by a decrease in income taxes of $800,000. The increase in interest expense was primarily attributable an increase in interest rates. The decrease in income taxes was attributable to the decrease in income before income tax expense of $1,886,000.

Radio Segment

For the three months ended March 31, 2017, net operating revenue of the radio segment was $26,155,000 compared with $27,464,000 for the three months ended March 31, 2016, which represents a decrease of $1,309,000 or 4.8%. We had an increase of approximately $47,000 attributable to stations that we did not own or operate for the entire comparable period offset by a decrease of $1,356,000 or 4.9% on a same station basis. The decrease in same station revenue was due to decreases in gross political revenue, and gross local revenue of $1,190,000, and $178,000, respectively, from the first quarter of 2016. The decrease in gross political revenue was due to a lower number of national, state and local elections in most of our markets. The decrease in gross local revenue was primarily attributable to a decrease in our Columbus, Ohio market.

Station operating expense for the radio segment was $21,340,000 for the three months ended March 31, 2017, compared with $21,140,000 for the three months ended March 31, 2016, an increase of $200,000 or 1.0%. We had an increase of approximately $56,000 attributable to stations that we did not own or operate for the entire comparable period and an increase of $144,000 or 0.7% on a same station basis. The increase in same station operating expense was primarily a result of an increases in health care costs of $451,000 and music licensing fees of $117,000, partially offset by decreases of $193,000 in sales surveys, $81,000 in bad debt expense and $66,000 in national commissions attributable to the decrease in political revenue.

Operating income in the radio segment decreased $1,491,000 to $4,836,000 for the three months ended March 31, 2017, from $6,327,000 for the three months ended March 31, 2016. The decrease was a result of the decrease in net operating revenue and an increase in station operating expense as described above and a decrease in other operating income of $18,000.

Television Segment

For the three months ended March 31, 2017, net operating revenue of our television segment was $5,255,000 compared with $5,281,000 for the three months ended March 31, 2016, a decrease of $26,000 or 0.5% which was primarily attributable to an increase in gross retransmission revenue of $106,000 partially offset by a decrease in gross political revenue of $62,000 due to a lower number of national, state and local elections in our Joplin, Missouri market.

Station operating expense in the television segment for the three months ended March 31, 2017 was $3,712,000, compared with $3,545,000 for the three months ended March 31, 2016, an increase of $167,000 or 4.7%. The increase in expenses related to increases in health care costs and program rental of $96,000 and $57,000, respectively.

Operating income in the television segment for the three months ended March 31, 2017 was $1,512,000 compared with $1,733,000 for the three months ended March 31, 2016, a decrease of $221,000 or 12.8%. The decrease was a direct result of the decrease in net operating revenue and the increase in station operating expenses described above and an increase in other operating expense of $28,000.

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 2017 and beyond to differ materially from those expressed in any forward-looking statements made by or on our behalf. Forward-looking statements are not guarantees of future performance as they involve a number of risks, uncertainties and assumptions that may prove to be incorrect and that may cause our actual results and experiences to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks, uncertainties and assumptions that may affect our performance 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, 2016.

Liquidity and Capital Resources

Debt Arrangements and Debt Service Requirements

On August 18, 2015, we entered into a new credit facility (the "Credit Facility") with JPMorgan Chase Bank, N.A., The Huntington National Bank, Citizens Bank, National Association and J.P. Morgan Securities LLC. In connection with the execution of the Credit Facility, the credit agreement in place at June 30, 2015 (the "Old Credit Agreement") was terminated, and all outstanding amounts were paid in full. The Credit Facility consists of a $100 million five-year revolving facility (the "Revolving Credit Facility") and matures on August 18, 2020.

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.

Interest rates under the Credit Facility are payable, at our option, at alternatives equal to LIBOR (1.0% at March 31, 2017), 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 March 31, 2017) 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 $65 million of unused borrowing capacity under the Revolving Credit Facility at March 31, 2017.

In 2003, we entered into an agreement of understanding with Surtsey Media whereby we have guaranteed up to $1,250,000 of the debt incurred in closing the acquisition of a construction permit for KFJX-TV station in Pittsburg, Kansas, a full power Fox affiliate serving Joplin, Missouri. At March 31, 2017, there was $1,078,000 of debt outstanding under this agreement. The loan agreement was amended in April, 2017 to extend the due date of the loan for three years to mature on May 1, 2020. We do not have any recourse provision in connection with our guarantee that would enable us to recover any amounts paid under the guarantee. As a result, at March 31, 2017, we have recorded $1,078,000 in debt and $1,000,000 in intangible assets, primarily broadcast licenses. In consideration for the guarantee, Surtsey Media entered into various agreements with us relating to the stations.

Sources and Uses of Cash

During the three months ended March 31, 2017 and 2016, we had net cash flows from operating activities of $5,455,000 and $7,190,000, 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.

Our capital expenditures, exclusive of acquisitions, for the three months ended March 31, 2017 were $1,439,000 ($1,010,000 in 2016). We anticipate capital expenditures in 2017 to be approximately $5 - $5.5 million, which we expect to finance through funds generated from operations.

On May 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 will be paid on June 9, 2017 to shareholders of record on May 22, 2017. The aggregate amount of the payment to be made in connection with the quarterly dividend will be approximately $1.8 million. The quarterly cash dividend will be 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 $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.

On January 16, 2017, we entered into an asset purchase agreement to purchase an FM radio station (WCVL) from WUVA, Incorporated, serving the Charlottesville, Virginia market for approximately $1,650,000. Simultaneously, we entered into a TBA to begin operating the station on February 1, 2017. We completed this acquisition on April 18, 2017. This acquisition was financed through funds generated from operations.

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

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

Summary Disclosures About Contractual Obligations 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 and Commercial Commitments" in our Annual Report on Form 10-K for the year ended December 31, 2016.

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" 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, 2016 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2016 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 March 31, 2017, 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 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 March 31, 2017. There were no shares repurchased during the quarter.

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)
January 1 — January 31, 2017	—	$ —	—	$ 24,179,130
February 1 — February 28, 2017	—	$ —	—	$ 24,179,130
March 1 — March 31, 2017	—	$ —	—	$ 24,179,130
Total	—	$ —	—	$ 24,179,130

(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 Buy-Back Program from $60 million to approximately $75.8 million.

Item 6. Exhibits

31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial 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.
32	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.
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: May 4, 2017	/s/ SAMUEL D. BUSH
	Samuel D. Bush
	Senior Vice President and Chief Financial Officer
	(Principal Financial Officer)
Date: May 4, 2017	/s/ CATHERINE A. BOBINSKI
	Catherine A. Bobinski
	Senior Vice President, Chief Accounting Officer and Corporate Controller
	(Principal Accounting Officer)

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: May 4, 2017

/s/ Edward K. Christian
Edward K. Christian
Chief Executive Officer

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: May 4, 2017

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

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 March 31, 2016 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: May 4, 2017	/s/ Edward K. Christian Edward K. Christian Chief Executive Officer
Dated: May 4, 2017	/s/ Samuel D. Bush Samuel D. Bush Chief Financial Officer