EMMIS COMMUNICATIONS CORP
Form 10-K
May 10, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)
ý Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934
for the Fiscal Year Ended February 28, 2018

¨ Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934
for the Transition Period from to .

EMMIS COMMUNICATIONS CORPORATION
(Exact name of registrant as specified in its charter)
INDIANA
(State of incorporation or organization)
0-23264
(Commission file number)
35-1542018
(I.R.S. Employer Identification No.)
ONE EMMIS PLAZA
40 MONUMENT CIRCLE
SUITE 700
INDIANAPOLIS, INDIANA 46204
(Address of principal executive offices)
(317) 266-0100
(Registrant's Telephone Number, Including Area Code)
SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: Class A common stock, $.01 par value of Emmis Communications Corporation
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No ý
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
Indicate by check mark whether the registrant (1) has filed all documents and reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý 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 ý No ¨

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," and "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	ý
		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 pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No ý
The aggregate market value of the voting stock held by non-affiliates of the registrant, as of August 31, 2017, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately $26,989,000.
The number of shares outstanding of each of Emmis Communications Corporation's classes of common stock, as of May 4, 2018, was:
11,654,111 Class A Common Shares, $.01 par value
1,242,366 Class B Common Shares, $.01 par value
0 Class C Common Shares, $.01 par value
DOCUMENTS INCORPORATED BY REFERENCE

Documents	Form 10-K Reference
Proxy Statement for 2018 Annual Meeting of Shareholders expected to be filed within 120 days	Part III

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CERTAIN DEFINITIONS

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

FORWARD-LOOKING STATEMENTS

This report includes or incorporates forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. You can identify these forward-looking statements by our use of words such as “intend,” “plan,” “may,” “will,” “project,” “estimate,” “anticipate,” “believe,” “expect,” “continue,” “potential,” “opportunity” expressions, whether in the negative or affirmative. We cannot guarantee that we will achieve these plans, intentions or expectations. All statements regarding our expected financial position, business and financing plans are forward-looking statements.

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

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

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PART I

ITEM 1. BUSINESS.

GENERAL

We are a diversified media company, principally focused on radio broadcasting. Emmis owns 11 FM and 3 AM radio stations in New York, Indianapolis, and Austin (Emmis has a 50.1% controlling interest in Emmis' radio stations located there). One of the FM radio stations that Emmis currently owns in New York is operated pursuant to a Local Marketing Agreement ("LMA") whereby a third party provides the programming for the station and sells all advertising within that programming. On April 30, 2018, we sold our four radio stations in St. Louis. These stations were being operated pursuant to LMAs, which commenced on March 1, 2018 and remained in effect until the stations were sold. Emmis also developed and licenses TagStation®, a cloud-based software platform that allows a broadcaster to manage album art, meta data and enhanced advertising on its various broadcasts, developed NextRadio®, a smartphone application that marries over-the-air FM radio broadcasts with visual and interactive features on smartphones, and has introduced the Dial Report™ to give radio advertising buyers and sellers big data analytics derived from a nationwide radio station network, smartphone usage, location-based data, listening data, and demographic and behavioral attributes.

In addition to our radio properties, we also publish Indianapolis Monthly and operate Digonex Technologies, Inc. ("Digonex"), a dynamic pricing business.

BUSINESS STRATEGY

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

Develop unique and compelling content and strong local brands

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

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

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

Deliver results to advertisers

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

Extend sales efforts into new market segments

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

Enhance the efficiency of our operations

We believe it is essential that we operate our businesses as efficiently as possible. We regularly review our business operations and reduce costs or realign resources as necessary. We have also invested in common technology platforms across all of our radio stations to help further standardize our business processes.

Effectively deploy technology to enhance the value of our media assets

We continue to seek innovative ways to combine or enhance our scalable, low cost radio distribution system with digital systems like HD Radio® and wireless broadband, as well as to enhance radio's future through advances like TagStation, NextRadio and the Dial Report.

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Pursue new businesses that display better growth characteristics
Advertising revenues in our radio and magazine businesses remain under heavy pressure by new forms of digital media. We are experiencing steady declines in our advertising revenues, partially offset by the growth we have been able to generate from our events and digital initiatives. In recent years, we have been divesting of radio stations and magazines to repay our indebtedness and reduce our exposure to these businesses. We intend to continue to explore diversification of our business and seek to acquire new businesses that have better prospects for growth where we can apply our sales and marketing expertise to accelerate that growth.

RADIO STATIONS
In the following table, "Market Rank by Revenue" is the ranking of the market revenue size of the principal radio market served by our stations among all radio markets in the United States. Market revenue rankings are from BIA/Kelsey's Media Access Pro database as of February 14, 2018. "Ranking in Primary Demographic Target" is the ranking of the station within its designated primary demographic target among all radio stations in its market based on the March 2018 Nielsen Audio, Inc. ("Nielsen") Portable People Meter results. A "t" indicates the station tied with another station for the stated ranking. "Station Audience Share" represents a percentage generally computed by dividing the average number of persons in the primary demographic listening to a particular station during specified time periods by the average number of such persons in the primary demographic for all stations in the market area as determined by Nielsen.

STATION AND MARKET	MARKET RANK BY REVENUE	FORMAT	PRIMARY DEMOGRAPHIC TARGET AGES	RANKING IN PRIMARY DEMOGRAPHIC TARGET	STATION AUDIENCE SHARE
New York, NY [1]	2				
WQHT-FM		Hip-Hop	18-34	3	7.3
WBLS-FM		Urban Adult Contemporary	25-54	4	5.4
WLIB-AM		Urban Gospel	25-54	34t	0.5
Austin, TX	31				
KLBJ-AM		News/Talk	25-54	12	3.3
KLZT-FM		Mexican Regional	18-34	2	7.1
KBPA-FM		Adult Hits	25-54	1	9.1
KLBJ-FM		Album Oriented Rock	25-54	9	4.6
KGSR-FM		Adult Album Alternative	25-54	18t	1.4
KROX-FM		Alternative Rock	18-34	6t	6.1
Indianapolis, IN	37				
WFNI-AM		Sports Talk	25-54	17	2.0
WYXB-FM		Soft Adult Contemporary	25-54	2	7.9
WLHK-FM		Country	25-54	6	6.2
WIBC-FM		News/Talk	35-64	7	5.4

[1] Our fourth owned station in New York, WEPN-FM, is being operated pursuant to an LMA. Under the terms of the LMA, New York AM Radio LLC, a subsidiary of Disney Enterprises, Inc., provides the programming for the station and sells all advertising within that programming. Emmis continues to own and operate WEPN-FM.
In addition to our other radio broadcasting operations, we own and operate Network Indiana, a radio network that provides news and other programming to approximately 70 affiliated radio stations in Indiana.
NEW TECHNOLOGIES
We believe that the growth of new technologies present not only a challenge, but an opportunity for broadcasters and publishers. The primary challenge is increased competition for the time and attention of our listeners and readers. The opportunity is to further enhance the relationships we already have with our listeners and readers by expanding products and services offered by our radio stations and Indianapolis Monthly and to increase distribution to portable devices like smartphones and tablets.

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COMMUNITY INVOLVEMENT

We believe that to be successful, we must be integrally involved in the communities we serve. We see ourselves as community partners. To that end, each of our radio stations and Indianapolis Monthly participate in many community programs, fundraisers and activities that benefit a wide variety of causes. Charitable organizations that have been the beneficiaries of our contributions, marathons, walkathons, concerts, fairs and festivals include, among others, The Salvation Army, Wish for Heroes, Habitat for Humanity, United Way, Juvenile Diabetes Research Foundation, Make-A-Wish Foundation, March of Dimes, American Red Cross, St. Jude, and the Harlem Chamber of Commerce. The National Association of Broadcasters Education Foundation ("NABEF") has honored us with the Hubbard Award, honoring a broadcaster "for extraordinary involvement in serving the community." Emmis was the second broadcaster to receive this prestigious honor, after the Hubbard family, for which the award is named. The NABEF also recognized Emmis' WQHT-FM in New York for its outreach after Hurricane Sandy, both for the news coverage it provided and the relief efforts it organized in the weeks after the storm. WIBC-FM was nominated for a national Crystal Award from the National Association of Broadcasters for our efforts in the community in 2014 and in 2016 and WBLS-FM won a national Crystal Award in 2017. Also, our chief executive officer received the 2017 Michael A. Carroll award, a prestigious award given by the Indianapolis Business Journal to a person who has worked to improve the central Indiana community.

INDUSTRY INVOLVEMENT

We have an active leadership role in a wide range of industry organizations. Our senior managers have served in various capacities with industry associations, including as directors of the National Association of Broadcasters, the Radio Advertising Bureau, the Radio Futures Committee, the Nielsen Audio Advisory Council, the Media Financial Management Association, the City and Regional Magazine Association and as founding members of the Magazine Publishers of America. Our chief executive officer has been honored with the National Association of Broadcasters' "National Radio Award," was named Radio Ink's "Radio Executive of the Year," and was recently named the 2017 recipient of the Broadcasters Foundation of America's "Lowry Mays Excellence in Broadcasting Award." Our management and on-air personalities have won numerous industry awards.

COMPETITION

Radio broadcasting stations compete with the other broadcasting stations in their respective market areas, as well as with other advertising media such as newspapers, cable, magazines, outdoor advertising, transit advertising, the Internet, satellite radio, direct marketing and mobile and wireless device marketing. Competition within the broadcasting industry occurs primarily in individual market areas, so that a station in one market (e.g., New York) does not generally compete with stations in other markets (e.g., Austin). In each of our markets, our stations face competition from other stations with substantial financial resources, including stations targeting the same demographic groups. In addition to management experience, factors that are material to competitive position include the station's rank in its market in terms of the number of listeners, authorized power, assigned frequency, audience characteristics, local program acceptance and the number and characteristics of other stations in the market area. We attempt to improve our competitive position with programming and promotional campaigns aimed at the demographic groups targeted by our stations. We also seek to improve our position through sales efforts designed to attract advertisers that have done little or no radio advertising by emphasizing the effectiveness of radio advertising in increasing the advertisers' revenues. The policies and rules of the Federal Communications Commission (the "FCC") permit certain joint ownership and joint operation of local stations. Most of our radio stations take advantage of these joint arrangements in an effort to lower operating costs and to offer advertisers more attractive rates and services. Although we believe that each of our stations can compete effectively in its market, there can be no assurance that any of our stations will be able to maintain or increase its current audience ratings or advertising revenue market share. Although the broadcasting industry is highly competitive, barriers to entry exist. The operation of a broadcasting station in the United States requires a license from the FCC. Also, the number of stations that can operate in a given market is limited by the availability of the frequencies that the FCC will license in that market, as well as by the FCC's multiple ownership rules regulating the number of stations that may be owned or controlled by a single entity, and cross ownership rules which limit the types of media properties in any given market that can be owned by the same person or company.

ADVERTISING SALES

Our stations derive their advertising revenue from local and regional advertising in the marketplaces in which they operate, as well as from the sale of national advertising. Local and most regional sales are made by a station's or magazine's sales staff. National sales are made by firms specializing in such sales, which are compensated on a commission-only basis. We believe that the volume of national advertising revenue tends to adjust to shifts in a station's audience share position more rapidly than does the volume of local and regional advertising revenue. During the year ended February 28, 2018, approximately 17% of our total advertising revenues were derived from national sales, and 83% were derived from local sales.

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EMPLOYEES

As of February 28, 2018, Emmis had approximately 380 full-time employees and approximately 240 part-time employees. Approximately 30 employees are represented by unions at our various radio stations. We consider relations with our employees to be good.

INTERNET ADDRESS AND INTERNET ACCESS TO SEC REPORTS

Our Internet address is www.emmis.com. Through our Internet website, free of charge, you may obtain copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports will be available the same day we electronically file such material with, or furnish such material to, the SEC. We have been making such reports available on the same day they are filed during the period covered by this report.

FEDERAL REGULATION OF BROADCASTING

Radio broadcasting in the United States is subject to the jurisdiction of the FCC under the Communications Act of 1934 (the "Communications Act"), as amended in part by the Telecommunications Act of 1996 (the "1996 Act"). Radio broadcasting is prohibited except in accordance with a license issued by the FCC upon a finding that the public interest, convenience and necessity would be served by the grant of such license. The FCC has the power to revoke licenses for, among other things, false statements made in applications or willful or repeated violations of the Communications Act or of FCC rules. In general, the Communications Act provides that the FCC shall allocate broadcast licenses for radio stations in such a manner as will provide a fair, efficient and equitable distribution of service throughout the United States. The FCC determines the operating frequency, location and power of stations; regulates the equipment used by stations; and regulates numerous other areas of radio broadcasting pursuant to rules, regulations and policies adopted under authority of the Communications Act. The Communications Act, among other things, prohibits the assignment of a broadcast license or the transfer of control of an entity holding such a license without the prior approval of the FCC. Under the Communications Act, the FCC also regulates certain aspects of media that compete with broadcast stations.

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

LICENSE RENEWAL. Radio stations operate pursuant to broadcast licenses that are ordinarily granted by the FCC for maximum terms of eight years and are subject to renewal upon approval by the FCC. The following table sets forth our FCC license expiration dates in addition to the call letters, license classification, antenna elevation above average terrain (for our FM stations only), power and frequency of all owned stations as of May 10, 2018:

Radio Market	Stations	City of License	Frequency	Expiration Date of License[1]	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts)
New York, NY	WQHT-FM	New York, NY	97.1	June 2022	B	1,339	6.7
	WBLS-FM	New York, NY	107.5	June 2022	B	1,362	4.2
	WLIB-AM	New York, NY	1190	June 2022	B	N/A	10 D / 30 N
	WEPN-FM	New York, NY	98.7	June 2022	B	1,362	6
Austin, TX	KBPA-FM	San Marcos, TX	103.5	August 2021	C0	1,257	100
	KGSR-FM	Cedar Park, TX	93.3	August 2021	C	1,926	100
	KLZT-FM	Bastrop, TX	107.1	August 2021	C2	499	49
	KLBJ-AM	Austin, TX	590	August 2021	B	N/A	5 D / 1 N
	KLBJ-FM	Austin, TX	93.7	August 2021	C	1,050	97

	KROX-FM	Buda, TX	101.5	August 2021	C2	847	12.5
Indianapolis, IN	WFNI-AM	Indianapolis, IN	1070	August 2020	B	N/A	50 D / 10 N
	WLHK-FM	Shelbyville, IN	97.1	August 2020	B	732	23
	WIBC-FM	Indianapolis, IN	93.1	August 2020	B	991	13.5
	WYXB-FM	Indianapolis, IN	105.7	August 2020	B	492	50

[1] Under the Communications Act, a license expiration date is extended automatically pending action on the renewal application.

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

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

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

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

Despite several such reviews and appellate remands, the FCC's rules limiting the number of radio stations that may be commonly owned in a local market have remained largely intact since their initial adoption following the 1996 Act. The FCC's previous ownership reviews have been subject to litigation. The most recent court decision was issued by the Third Circuit in May 2016 and concerned the FCC's then-pending 2010 and 2014 reviews. In August 2016, the FCC concluded its 2010 and 2014 reviews, deciding to retain the local radio ownership rule as well as several other media ownership rules, without significant alteration. Various parties appealed the FCC's August 2016 order, and other parties filed petitions for reconsideration. In November 2017, the FCC issued a decision on reconsideration of the August 2016 Order which, while making only a minor change to the local radio ownership rule (discussed below), eliminated the restrictions on newspaper/broadcast cross-ownership and radio/television cross-ownership and relaxed the local television ownership rule. Several parties have jointly appealed the FCC's November 2017 order, and their appeal remains pending. The FCC is required to initiate another quadrennial review proceeding in 2018. We cannot predict whether the appeal or forthcoming review proceeding will result in modifications of the ownership rules or the impact (if any) that such modifications would have on our business.

The discussion below reviews the pertinent ownership rules currently in effect as a result of the FCC's August 2016 and November 2017 orders.

Local Radio Ownership:

The local radio ownership rule limits the number of commercial radio stations that may be owned by one entity in a given radio market based on the number of radio stations in that market:

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

Each of the markets in which our radio stations are located has at least 30 radio stations.

For purposes of applying these numerical limits, the FCC has also adopted rules with respect to (i) so-called local marketing agreements, or "LMAs," by which the licensee of one radio station provides programming for another licensee's radio station in the same market and sells all of the advertising within that programming and (ii) so-called joint sale agreements, or "JSAs," by which the licensee of one station sells the advertising time on another station in the market. Under these rules, an entity that owns one or more radio stations in a market and programs more than 15% of

the broadcast time, or sells more than 15% of the advertising time, on another radio station in the same market pursuant to an LMA or JSA is generally required to count the station toward its media ownership limits even though it does not own the station. As a result, in a market where we own one or more radio stations, we generally cannot provide programming to another station under an LMA, or sell advertising on another station pursuant to a JSA, if we could not acquire that station under the local radio ownership rule. In its August 2016 order, the FCC declined to make other types of agreements such as “shared services agreements” (or “SSAs”) and/or “local news service” agreements, attributable, and adopted a disclosure requirement for SSAs between commercial television stations.

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On April 26, 2012, a subsidiary of Emmis entered into an LMA with New York AM Radio, LLC pursuant to which, commencing April 30, 2012, it began purchasing from Emmis the right to provide programming on radio station WEPN-FM, 98.7 FM, New York, NY until August 31, 2024, subject to certain conditions. Disney Enterprises, Inc., the parent company of New York AM Radio, LLC, has guaranteed the obligations under the LMA. Emmis' subsidiary will retain ownership of the 98.7 FM FCC license during the term of the LMA and received an annual fee of $8.4 million for the first year of the term under the LMA, which fee increases by 3.5% each year thereafter until the LMA's termination.

Although the FCC's quadrennial review decisions have not changed the numerical caps under the local radio rule, the FCC adjusted the rule in June 2003 by deciding that both commercial and noncommercial stations could be counted in determining the number of stations in a radio market. The decision also altered the definition of the relevant local market for purposes of the rule. The FCC "grandfathered" existing station "clusters" not in compliance with the numerical caps as calculated pursuant to the new market definition, but provided that they could be sold intact only to small businesses meeting certain requirements. In December 2007, the FCC expanded this policy to allow an owner to sell a grandfathered station cluster to any buyer, so long as the buyer committed to file, within 12 months, an application with the FCC to transfer the excess station(s) to an eligible small business or to a trust for ultimate sale to such an entity. Although the Third Circuit vacated the FCC's selected definition of small businesses eligible to purchase clusters that exceed the numerical limits in 2011, the FCC reinstated that definition in its August 2016 order. The change in market definition appears to impact the Austin, Texas market, such that we exceed the numerical cap for FM stations. If we chose to sell our Austin cluster of stations and we were not able to obtain a waiver from the current ownership regulations, we would likely have to "spin off" one FM station to a separate buyer or to transfer the cluster to an entity meeting the FCC's small business definition, and such a spin off would require the consent of our minority partner. In the November 2017 Order, the FCC adopted a presumptive waiver standard for so called "embedded markets" (i.e., smaller markets, as defined by Nielsen Audio, that are included in a larger parent market), and pledged to reexamine its approach to embedded markets in the 2018 quadrennial review.

Cross-Media Ownership:

Prior to the November 2017 Order, the FCC's rules generally restricted the common ownership of (1) certain combinations of radio and television stations and (2) a daily newspaper and a radio or television station in the same local market. The November 2017 Order, which has, as noted above, been appealed, eliminated these restrictions.

ATTRIBUTION OF OWNERSHIP INTERESTS. In applying its ownership rules, the FCC has developed specific criteria that it uses to determine whether a certain ownership interest or other relationship with an FCC licensee is significant enough to be "attributable" or "cognizable" under its rules. Specifically, among other relationships, certain stockholders, officers and directors of a broadcasting company are deemed to have an attributable interest in the licenses held by that company, such that there would be a violation of the FCC's rules where the broadcasting company and such a stockholder, officer or director together hold attributable interests in more than the permitted number of stations or a prohibited combination of outlets in the same market. The FCC's regulations generally deem the following relationships and interests to be attributable for purposes of its ownership restrictions:

- all officer and director positions in a licensee or its direct/indirect parent(s);
- voting stock interests of at least 5% (or 20%, if the holder is a passive institutional investor, i.e., a mutual fund, insurance company or bank);
- any equity interest in a limited partnership or limited liability company where the limited partner or member has not been "insulated" from the media-related activities of the LP or LLC pursuant to specific FCC criteria;
- equity and/or debt interests which, in the aggregate, exceed 33% of the total asset value of a station or other media entity (the "equity/debt plus policy"), if the interest holder supplies more than 15% of the station's total weekly programming (usually pursuant to a time brokerage, local marketing or network affiliation agreement) or is a same-market media entity (i.e., broadcast company or newspaper). In December 2007, the FCC increased these limits under certain circumstances where the equity and/or debt interests are in a small business meeting certain requirements. Although the Third Circuit vacated the FCC's selected definition of small businesses eligible to take advantage of these increased limits in 2011, the FCC reinstated that definition in its August 2016 order.

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

Under existing FCC policy, in the case of corporations having a “single majority shareholder,” the interests of minority shareholders are generally not deemed attributable. Because Jeffrey H. Smulyan’s voting interest in the Company currently exceeds 50%, this exemption appears to apply to the Company. Elimination of the exemption is, however, under consideration by the FCC. If the exemption is eliminated, or if Mr. Smulyan’s voting interest falls to or below 50%, then the interests of any minority shareholders that meet or exceed the thresholds described above would become attributable and would be combined with the Company’s interests for purposes of determining compliance with FCC ownership rules.

Ownership-rule conflicts arising as a result of aggregating the media interests of the Company and its attributable shareholders could require divestitures by either the Company or the affected shareholders. Any such conflicts could result in Emmis being unable to obtain FCC consents necessary for future acquisitions. Conversely, Emmis' media interests could operate to restrict other media investments by shareholders having or acquiring an interest in Emmis.
ALIEN OWNERSHIP. Under the Communications Act, no FCC license may be held by a corporation if more than one-fifth of its capital stock is owned or voted by aliens or their representatives, a foreign government or representative thereof, or an entity organized under the laws of a foreign country (collectively, “Non-U.S. Persons”). Furthermore, the Communications Act provides that no FCC license may be granted to an entity directly or indirectly controlled by another entity of which more than one-fourth of its capital stock is owned or voted by Non-U.S. Persons if the FCC finds that the public interest will be served by the denial of such license. The FCC staff had interpreted this provision to require an affirmative public interest finding to permit the grant or holding of a license, and had made such a finding only in limited circumstances. In November 2013 the FCC clarified that it would accept requests to allow foreign investment above 25% in broadcast holding companies, and that it would evaluate those requests on a case-by-case basis to determine whether the requesting party had provided a sufficient public interest showing. In September 2016, the FCC adopted rules to simplify and streamline the process for requesting authority to exceed the 25% indirect foreign ownership limit in broadcast licensees and revised the methodology that publicly traded broadcasters must use to assess their compliance with the foreign ownership restrictions. The foregoing restrictions on alien ownership apply in modified form to other types of business organizations, including partnerships and limited liability companies. In addition, an LMA with a foreign owned company is not prohibited as long as the non-foreign holder of the FCC license continues to control and operate the station. Our Second Amended and Restated Articles of Incorporation and Second Amended and Restated Code of By-Laws authorize the Board of Directors to prohibit such restricted alien ownership, voting or transfer of capital stock as would cause Emmis to violate the Communications Act or FCC regulations.
ASSIGNMENTS AND TRANSFERS OF CONTROL. The Communications Act prohibits the assignment of a broadcast license or the transfer of control of a broadcast licensee without the prior approval of the FCC. In determining whether to grant such approval, the FCC considers a number of factors, including compliance with the various rules limiting common ownership of media properties, the “character” of the assignee or transferee and those persons holding attributable interests therein and compliance with the Communications Act's limitations on alien ownership as well as other statutory and regulatory requirements. When evaluating an assignment or transfer of control application, the FCC is prohibited from considering whether the public interest might be served by an assignment of the broadcast license or transfer of control of the licensee to a party other than the assignee or transferee specified in the application.
PROGRAMMING AND OPERATION. The Communications Act requires broadcasters to serve the “public interest.” Beginning in the late 1970s, the FCC gradually relaxed or eliminated many of the more formalized procedures it had developed to promote the broadcast of certain types of programming responsive to the needs of a station's community of license. However, licensees are still required to present programming that is responsive to community problems, needs and interests and to maintain certain records demonstrating such responsiveness.
Federal law prohibits the broadcast of obscene material at any time and the broadcast of indecent material during specified time periods; these prohibitions are subject to enforcement by the FCC and carry fines of up to $325,000 per violation. The company has received, and may receive in the future, letters of inquiry or other notifications concerning alleged violations of the indecency rules at certain of its stations. We cannot predict the outcome of any indecency complaint proceeding or investigation or the extent or nature of future FCC enforcement actions.
The FCC's indecency rules have also been the subject of litigation. In July 2010, the Second Circuit held the FCC's indecency standards to be unconstitutionally vague in violation of the First Amendment. The Second Circuit later vacated the agency decision at issue in another appeal based on its earlier decision. The FCC challenged these rulings in the Supreme Court. In June 2012 the Supreme Court vacated the Second Circuit's decision, finding that the FCC had failed to provide adequate notice regarding the contours of its indecency policy with respect to the broadcasts at issue in the underlying proceedings, but leaving open the possibility that the agency might be able to enforce the prohibition on broadcast indecency in the future. The Third Circuit issued a decision vacating another FCC indecency ruling in

November 2011, and the Supreme Court denied the FCC's request for review of this decision. It is not clear how the FCC will apply these judicial decisions to outstanding complaints, including any that may involve Emmis stations, or how they will impact future FCC policies in this area. The FCC has also solicited public comment on whether, and if so how, to revise its indecency enforcement policies, in a proceeding that remains pending.

Federal law also imposes sponsorship identification (or "payola") requirements, which mandate the disclosure of information concerning programming that is paid for by third parties. The company has received, and may receive in the future, letters of inquiry or other notifications concerning alleged violations of the sponsorship identification rules at certain of its stations. We cannot predict the outcome of any sponsorship identification complaint proceeding or investigation or the extent or nature of future FCC enforcement actions.

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

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

ADDITIONAL DEVELOPMENTS AND PROPOSED CHANGES. The FCC has adopted rules implementing a low power FM ("LPFM") service, and approximately 800 such stations are in operation. In November 2007, the FCC adopted rules that, among other things, enhance LPFM's interference protection from subsequently-authorized full-service stations. Congress then passed legislation eliminating certain minimum distance separation requirements between full-power and LPFM stations, thereby reducing the interference protection afforded to FM stations. As required by the legislation, the FCC in January 2012 submitted a report to Congress indicating that the results of a statutorily mandated economic study indicated that, on the whole, LPFM stations do not currently have, and in the future are unlikely to have, a demonstrable economic impact on full-service commercial FM radio stations. In March 2012, the FCC modified its rules to permit the processing of additional LPFM applications and to implement the legislative requirements regarding interference protection. The FCC opened a window for the filing of applications seeking authority to construct or make major changes to LPFM facilities which extended from October 15 through November 14, 2013, and in which it received more than 2,800 LPFM applications. The FCC continues to process the applications submitted during the window and, although to date there have been very few, if any, instances of LPFM stations interfering with full-power radio stations, we cannot predict whether any LPFM stations will actually interfere with the coverage of our radio stations in the future.

In June 2009, the FCC adopted rules that allow an AM radio station to use currently authorized FM translator stations to retransmit the AM station's programming within the AM station's authorized service area. In October 2015, the FCC issued an Order that adopted a two-stage process for AM radio stations to acquire additional FM translators, which began in early 2016 and is expected to conclude in 2018. The FCC has also adopted certain changes to its rules that govern AM radio stations, and has sought comment on additional changes to those rules, which remain pending.

The FCC also previously authorized the launch and operation of a satellite digital audio radio service ("SDARS") system. In July 2008, the two original SDARS companies-Sirius Satellite Radio, Inc. and XM Satellite Radio Holdings, Inc.-merged into a new company called Sirius XM, which currently provides nationwide programming service. Sirius XM also offers channels that provide local traffic and weather information for major cities.

In October 2002, the FCC issued an order selecting a technical standard for terrestrial digital audio broadcasting ("DAB," also known as high definition radio or "HD Radio®"). The in-band, on-channel ("IBOC") technology chosen by the agency allows AM and FM radio broadcasters to introduce digital operations and permits existing stations to operate on their current frequencies in either full analog mode, full digital mode, or a combination of both (at reduced power). In March 2005, the FCC announced that, pending adoption of final rules, it would allow stations on an interim basis to broadcast multiple digital channels. In March 2007, the FCC adopted service rules for HD Radio®. Significantly, the FCC decided to allow FM stations to broadcast digital multicast streams without seeking prior FCC authority, to provide datacasting services, to lease excess digital capacity to third parties, and to offer subscription services pursuant to requests for experimental authority. Under the new rules, FM stations may operate in the "extended hybrid mode," which provides more flexibility for multicasting and datacasting services; and may use separate analog and digital antennas without seeking prior FCC authority. FM translators, FM boosters and low power FM stations may also broadcast digitally where feasible, and AM stations may now operate digitally during nighttime hours. The new rules mandate that broadcasters offering digital service provide at least one free over-the-air signal comparable in quality to their analog signal and that they simulcast their analog programming on their main digital stream, and prohibit broadcasters from operating exclusively in digital. The FCC declined either to set any mandatory deadline for broadcasters to convert to digital operations or to impose additional public interest obligations (beyond those that already apply to analog broadcasters) on digital broadcasters. The FCC did, however, adopt a Further Notice of Proposed Rulemaking seeking comment on (among other things) whether additional public interest obligations are

necessary, including consideration of a requirement that radio stations report their public service programming in detail on a standardized form and post that form and all other contents of their public inspection files on the station's website. The FCC subsequently imposed an online public file requirement on television stations and, in January 2016, extended that requirement to radio stations. In January 2010, the FCC revised its DAB service rules to allow FM DAB stations to increase the permitted power levels of DAB transmissions. In September 2008, shortly after approving the Sirius-XM merger, the FCC sought comment on whether it should mandate the inclusion of HD Radio® features in satellite radio receivers. That proceeding remains pending, and we cannot predict its outcome or the impact that a decision might have on our business.

In order to broadcast musical compositions or to stream them over the Internet, Emmis must pay royalties to copyright owners of musical compositions (typically, songwriters and publishers). These copyright owners often rely on organizations known as performing rights organizations, which negotiate licenses with copyright users for the public performance of their compositions, collect royalties, and distribute them to copyright owners. The three major performing rights organizations, from which Emmis

has licenses and to which Emmis pays royalties, are the American Society of Composers, Authors, and Publishers, Broadcast Music, Inc., and SESAC, Inc. These rates are set periodically, are often negotiated by organizations acting on behalf of broadcasters, and may increase in the future. It also is possible that songwriters or publishers may disassociate with these performing rights organizations, or that additional such organizations could emerge in the future. In 2013 a new performing rights organization, named Global Music Rights ("GMR"), was formed. GMR has obtained the rights to certain high-value copyrights and is seeking to negotiate individual licensing agreements with radio stations for songs within its repertoire. GMR and the Radio Music License Committee, Inc. ("RMLC"), which negotiates music licensing fees with performance rights organizations on behalf of many radio stations, have initiated antitrust litigation against one another, which remains pending. In addition, there has been litigation concerning whether the consent decrees between the Department of Justice ("DOJ") and major performance rights organizations require so-called "full-work" licenses (which would allow a license-holder to play all of the works in a performance rights organization's repertoire), most recently resulting in a ruling by a federal appeals court that they do not. If a significant number of musical composition copyright owners withdraw from the established performing rights organizations, if new performing rights organizations form to license compositions that are not already licensed, or if the consent decrees between the DOJ and certain major performance rights organizations are eliminated, Emmis' royalty rates or negotiation costs could increase. Emmis' royalty rates or negotiation costs could also change as a result of GMR/RMLC litigation or the resolution of the full-work licensing issue.

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

In addition, lawsuits have been filed under various state laws challenging the right of digital audio transmission services and broadcasters to publicly perform or reproduce sound recordings fixed prior to February 15, 1972 ("pre-1972 sound recordings") without a license. Such sound recordings currently are exempt from federal copyright protection. The 1976 Copyright Act provides that pre-1972 sound recordings may be the subject of state copyright protection until 2067. As a result, there are various protections of pre-1972 sound recordings in place across various states, and the scope of protections and of exceptions and limitations to those protections varies from state to state. Moreover, the existence or scope of any public performance right in pre-1972 sound recordings is unclear. Courts applying the laws of several states have denied protection to pre-1972 sound recordings, and the issue remains pending in appeals of certain of those rulings and in separate litigation elsewhere. Legislation has also been introduced in Congress that would preempt state law claims for copyright violations related to pre-1972 sound recordings. If legislative efforts do not succeed, and if the courts find that there are public performance rights in pre-1972 recordings and the decisions are interpreted to apply to radio broadcasting or Internet streaming, this could impede Emmis' ability to broadcast and/or stream pre-1972 sound recordings and/or increase its costs.

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

In December 2007, the FCC initiated a proceeding to consider imposing requirements intended to promote broadcasters' service to their local communities, including (i) requiring stations to establish a "community advisory board," (ii) reinstating a requirement that a station's main studio be in its community of license and (iii) imposing local programming "guidelines" that, if not met, would result in additional scrutiny of a station's license renewal application. While many broadcasters have opposed these proposals, we cannot predict how the FCC will resolve the issues.

Congress and the FCC also have under consideration, and may in the future consider and adopt, new laws, regulations and policies regarding a wide variety of additional matters that could, directly or indirectly, affect the operation, ownership and profitability of our broadcast stations, result in the loss of audience share and advertising revenues for

our broadcast stations and/or affect our ability to acquire additional broadcast stations or finance such acquisitions. Such matters include, but are not limited to:

- proposals to impose spectrum use or other fees on FCC licensees;
- proposals to repeal or modify some or all of the FCC's multiple ownership rules and/or policies;
- proposals to change rules relating to political broadcasting;
- technical and frequency allocation matters;
- AM stereo broadcasting;
- proposals to modify service and technical rules for digital radio, including possible additional public interest requirements for terrestrial digital audio broadcasters;
- proposals to restrict or prohibit the advertising of beer, wine and other alcoholic beverages;
- proposals to tighten safety guidelines relating to radio frequency radiation exposure;

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- proposals permitting FM stations to accept formerly impermissible interference;
- proposals to reinstate holding periods for licenses;
- changes to broadcast technical requirements related to the implementation of SDARS;
- proposals to modify broadcasters' public interest obligations;
- proposals to limit the tax deductibility of advertising expenses by advertisers; and
- proposals to regulate violence and hate speech in broadcasts.

We cannot predict whether any proposed changes will be adopted, what other matters might be considered in the future, or what impact, if any, the implementation of any of these proposals or changes might have on our business. The foregoing is only a brief summary of certain provisions of the Communications Act and of specific FCC regulations. Reference should be made to the Communications Act as well as FCC regulations, public notices and rulings for further information concerning the nature and extent of federal regulation of broadcast stations.

ITEM 1A. RISK FACTORS.

The risk factors listed below, in addition to those set forth elsewhere in this report, could affect the business and future results of the Company. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

Risks Related to our Business

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

We believe that advertising is a discretionary business expense. Spending on advertising tends to decline disproportionately during an economic recession or downturn as compared to other types of business spending. Consequently, a downturn in the United States economy generally has an adverse effect on our advertising revenue and, therefore, our results of operations. A recession or downturn in the economy of any individual geographic market, particularly our largest market of New York, could have a significant adverse effect on us.

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

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

Radio revenues in the markets in which we operate have lagged the growth of the general United States economy. Our market revenues, as measured by the accounting firm Miller Kaplan Arase LLP ("Miller Kaplan"), during the years ended February 2016, 2017 and 2018 were down 1.5%, up 1.7%, and down 0.8% respectively. During this same period, the U.S. Bureau of Economic Analysis reports that U.S. current-dollar gross domestic product growth has been 3% to 4% each year. Our results of operations could be negatively impacted if radio revenue performance in the markets in which we operate continues to lag general United States economic growth.

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

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

We routinely conduct market research to review the competitive position of our stations in their respective markets. If we determine that a station could improve its operating performance by serving a different demographic within its market, we may change the format of that station. Our competitors may respond to our actions by more aggressive

promotions of their stations or by replacing the format we vacate, limiting our options if we do not achieve expected results with our new format.

From time to time, other stations may change their format or programming, a new station may adopt a format to compete directly with our stations for audiences and advertisers, or stations might engage in aggressive promotional campaigns. These tactics could result in lower ratings and advertising revenue or increased promotion and other expenses and, consequently,

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lower earnings and cash flow for us. Any failure by us to respond, or to respond as quickly as our competitors, could also have an adverse effect on our business and financial performance.

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

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

Our radio operations in New York, including the LMA fee we receive from a subsidiary of Disney, accounted for approximately 40% of our radio revenues in fiscal 2018. Our results from operations can be materially affected by decreased ratings for our stations in New York, which could result in revenue declines for us in that market.

Our radio operations lack the scale of some of our competitors, especially in the New York market.

We currently own four stations in New York, one of which is being programmed by another broadcaster under the terms of an LMA. Some of our competitors in this market have larger clusters of radio stations. Our competitors may be able to leverage their market share to extract a greater percentage of available advertising revenues in this market and may be able to realize operating efficiencies by programming multiple stations in the market. Also, given our reliance on urban formats in New York, our results from operations can be materially affected by additional urban format competition by our competitors.

Future operation of our business may require significant additional capital.

The continued development, growth and operation of our businesses may require substantial capital. In particular, our emerging technologies, including TagStation/NextRadio and Digonex are not currently profitable and need additional capital to fund their operations. Furthermore, any acquisitions may require large amounts of capital. We intend to fund our growth, including our emerging technologies and acquisitions, if any, with cash generated from operations and asset sales, borrowings under our Credit Agreement dated June 10, 2014 (the “2014 Credit Agreement”), as amended, and proceeds from future issuances of debt and equity, both public and private. Currently, the 2014 Credit Agreement substantially limits our ability to make acquisitions. Our ability to raise additional debt or equity financing is subject to market conditions, our financial condition and other factors. If we cannot obtain financing on acceptable terms when needed, our results of operations, ability to fund our emerging technologies, and financial condition could be adversely impacted.

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

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

- satellite-delivered digital audio radio service, which has resulted in subscriber-based satellite radio services with numerous niche formats;
- audio programming by cable systems, direct-broadcast satellite systems, Internet content providers and other digital audio broadcast formats;
- personal digital audio devices (e.g., audio via Wi-Fi, smartphones, iPods®, iPhones®, WiMAX, the Internet and MP3 players);
- HD Radio®, which provides multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional AM and FM radio services; and
- low-power FM radio, which could result in additional FM radio broadcast outlets, including additional low-power FM radio signals authorized in December 2010 under the Local Community Radio Act.

New media has resulted in fragmentation in the advertising market, but we cannot predict the impact that additional competition arising from new technologies may have on the radio broadcasting industry or on our financial condition and results of operations. We also cannot ensure that our investments in HD Radio®, TagStation®, NextRadio®, the Dial Report™ and other technologies will produce the desired returns.

A number of automakers are introducing more advanced, interactive dashboard technology including the introduction of technologies like Apple CarPlay and Google Android Auto that enable vehicle entertainment systems to more

easily interface with a consumer’s smartphone and include alternative audio entertainment options.
Programmatic buying, which enables an advertiser to purchase advertising inventory through an exchange or other service and bypass the traditional personal sales relationship, has become widely adopted in the purchase of digital advertising and is an emerging trend in the radio industry. We cannot predict the impact programmatic buying may have on the radio industry or our financial condition and results of operations.

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

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

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

Each of our radio stations operates pursuant to one or more licenses issued by the FCC. Under FCC rules, radio licenses are granted for a term of eight years. Our licenses expire at various times through June 2022. Although we will apply to renew these licenses, third parties may challenge our renewal applications. While we are not aware of facts or circumstances that would prevent us from having our current licenses renewed, there can be no assurance that the licenses will be renewed or that renewals will not include conditions or qualifications that could adversely affect our business and operations. Failure to obtain the renewal of any of our broadcast licenses may have a material adverse effect on our business and operations. In addition, if we or any of our officers, directors or significant stockholders materially violates the FCC's rules and regulations or the Communications Act, is convicted of a felony or is found to have engaged in unlawful anticompetitive conduct or fraud upon another government agency, the FCC may, in response to a petition from a third party or on its own initiative, in its discretion, commence a proceeding to impose sanctions upon us which could involve the imposition of monetary fines, the revocation of our broadcast licenses or other sanctions. If the FCC were to issue an order denying a license renewal application or revoking a license, we would be required to cease operating the applicable radio station only after we had exhausted all rights to administrative and judicial review without success.

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

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

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

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

Any changes in current FCC ownership regulations may negatively impact our ability to compete or otherwise harm our business operations.

The FCC is required to review all of its broadcast ownership rules every four years and to repeal or modify any of its rules that are no longer "necessary in the public interest." We cannot predict the impact of these reviews on our business or their effect on our ability to acquire broadcast stations in the future or to continue to own and freely transfer stations that we have already acquired.

In 2003, we acquired a controlling interest in five FM stations and one AM station in the Austin, Texas market. Under ownership regulations released after the date of our acquisition, it appears that we would be permitted to own or control only four FM stations in the Austin market (ownership of one AM station would continue to be allowed). The new rules do not require divestiture of existing non-conforming station combinations, but do provide that such clusters may be transferred only to defined small business entities or to buyers that commit to selling any excess stations to such entities within one year.

Consequently, if we wish to sell our interest in the Austin stations, we will need to obtain a waiver from the current ownership regulations, or we will need to either sell to an entity that meets those FCC requirements or exclude at least one FM station from the transaction, and a station divestiture would require the consent of our minority partner.

Changes in current Federal regulations could adversely affect our business operations.

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

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

Our ability to maintain our competitive position depends to a significant extent on the efforts and abilities of our senior management team and certain key employees. Although our executive officers are typically under employment agreements, their managerial, technical and other services would be difficult to replace if we lose the services of one or more of them or other key personnel. Our business could be seriously harmed if one of them decides to join a competitor or otherwise competes directly or indirectly against us.

Our radio stations employ or independently contract with several on-air personalities and hosts of syndicated radio programs with large and loyal audiences in their respective broadcast areas. These on-air personalities are sometimes significantly responsible for the ranking of a station and, thus, the ability of the station to sell advertising. Such on-air personalities or other key individuals may not remain with our radio stations and we may not retain their audiences, which could affect our competitive position.

Impairment losses related to our intangible assets have reduced our earnings.

We have reported significant net losses in our consolidated statement of operations in the past as a result of recording noncash impairment charges, mostly related to FCC licenses and goodwill. During the years ended February 28 (29), 2016, 2017 and 2018, we incurred impairment losses of $9.5 million, $9.8 million, and $0.3 million, respectively. As of February 28, 2018, our FCC licenses and goodwill comprise 74% of our total assets. If events occur or circumstances change, or even if the declining radio valuation trend continues, that would reduce the fair value of the FCC licenses and goodwill below the amount reflected on the balance sheet, we may be required to recognize impairment charges, which may be material, in future periods.

We may fail to realize any benefits and incur unanticipated losses related to any acquisition.

The success of our acquisitions will depend, in part, on our ability to successfully integrate the acquired business. It is possible that the integration process could result in the loss of key employees, the disruption of ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers and employees or to achieve the anticipated benefits of the acquisition. Successful integration may also be hampered by any differences between the operations and corporate culture of the two organizations. If we experience difficulties with the integration process, the anticipated benefits of the acquisition may not be realized fully, or at all, or may take longer to realize than expected. Finally, any cost savings that are realized may be offset by losses in revenues from the acquired business.

We may fail to consummate dispositions or complete them in a timely manner.

We regularly review our portfolio of assets and periodically dispose of assets when we believe it is appropriate to do so. We are exploring strategic alternatives with respect to WLIB-AM in New York, as well as land in northwest Indianapolis that is currently being used as a tower site, and may explore strategic alternatives with respect to other assets we currently own. We cannot ensure that an announced transaction will be consummated for any asset we may contemplate divesting.

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

Acts of war and terrorism against the United States, and the country's response to such acts, may negatively affect the U.S. advertising market, which could cause our advertising revenues to decline due to advertising cancellations, delays or defaults in payment for advertising time, and other factors. In addition, these events may have other negative

effects on our business, the nature and duration of which we cannot predict.

For example, after the September 11, 2001 terrorist attacks, we decided that the public interest would be best served by the presentation of continuous commercial-free coverage of the unfolding events on our stations. This temporary policy had a material adverse effect on our advertising revenues and operating results for the month of September 2001. Future events like those of September 11, 2001 may cause us to adopt similar policies, which could have a material adverse effect on our advertising revenues and operating results.

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

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

We have significant obligations relating to our current operating leases.

In February 2016, the Financial Accounting Standards Board released Accounting Standards Update 2016-02, Leases (Topic 842) (“ASU 2016-02”). This update requires lessees to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases of greater than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

As of February 28, 2018, we had operating lease commitments of approximately $43.7 million. These leases are classified as operating leases and disclosed in Note 11 to our accompanying consolidated financial statements. Currently, operating leases are classified as off-balance sheet transactions and only the current year operating lease expense is accounted for in the consolidated statements of operations as rent expense. All of our leases classified as operating leases require us to make certain estimates at the inception of the lease in order to determine whether the lease is operating or capital. ASU 2016-02 requires that substantially all operating leases be recognized as assets (the right to use the leased property) and liabilities (the present value of future lease payments). This guidance will be effective for the Company as of March 1, 2019 and requires a modified retrospective implementation. When adopted, ASU 2016-02 will result in an increase in the assets and liabilities reflected on our consolidated balance sheets.

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

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

Because of our holding company structure, we depend on our subsidiaries for cash flow, and our access to this cash flow is restricted.

We operate as a holding company. All of our radio stations and other assets are currently owned and operated by our subsidiaries. Emmis Operating Company (“EOC”), our wholly-owned subsidiary, is the borrower under our credit facility. All of our station and other operating subsidiaries and FCC license subsidiaries are subsidiaries of EOC. Further, we guarantee EOC’s obligations under the credit facility and substantially all of EOC’s assets are pledged as collateral under the credit facility. As a holding company, our only source of cash to pay our obligations, including corporate overhead expenses, is cash distributed from our subsidiaries. We currently expect that the majority of the net earnings and cash flow of our subsidiaries will be retained and used by them in their operations, including servicing

their debt obligations. Even if our subsidiaries elect to make distributions to us, we cannot be assured that applicable state law and contractual restrictions, including covenants contained in our credit facility, would permit such dividends or distributions.

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Risks Related to our Indebtedness:

Our substantial indebtedness could adversely affect our financial health.

We have a significant amount of indebtedness. At February 28, 2018, our total indebtedness was $142.4 million, consisting of $78.5 million under our 2014 Credit Agreement, $53.9 million of 98.7FM nonrecourse debt and $10.0 million of other nonrecourse debt. The Company expects that proceeds from the LMA in New York with a subsidiary of Disney will be sufficient to pay all debt service related to the 98.7FM nonrecourse debt. Our substantial indebtedness could have important consequences to investors. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- increase our vulnerability to generally adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- result in higher interest expense in the event of increases in interest rates because some of our debt is at variable rates of interest;
- limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate;
- place us at a competitive disadvantage compared to some of our competitors that have less debt; and
- limit, along with the financial and other restrictive covenants in our 2014 Credit Agreement, our ability to borrow additional funds or make acquisitions.

The revolving credit commitment under our 2014 Credit Agreement matures on August 31, 2018, and the term loans under our 2014 Credit Agreement mature on April 18, 2019. Our ability to repay or refinance amounts outstanding under our 2014 Credit Agreement depends on many factors beyond our control.

We used a substantial portion of the net proceeds from the April 30, 2018 sale of our four radio stations in St. Louis, Missouri to repay amounts outstanding under our revolver and term loans. Subsequent to these repayments, we have no amounts outstanding under our revolver and $28.0 million of outstanding term loans. However, we may need to refinance some or all of the amounts outstanding under our 2014 Credit Agreement prior to their respective maturities. While we have been successful in refinancing our credit facility debt in the past, we cannot assure investors that we will be successful in the future.

If we cannot continue to comply with the financial covenants in our debt instruments, or obtain waivers or other relief from our lenders, we may default, which could result in loss of our sources of liquidity and acceleration of our indebtedness.

We have a substantial amount of indebtedness, and the instruments governing such indebtedness contain restrictive financial covenants. Our ability to comply with the covenants in our debt instruments will depend upon our future performance and various other factors, such as business, competitive, technological, legislative and regulatory factors, some of which are beyond our control. We may not be able to maintain compliance with all of these covenants. In that event, we would need to seek an amendment to our debt instruments, or would need to refinance our debt instruments. There can be no assurance that we can obtain future amendments or waivers of our debt instruments, or refinance our debt instruments and, even if so, it is likely that such relief would only last for a specified period, potentially necessitating additional amendments, waivers or refinancings in the future. In the event that we do not maintain compliance with the covenants under our debt instruments, the lenders could declare an event of default, subject to applicable notice and cure provisions, resulting in a material adverse impact on our financial position. Upon the occurrence of an event of default under our debt instruments, the lenders could elect to declare all amounts outstanding under our 2014 Credit Agreement to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders could proceed against the collateral granted to them to secure that indebtedness. Our lenders under our 2014 Credit Agreement have taken security interests in substantially all of our consolidated assets. If the lenders accelerate the repayment of borrowings, we may be forced to liquidate certain assets to repay all or part of our debt instruments, and we cannot be assured that sufficient assets will remain for us to continue our business operations after we have paid all of the borrowings under our debt instruments. Our ability to liquidate assets is affected by the regulatory restrictions associated with radio

stations, including FCC licensing, which may make the market for these assets less liquid and increase the chances that these assets will be liquidated at a significant loss.

Our 98.7FM debt is not subject to these risks to the same degree as the debt under our 2014 Credit Agreement, as certain rights and payments under the 98.7FM LMA have been assigned to the holder of the 98.7FM debt, the 98.7FM debt is generally nonrecourse to the rest of Emmis, and the LMA payments have been guaranteed by Disney Enterprises, Inc.

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

Our debt instruments impose significant operating and financial restrictions on us. These restrictions significantly limit or prohibit, among other things, our ability and the ability of our subsidiaries to incur additional indebtedness, issue preferred stock, incur liens, pay dividends, enter into asset purchase or sale transactions, merge or consolidate with another company, dispose of all or substantially all of our assets or make certain other payments or investments. These restrictions currently limit our ability to grow our business through acquisitions and could limit our ability to respond to market conditions or meet extraordinary capital needs. They also could restrict our corporate activities in other ways. These restrictions could adversely affect our ability to finance our future operations or capital needs.

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

Our 2014 Credit Agreement, as amended, requires us to pay periodic interest payments. Our ability to make payments on our indebtedness and to fund capital expenditures will depend on our ability to generate cash in the future. This ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Our businesses might not generate sufficient cash flow from operations. We might not be able to complete future offerings, and future borrowings might not be available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs.

Risks Related to our Common Stock:

One shareholder controls a majority of the voting power of our common stock, and his interest may conflict with those of other shareholders.

As of May 4, 2018, our Chairman of the Board of Directors and Chief Executive Officer, Jeffrey H. Smulyan, beneficially owned shares representing approximately 52.6% of the outstanding combined voting power of all classes of our common stock, as calculated pursuant to Rule 13d-3 of the Exchange Act. He therefore is in a position to exercise substantial influence over the outcome of most matters submitted to a vote of our shareholders, including the election of a majority of our directors.

The difficulties associated with any attempt to gain control of our company could adversely affect the price of our Class A common stock.

Jeffrey H. Smulyan has substantial influence over the decision as to whether a change in control will occur for our company. There are also provisions contained in our articles of incorporation, by-laws and Indiana law that could make it more difficult for a third party to acquire control of Emmis. In addition, FCC approval for transfers of control of FCC licenses and assignments of FCC licenses are required. These restrictions and limitations could adversely affect the trading price of our Class A common stock.

Our stock price and trading volume could be volatile.

Our Class A common stock is currently listed on the National Association of Securities Dealers Automated Quotation (“Nasdaq”) Global Select Market under the symbol “EMMS.” The market price of our Class A common stock and our trading volume have been subject to fluctuations since our initial public offering in 1994. Accordingly, the market price of our Class A common stock could experience volatility, regardless of our operating performance.

Our Class A common stock may cease to be listed on the Nasdaq Global Select Market.

Our common stock is currently listed on the Nasdaq Global Select Market under the symbol “EMMS.” We may not be able to meet the continued listing requirements of the Nasdaq Global Select Market, which require, among other things, a minimum closing price of our common stock and a minimum market capitalization. In the past, we have received written deficiency notices from The Nasdaq Stock Market advising us that the closing bid price of our Class A common stock did not meet the continued listing requirements pursuant to NASDAQ Listing Rule 5450(a)(1). In each of these instances, we were able to satisfy the requirements for continued listing. If we are unable to satisfy the requirements of the Nasdaq Global Select Market for continued listing, our common stock would be subject to delisting from that market, and we might or might not be eligible to list our shares on another Nasdaq market.

A delisting of our Class A common stock from the Nasdaq Global Select Market could negatively impact us by, among other things, reducing the liquidity and market price of our common stock. There can be no assurance that we will be able to comply with the Minimum Bid Price Rule, or any other requirement in the future.

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ITEM 1B. UNRESOLVED STAFF COMMENTS.
None.

ITEM 2. PROPERTIES.
The types of properties required to support each of our radio stations include offices, studios and transmitter/antenna sites. We typically lease our studio and office space, although we do own some of our facilities. Most of our studio and office space leases contain lease terms with expiration dates of five to fifteen years. A station's studios are generally housed with its offices in downtown or business districts. We generally consider our facilities to be suitable and of adequate size for our current and intended purposes. We own several of our main transmitter/antenna sites and lease the remainder of our transmitter/antenna sites with lease terms that generally range from five to twenty years. The transmitter/antenna site for each station is generally located so as to provide maximum market coverage, consistent with the station's FCC license. In general, we do not anticipate difficulties in renewing facility or transmitter/antenna site leases or in leasing additional space or sites if required. We have approximately $43.7 million in aggregate minimum rental commitments under real estate leases. Many of these leases contain escalation clauses such as defined contractual increases or cost-of-living adjustments.
Our principal executive offices are located at 40 Monument Circle, Suite 700, Indianapolis, Indiana 46204, in approximately 91,500 square feet of owned office space which is shared by our Indianapolis radio stations and our Indianapolis Monthly publication. This property is subject to a mortgage under our 2014 Credit Agreement.
We own substantially all of our other equipment, consisting principally of transmitting antennae, transmitters, studio equipment and general office equipment. The towers, antennae and other transmission equipment used by our stations are generally in good condition, although opportunities to upgrade facilities are periodically reviewed.

ITEM 3. LEGAL PROCEEDINGS.
The Company is a party to various legal proceedings arising in the ordinary course of business. In the opinion of management of the Company, there are no legal proceedings pending against the Company likely to have a material adverse effect on the Company.
Emmis filed suit against Illinois National Insurance Company ("INIC") in 2015 related to INIC's decision to not cover Emmis' defense costs under Emmis' directors and officers insurance policy in a lawsuit related to the Company's preferred stock in which Emmis was the defendant (the "Prior Litigation"). On March 21, 2018, Emmis was granted summary judgment entitling it to coverage of its defense costs in the Prior Litigation, but the amount Emmis should recover has not yet been determined and all final decisions by the U.S. District Court are subject to appeal. Emmis incurred approximately $4.1 million of costs defending the prior litigation and was subject to a $1.0 million deductible. Emmis is seeking to recover these costs plus applicable accrued interest less the applicable deductible from INIC. However, Emmis cannot reasonably estimate the amount or timing of such recovery.
In connection with Emmis' sale of four magazines to Hour Media on February 28, 2017, ten percent of the purchase price, or $0.65 million, was placed in escrow to secure Emmis' post-closing indemnification obligations in the asset purchase agreement and was scheduled to be released six months after the closing of the transaction. Hour Media has claimed that Emmis breached the asset purchase agreement and will not consent to the release of the $0.65 million in escrow. Emmis filed a lawsuit against Hour Media for breach of the asset purchase agreement and Hour Media has filed a counterclaim against Emmis. Emmis believes that substantially all of Hour Media's claims are without merit.

EXECUTIVE OFFICERS OF THE REGISTRANT
Listed below is certain information about the executive officers of Emmis or its affiliates who are not directors or nominees to be directors.

NAME	POSITION	AGE AT FEBRUARY 28, 2018	YEAR FIRST ELECTED OFFICER
Paul V. Brenner	President - TagStation / NextRadio	49	2007

J. Scott Enright	Executive Vice President, General Counsel and Secretary	55	1998
Ryan A. Hornaday	Executive Vice President, Chief Financial Officer and Treasurer	44	2006
Gregory T. Loewen	President - Publishing Division and Chief Strategy Officer	46	2007

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Mr. Brenner was appointed an executive officer of Emmis in July 2016 and has served as President - TagStation / NextRadio since March 2016. Previously, Mr. Brenner served as Senior Vice President and Chief Technology Officer from March 2009 to February 2016. Mr. Brenner joined Emmis in 1998.

Mr. Enright was appointed Executive Vice President, General Counsel and Secretary in March 2009. Previously, Mr. Enright served as Senior Vice President, Associate General Counsel and Secretary of Emmis from September 2006 to February 2009 and as Vice President, Associate General Counsel and Assistant Secretary from the date he joined Emmis in October 1998, adding the office of Secretary in 2002.

Mr. Hornaday was appointed Executive Vice President, Chief Financial Officer and Treasurer in August 2015. Previously, Mr. Hornaday served as Senior Vice President - Finance and Treasurer from December 2008 to July 2015. Mr. Hornaday joined Emmis in 1999.

Mr. Loewen was appointed President – Publishing Division and Chief Strategy Officer in March 2010. Mr. Loewen has also served as President of Digonex since our acquisition of a controlling interest in June 2014. Previously, Mr. Loewen served as Chief Strategy Officer from February 2007 to February 2010. Prior to joining Emmis in February 2007, Mr. Loewen served as Vice President of Digital Media and Strategy for The Toronto Star.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

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

MARKET INFORMATION FOR OUR COMMON STOCK

Emmis' Class A common stock is traded in the over-the-counter market and is quoted on the Nasdaq Global Select Market under the symbol EMMS. There is no established public trading market for Emmis' Class B common stock or Class C common stock. On July 8, 2016, we effected a one-for-four reverse stock split for all classes of our common stock.

The following table sets forth the high and low sales prices of the Class A common stock for the periods indicated. Sales prices have been adjusted for all periods presented to reflect the impact of the reverse stock split.

QUARTER ENDED	HIGH	LOW
May 2016	$2.76	$1.92
August 2016	$4.33	$2.20
November 2016	$4.17	$3.22
February 2017	$3.68	$2.76
May 2017	$3.87	$2.14
August 2017	$3.42	$2.55
November 2017	$3.69	$2.44
February 2018	$4.21	$2.83

HOLDERS

At May 4, 2018, there were 2,860 record holders of the Class A common stock, and there was one record holder of the Class B common stock.

DIVIDENDS

Emmis currently intends to retain future earnings for use in its business and has no plans to pay any dividends on shares of its common stock in the foreseeable future. Emmis' 2014 Credit Agreement sets forth certain restrictions on our ability to pay dividends. See Note 5 to the accompanying consolidated financial statements for more discussion of the 2014 Credit Agreement.

SHARE REPURCHASES

During the three-month period ended February 28, 2018, there was withholding of shares of common stock upon vesting of restricted stock to cover withholding tax obligations. The following table provides information on our repurchases during the three months ended February 28, 2018:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in 000's)
Class A Common Stock				
December 1, 2017 - December 31, 2017	—	$ —	—	$ —
January 1, 2018 - January 31, 2018	21,294	$ 3.11	—	$ —
February 1, 2018 - February 28, 2018	13,120	$ 4.17	—	$ —
	34,414		—	

ITEM 6. SELECTED FINANCIAL DATA.

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

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

GENERAL

The following discussion pertains to Emmis Communications Corporation ("ECC") and its subsidiaries (collectively, "Emmis" or the "Company").

We principally own and operate radio properties located in the United States. Our revenues are mostly affected by the advertising rates our entities charge, as advertising sales represent approximately two-thirds of our consolidated revenues. These rates are in large part based on our entities' ability to attract audiences/subscribers in demographic groups targeted by their advertisers. The Nielsen Company generally measures radio station ratings weekly for markets measured by the Portable People Meter™, which includes all of our radio stations. Because audience ratings in a station's local market are critical to the station's financial success, our strategy is to use market research, advertising and promotion to attract and retain audiences in each station's chosen demographic target group.

Our revenues vary throughout the year. As is typical in the broadcasting industry, our revenues and operating income are usually lowest in our fourth fiscal quarter.

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

The following table summarizes the sources of our revenues for the past three years. The category "Non Traditional" principally consists of ticket sales and sponsorships of events our stations and magazines conduct in their local markets. The category "Other" includes, among other items, revenues related to our TagStation and Digonex businesses, network revenues and barter. During the three year period ended February 28, 2018, we sold all of or city and regional magazines with the exception of Indianapolis Monthly. We also sold our radio stations in Terre Haute and Los Angeles. These sales impact the comparability of net revenues in fiscal 2016, 2017 and 2018. We sold our four radio stations in St. Louis on April 30, 2018. The sale of our radio stations in St. Louis does not impact the comparability of the periods presented below, but will impact the comparability of results in future periods.

	Years ended February 28 (29),								
	2016	% of Total		2017	% of Total		2018	% of Total	
Net revenues:									
Local	$130,486	56.4	%	$121,841	56.8	%	$81,949	55.2	%
National	26,994	11.7	%	21,706	10.1	%	16,261	11.0	%
Political	661	0.3	%	2,163	1.0	%	457	0.3	%
Publication Sales	5,612	2.4	%	4,193	2.0	%	412	0.3	%
Non Traditional	25,683	11.1	%	22,936	10.7	%	17,280	11.6	%
Interactive	13,223	5.7	%	14,737	6.9	%	10,058	6.8	%
LMA Fees	10,331	4.5	%	10,331	4.8	%	10,752	7.2	%
Other	18,443	7.9	%	16,661	7.7	%	11,318	7.6	%
Total net revenues	$231,433			$214,568			$148,487		

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

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KNOWN TRENDS AND UNCERTAINTIES

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

The Company and the radio industry are leading several initiatives to address these issues. The radio industry is working aggressively to increase the number of smartphones and other wireless devices that contain an enabled FM tuner. Most smartphones currently sold in the United States contain an FM tuner. However, most wireless carriers in the United States have not historically permitted the FM tuner to receive the free over-the-air local radio stations it was designed to receive. Furthermore, in many countries outside the United States, enabled FM tuners are made available to smartphone consumers; consequently, radio listening increases. Activating FM as a feature on smartphones sold in the United States has the potential to increase radio listening and improve the perception of the radio industry while offering wireless network providers the benefits of a proven emergency notification system, reduced network congestion from audio streaming services, and a host of new revenue generating applications. Emmis is at the leading edge of this initiative and has developed TagStation®, a cloud-based software platform that allows a broadcaster to manage album art, meta data and enhanced advertising on its various broadcasts, and NextRadio®, a smartphone application that marries over-the-air FM radio broadcasts with visual and interactive features, as an industry solution to enrich the user experience of listening to free over-the-air radio broadcasts on their FM-enabled smartphones and other wireless devices. We have also introduced the Dial Report™, which provides advertisers and other interested parties rich data about the usage and consumption of radio, including the behaviors of radio listeners.

On August 9, 2013, NextRadio LLC, a wholly-owned subsidiary of Emmis, entered into an agreement with Sprint whereby Sprint agreed to pre-load the Company’s NextRadio smartphone application on a minimum of 30 million FM-enabled wireless devices on the Sprint wireless network over a three-year period. In return, NextRadio LLC agreed to serve as a conduit for the radio industry to pay Sprint $15 million per year in equal quarterly installments over the three year term and to share with Sprint certain revenue generated by the NextRadio application. NextRadio LLC collected money from the radio industry and forwarded it to Sprint. During the year ended February 2016, Emmis’ funding of its share of NextRadio’s payment to Sprint was $0.4 million. This amount is included in station operating expenses in the accompanying consolidated statements of operations. Emmis did not guarantee NextRadio LLC’s performance under this agreement and Sprint did not have recourse to any Emmis related entity other than NextRadio LLC. Additionally, the agreement does not limit the ability of NextRadio LLC to place the NextRadio application on FM-enabled devices on other wireless networks. Through February 28, 2018, the NextRadio application has not generated a material amount of revenue.

From the inception of NextRadio LLC’s agreement with Sprint through December 7, 2016, NextRadio LLC had remitted to Sprint approximately $33.2 million. Effective December 8, 2016, NextRadio LLC and Sprint entered into an amendment of their original agreement. The amendment called for NextRadio LLC to make installment payments totaling $6.0 million through March 15, 2017, which have been paid. In exchange, Sprint agreed to forgive the remaining $5.8 million that it was due under the original agreement, and in return receive a higher share of certain revenue generated by the NextRadio application. NextRadio LLC received a loan of $4.0 million for the sole purpose of fulfilling the payment obligations to Sprint under the amendment. The loan will be repaid out of proceeds from sales of enhanced advertising through the NextRadio application. During the years ended February 2017 and 2018, NextRadio LLC received $3.4 million and $0.6 million, respectively, under the loan, which was promptly remitted to Sprint and included in station operating expenses in the accompanying consolidated statement of operations. In addition, during the year ended February 2018, Emmis funded $0.3 million of the final payment to Sprint. This amount is also included in station operating expenses in the accompanying consolidated statement of operations.

On July 27, 2015, NextRadio LLC entered into an agreement with AT&T whereby AT&T agreed to include FM chip activation in its Android device specifications to wireless device manufacturers. In exchange, AT&T receives a share

of certain revenue generated by the NextRadio application. This agreement was subsequently assigned to TagStation LLC (the parent entity of NextRadio LLC and owner of the TagStation and NextRadio applications). On September 9, 2016, TagStation LLC entered into an agreement with T-Mobile whereby T-Mobile agreed to include FM chip activation in its Android device specifications to wireless device manufacturers. In exchange, T-Mobile also receives a share of certain revenue generated by the NextRadio application. TagStation LLC has been working directly with numerous device manufacturers to accelerate the availability of NextRadio to consumers. BLU Products, an American mobile phone manufacturer, has chosen to make NextRadio the native FM tuner on its Android smartphones. Alcatel and LG entered into similar arrangements for NextRadio. The Samsung S8 and S9 family of smartphones are FM-enabled and NextRadio-compatible across all major U.S. wireless networks. TagStation LLC and the radio industry continue to work with other leading United States wireless network providers,

device manufacturers, regulators and legislators to cause FM tuners to be enabled in all smartphones. Furthermore, NextRadio has incorporated streaming capabilities into its application so listeners can enjoy NextRadio regardless of whether or not the FM chip in their phone has been enabled.

Emmis granted the U.S. radio industry (as defined in the funding agreements) a call option on substantially all of the assets used in the NextRadio and TagStation businesses in the United States. The call option may be exercised in August 2019 by paying Emmis a purchase price equal to the greater of (i) the appraised fair market value of the NextRadio and TagStation businesses, or (ii) two times Emmis' cumulative investments in the development of the businesses through August 2015. If the call option is exercised, the businesses will continue to be subject to the operating limitations applicable today, and no radio operator will be permitted to own more than 30% of the NextRadio and TagStation businesses.

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

The Company has also aggressively worked to harness the power of broadband and mobile media distribution in the development of emerging business opportunities by developing highly interactive websites with content that engages our listeners, deploying mobile applications and streaming our content, harnessing the power of digital video on our websites and YouTube channels, and delivering real-time traffic to navigation devices.

The results of our radio operations are heavily dependent on the results of our stations in the New York market, which account for approximately 40% of our radio net revenues. Our acquisition of WBLS-FM and WLIB-AM in New York in fiscal 2015 enhanced our ability to adapt to competitive environment shifts in that market, but some of our competitors that operate larger station clusters are able to leverage their market share to extract a greater percentage of available advertising revenue through packaging a variety of advertising inventory at discounted unit rates. Market revenues in New York as measured by Miller Kaplan Arase LLP ("Miller Kaplan"), an independent public accounting firm used by the radio industry to compile revenue information, were down 0.3% for the twelve months ended February 28, 2018, as compared to the same period of the prior year. During this period, revenues for our New York cluster were down 2.0%. Our New York operations were negatively impacted by intensifying competition for transactional business in the local market. We have made changes in our local sales organization in New York to derive more local, direct business and reduce our reliance on transactional, agency business.

As part of our business strategy, we continually evaluate potential acquisitions of businesses that we believe hold promise for long-term appreciation in value and leverage our strengths. However, Emmis' 2014 Credit Agreement substantially limits our ability to make acquisitions. We also regularly review our portfolio of assets and may opportunistically dispose of assets when we believe it is appropriate to do so. In that respect, over the past two fiscal years we have sold radio stations in Terre Haute and Los Angeles and closed on the sale our radio stations in St. Louis on April 30, 2018. We have also sold all of our publishing assets, except Indianapolis Monthly. We continue to explore the sale of WLIB-AM in New York and other assets, including land in Indianapolis.

CRITICAL ACCOUNTING POLICIES

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

Revenue Recognition

Broadcasting revenue is recognized as advertisements are aired. Publication revenue is recognized in the month of delivery of the publication. Both broadcasting revenue and publication revenue recognition is subject to meeting certain conditions such as persuasive evidence that an arrangement exists and collection is reasonably assured. These criteria are generally met at the time the advertisement is aired for broadcasting revenue and upon delivery of the

publication for publication revenue. Advertising revenues presented in the financial statements are reflected on a net basis, after the deduction of advertising agency fees, usually at a rate of 15% of gross revenues.

FCC Licenses and Goodwill

We have made acquisitions in the past for which a significant amount of the purchase price was allocated to FCC licenses and goodwill assets. As of February 28, 2018, we have recorded approximately $200.0 million in goodwill and FCC licenses (including FCC licenses classified as held for sale), which represents approximately 74% of our total assets.

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

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

We complete our annual impairment tests on December 1 of each year and perform additional interim impairment testing whenever triggering events suggest such testing is warranted.

Valuation of Indefinite-lived Broadcasting Licenses

Fair value of our FCC licenses is estimated to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To determine the fair value of our FCC licenses, the Company uses an income valuation method when it performs its impairment tests. Under this method, the Company projects cash flows that would be generated by each of its units of accounting assuming the unit of accounting was commencing operations in its respective market at the beginning of the valuation period. This cash flow stream is discounted to arrive at a value for the FCC license. The Company assumes the competitive situation that exists in each market remains unchanged, with the exception that its unit of accounting commenced operations at the beginning of the valuation period. In doing so, the Company extracts the value of going concern and any other assets acquired, and strictly values the FCC license. Major assumptions involved in this analysis include market revenue, market revenue growth rates, unit of accounting audience share, unit of accounting revenue share and discount rate. Each of these assumptions may change in the future based upon changes in general economic conditions, audience behavior, consummated transactions, and numerous other variables that may be beyond our control. The projections incorporated into our license valuations take current economic conditions into consideration. Below are some of the key assumptions used in our annual impairment assessments. In recent years, we have reduced long-term growth rates in the markets in which we operate based on recent industry trends and our expectations for the markets going forward. The methodology used to value our FCC licenses has not changed in the three-year period ended February 28, 2018.

	December 1, 2015	December 1, 2016	December 1, 2017
Discount Rate	12.0% - 12.4%	12.2% - 12.5%	12.1% - 12.4%
Long-term Revenue Growth Rate	1.3% - 2.5%	1.0% - 2.0%	1.0% - 1.8%
Mature Market Share	3.2% - 29.3%	3.1% - 30.4%	12.7% - 31.1%
Operating Profit Margin	25.0% - 39.1%	25.1% - 39.1%	27.0% - 39.1%

Although the Company did not record an impairment charge related to FCC licenses in the current year, we did record impairment charges related to FCC licenses in the past two fiscal years. Impairment charges recognized as part of our December 1, 2015 and 2016 annual testing were $5.4 million and $6.9 million, respectively. These impairments were mostly related to declining market revenues combined with lowered expectations for future long-term revenue growth rates as noted in the table above.

Valuation of Goodwill

ASC Topic 350-20-35 requires the Company to test goodwill for impairment at least annually. The Company conducts its impairment test on December 1 of each fiscal year, unless indications of impairment exist during an interim period. When assessing its goodwill for impairment, the Company uses an enterprise valuation approach to determine the fair value of each of the Company's reporting units (radio stations grouped by market, excluding any stations that are being operated pursuant to an LMA). Management determines enterprise value for each of its reporting units by multiplying the two-year average station operating income generated by each reporting unit (current year based on actual results and the next year based on budgeted results) by an estimated market multiple. The Company uses a blended station

operating income trading multiple of publicly traded radio operators as well as recent market transactions as a benchmark for the multiple it applies to its radio reporting units. For the annual assessment performed as of December 1, 2017, the Company applied a market multiple of 8.0 times the reporting unit's operating performance. Management believes this methodology for valuing radio properties is a common approach and believes that the multiples used in the valuation are reasonable given our peer comparisons and market

transactions. To corroborate the fair values determined using the market approach described above, management also uses an income approach, which is a discounted cash flow method to determine the fair value of the reporting unit. If the carrying value of a reporting unit's goodwill exceeds its fair value, the Company recognizes an impairment charge equal to the difference in the statement of operations.

The Company adopted ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment as of March 1, 2017. Prior to March 1, 2017, the Company performed a two-step impairment test for goodwill. Goodwill impairments recorded during the years ended February 28 (29), 2016 and 2017 were recorded using the two-step methodology. Goodwill impairments recorded from March 1, 2017 forward will be recorded using the simplified method as described above.

The Company used an income approach to determine the enterprise value of Digonex. Digonex is a dynamic pricing business that does not have well-established industry trading multiples, analyst estimates of valuations, or recently completed transactions that would indicate fair values of these businesses. As such, the Company used a discounted cash flow method to determine the fair value of Digonex.

During our December 2015 annual goodwill impairment test, the Company wrote off $0.7 million of goodwill associated with Digonex. Emmis acquired a controlling interest in Digonex in June 2014 and recorded approximately $2.8 million of goodwill. The performance of Digonex since Emmis acquired its controlling interest has lagged the original assumptions used when estimating the fair values of the acquired assets and liabilities of the business. This, coupled with a reduction in long-term growth estimates for Digonex, resulted in a step-one indication of impairment. Upon completion of the step-two analysis, the Company determined that Digonex goodwill was partially impaired.

During the quarter ended August 31, 2016, the Company lowered its growth expectations for Digonex for the next several years due to slow client adoption of dynamic pricing services. While the Company continues to believe in the long-term growth prospects of Digonex, the lengthy sales cycle has caused Digonex to perform below expectations to date. Despite lowering near-term growth expectations for Digonex in connection with our annual impairment review for fiscal 2016 as discussed above, performance in the first six months of fiscal 2017 indicated that a further revision was appropriate. Our then-current projections assumed that Digonex would generate cash flow losses in the short and medium-term. The combination of lower-than-expected current period results, coupled with downward revisions to future revenue projections, resulted in an impairment indicator that caused the Company to assess goodwill and related intangibles on an interim basis during the quarter ended August 31, 2016. The Company's discounted cash flow analysis for Digonex indicated a nominal enterprise value. Therefore, in connection with the interim impairment test, Emmis determined that Digonex's goodwill was fully impaired and recorded an impairment loss of $2.1 million.

Subsequent to our impairment of Digonex goodwill and the sale of Texas Monthly (see note 7 for more discussion), the Company's goodwill relates entirely to its Radio segment.

During our December 2017 annual goodwill impairment test, the Company wrote off $0.3 million of goodwill associated with our Indianapolis radio cluster. Weak ratings and declining market revenues significantly impacted our operating performance in Indianapolis. This resulted in the carrying value of our Indianapolis radio cluster exceeding its estimated fair value by more than the amount of goodwill we had recorded for the cluster on the assessment date. As such, the Company fully impaired the goodwill of this cluster.

Sensitivity Analysis

Based on the results of our December 1, 2017 annual impairment assessment, the fair value of our broadcasting licenses was approximately $228.2 million, which was in excess of the $195.6 million carrying value by $32.6 million, or 16.7%. Should our estimates or assumptions worsen, or should negative events or circumstances occur in the units that have limited fair value cushion, additional license impairments may be needed. Subsequent to our annual impairment test on December 1, 2017, we sold our radio stations in St. Louis. These broadcasting licenses have been reclassified to current assets held for sale in the accompanying consolidated balance sheets.

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Unit of Accounting	Radio Broadcasting Licenses As of December 1, 2017		
	Carrying Value	Fair Value	Percentage by which fair value exceeds carrying value
New York Cluster	71,614	102,889	43.7 %
98.7FM (New York)	46,390	47,123	1.6 %
Austin Cluster	34,720	35,216	1.4 %
St. Louis Cluster	24,758	24,797	0.2 %
Indianapolis Cluster	18,166	18,214	0.3 %
Total	195,648	228,239	16.7 %

If we were to assume a 100 basis point change in any of our three key assumptions (a reduction in the long-term revenue growth rate, a reduction in local commercial share or an increase in the discount rate) used to determine the fair value of our broadcasting licenses on December 1, 2017, the resulting impairment charge would have been $28.1 million, $17.6 million and $14.1 million, respectively. Also, if we were to assume a market multiple decrease of one or a 10% decrease in the two-year average station operating income, two of the key assumptions used to determine the fair value of our goodwill on December 1, 2017, the resulting estimates of enterprise valuations would still exceed the carrying values of the enterprises. As such, no additional goodwill impairment would be recognized if either of these two key assumptions were lowered.

Deferred Taxes

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

Insurance Claims and Loss Reserves

The Company is self-insured for most healthcare claims, subject to stop-loss limits. Claims incurred but not reported are recorded based on historical experience and industry trends, and accruals are adjusted when warranted by changes in facts and circumstances. The Company had $0.8 million and $0.4 million accrued for employee healthcare claims as of February 28, 2017 and 2018, respectively. The Company also maintains large deductible programs (ranging from $100 thousand to $250 thousand per occurrence) for workers' compensation, employment liability, automotive liability and media liability claims.

DISPOSITIONS

The transactions described below impact the comparability of operating results for the three years ended February 28, 2018.

Sale of KPWR-FM

On August 1, 2017, Emmis closed on its sale of substantially all of the assets of KPWR-FM for gross proceeds of approximately $80.1 million to affiliates of the Meruelo Group. Under the terms of the Fourth Amendment to Emmis' senior credit facility, Emmis was required to enter into definitive agreements to sell assets that generated at least $80 million of proceeds by January 18, 2018 and to close on such transactions following receipt of required regulatory approvals. The sale of KPWR-FM satisfied these requirements. Emmis found it more advantageous to sell its standalone radio station in Los Angeles than to sell other assets to meet this requirement. After payment of transaction costs and withholding for estimated tax obligations, net proceeds totaled approximately $73.6 million and were used to repay term loan indebtedness under Emmis' senior credit facility. Emmis recorded a $76.7 million gain on the sale

of KPWR-FM. KPWR-FM had historically been included in our Radio segment. This disposal did not qualify for reporting as a discontinued operation as it did not represent a strategic shift for the Company as described in Accounting Standards Codification 205-20-45-1C.

Sale of Los Angeles Magazine, Atlanta Magazine, Cincinnati Magazine and Orange Coast Magazine

On February 28, 2017, Emmis closed on its sale of substantially all of the assets of Los Angeles Magazine, Atlanta Magazine, Cincinnati Magazine and Orange Coast Magazine (the “Hour Magazines”) for gross proceeds of $6.5 million to Hour Media Group, LLC. The Company previously announced that it was exploring strategic alternatives for its publishing

division, excluding Indianapolis Monthly. Emmis decided to sell most of its publishing assets to reduce debt outstanding. Emmis received net proceeds of $2.9 million, consisting of the stated purchase price of $6.5 million, less $0.7 million held in escrow and disposition costs totaling $2.9 million. The $2.9 million of disposition costs primarily relate to $1.6 million of severance costs and transaction advisory fees of $1.0 million. The funds held in escrow secure Emmis' post closing indemnification obligations in the purchase agreement and were scheduled to be released six months after the closing of the transaction. The release of these funds from escrow is currently being litigated. See Note 11 to the accompanying consolidated financial statements. After settling retention bonuses to affected employees, net proceeds were used to repay term loan indebtedness under Emmis' senior credit facility. Emmis recorded a $2.7 million gain on the sale of the Hour Magazines. These magazines had historically been included in our Publishing segment. This disposal did not qualify for reporting as a discontinued operation as it did not represent a strategic shift for the Company as described in Accounting Standards Codification 205-20-45-1C.

Sale of Terre Haute, Indiana radio stations

On January 30, 2017, Emmis closed on its sale of substantially all of the assets of its radio stations in Terre Haute, Indiana, in two contemporaneous transactions. In one transaction, Emmis sold the assets of WTHI-FM and the intellectual property of WWVR-FM to Midwest Communications, Inc. In the other transaction, Emmis sold the assets of WFNF-AM, WFNB-FM, WWVR-FM (other than the intellectual property for that station) and an FM translator to DLC Media, Inc. The Company previously announced that it was exploring strategic alternatives for these radio stations. Emmis believed that operating stations in Terre Haute, Indiana was not a core part of its radio strategy and its strong market position in the Terre Haute market would be attractive to potential buyers. At closing, Emmis received gross proceeds of approximately $5.2 million for both transactions. After payment of brokerage and other transaction costs, net proceeds totaled $4.8 million and were used to repay term loan indebtedness under Emmis' senior credit facility. Emmis recorded a $3.5 million gain on the sale of its Terre Haute radio stations. The Terre Haute radio stations had historically been included in our Radio segment. This disposal did not qualify for reporting as a discontinued operation as it did not represent a strategic shift for the Company as described in Accounting Standards Codification 205-20-45-1C.

Sale of Texas Monthly

On November 1, 2016, Emmis closed on its sale of Texas Monthly for gross proceeds of $25.0 million in cash to a subsidiary of Genesis Park, LP. The Company previously announced that it was exploring strategic alternatives for its publishing division, excluding Indianapolis Monthly. Emmis believed that its publishing portfolio had significant brand value and planned to use proceeds from the sale of its publishing properties to repay debt. Emmis received net proceeds of $23.4 million, consisting of the stated purchase price of $25.0 million, net of estimated purchase price adjustments totaling $0.7 million and disposition costs totaling $0.9 million. The $0.9 million of disposition costs primarily related to severance costs. Proceeds were used to repay term and revolving loan indebtedness under Emmis' senior credit facility. Emmis recorded a $17.4 million gain on the sale of Texas Monthly. Texas Monthly had historically been included in our Publishing segment. This disposal did not qualify for reporting as a discontinued operation as it did not represent a strategic shift for the Company as described in Accounting Standards Codification 205-20-45-1C.

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RESULTS OF OPERATIONS

YEAR ENDED FEBRUARY 28, 2017 COMPARED TO YEAR ENDED FEBRUARY 28, 2018

Net revenues:

	For the years ended February 28,			
	2017	2018	$ Change	% Change
	(As reported, amounts in thousands)			
Net revenues:				
Radio	$165,148	$142,852	$(22,296)	(13.5)%
Publishing	48,559	4,521	(44,038)	(90.7)%
Emerging Technologies	861	1,114	253	29.4 %
Total net revenues	$214,568	$148,487	$(66,081)	(30.8)%

Radio net revenues decreased during the year ended February 28, 2018 mostly due to the sale of KPWR-FM in Los Angeles on August 1, 2017 and the sale of our Terre Haute radio stations in January 2017. Excluding the effects of radio station sales, our radio net revenues would have been down less than 3% for the year ended February 28, 2018. We typically monitor the performance of our stations against the aggregate performance of the markets in which we operate based on reports for the periods prepared by Miller Kaplan. Miller Kaplan reports are generally prepared on a gross revenues basis and exclude revenues from barter arrangements. A summary of market revenue performance and Emmis' revenue performance in those markets for the year ended February 28, 2018 is presented below:

	For the year ended February 28, 2018	
	Overall Market	Emmis
Market	Revenue Performance	Revenue Performance [1]
New York	(0.3%)	(2.0%)
St. Louis	(3.0%)	0.7%
Indianapolis	(3.4%)	(12.9%)
Austin	1.1%	1.7%
All Markets	(0.8%)	(2.4%)

[1] Emmis revenue performance in New York excludes the results of WEPN-FM which is being operated pursuant to an LMA

Our weak performance in Indianapolis mostly relates to a decline in the ratings of our stations there. We have taken several steps to improve our ratings in Indianapolis, including additional promotional support, and we expect our revenue performance to improve in fiscal 2019.

Publishing net revenues were down for the year ended February 28, 2018 due to the sale of all but one of our magazines during the year ended February 28, 2017.

Emerging technologies net revenues, which primarily relate to licensing fees of our TagStation software and pricing services provided by Digonex, increased during the year ended February 28, 2018 principally due to client growth at Digonex.

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Station operating expenses excluding LMA fees and depreciation and amortization expense:

	For the years ended February 28,			
	2017	2018	$ Change	% Change
	(As reported, amounts in thousands)			
Station operating expenses excluding depreciation and amortization expense:				
Radio	$115,366	$102,413	$(12,953)	(11.2)%
Publishing	51,063	5,035	(46,028)	(90.1)%
Emerging Technologies	13,656	12,310	$(1,346)	(9.9)%
Total station operating expenses excluding depreciation and amortization expense	$180,085	$119,758	$(60,327)	(33.5)%

The decrease in station operating expenses excluding depreciation and amortization expense for our radio division for the year ended February 28, 2018 is due to the sale of our Terre Haute radio stations in the prior year and KPWR-FM in August 2017. Excluding the effects of radio station sales, our radio station operating expenses excluding depreciation and amortization expense would have been flat for the year ended February 28, 2018, as compared to the same period of the prior year.

The decrease in station operating expenses excluding depreciation and amortization expense for publishing for the year ended February 28, 2018 is due to the sale of all but one of our magazines during the year ended February 28, 2017.

Station operating expenses excluding depreciation and amortization expense for emerging technologies decreased in the year ended February 28, 2018 due to NextRadio funding $3.4 million of its obligation to Sprint with the proceeds of a third party loan in the prior year. This amount was expensed at the time it was remitted to Sprint. Excluding this item in the prior year, station operating expenses excluding depreciation and amortization expense for emerging technologies would have increased during the year ended February 28, 2018 due to (i) NextRadio funding $0.6 million of its obligation to Sprint with the proceeds of a third party loan in March 2017, which was expensed at the time it was remitted to Sprint, (ii) Emmis contributing $0.3 million to NextRadio, which was remitted to Sprint in connection with the final payment to Sprint and expensed at that time, and (iii) costs associated with enhancements to the NextRadio application and TagStation platform, including the addition of streaming features and enhancements to our data reporting capabilities.

Corporate expenses excluding depreciation and amortization expense:

	For the years ended February 28,			
	2017	2018	$ Change	% Change
	(As reported, amounts in thousands)			
Corporate expenses excluding depreciation and amortization expense	$ 11,359	$ 10,712	$ (647)	(5.7)%

Corporate expenses excluding depreciation and amortization expense decreased during the year ended February 28, 2018 due to nonrecurring costs incurred during the prior year related to a going private transaction that was not consummated. Costs incurred during the prior year related to the going private transaction were approximately $0.9 million.

Impairment loss on intangible assets:

	For the years ended February 28,			
	2017	2018	$ Change	% Change
	(As reported, amounts in thousands)			
Impairment loss on intangible assets:				
Radio	$ 6,855	$ 265	$ (6,590)	(96.1)%
Emerging Technologies	2,988	—	$ (2,988)	(100.0)%

Impairment loss on intangible assets	$ 9,843	$ 265	$ (9,578)	(97.3)%

In connection with an interim review for impairment during the quarter ended August 31, 2016, the Company recorded an
impairment loss of $2.1 million related to goodwill and $0.9 million related to definite-lived intangible assets, all of which
related to Digonex. This impairment loss reduced the carrying value of Digonex goodwill and definite-lived intangible assets

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to zero. In connection with the annual impairment review conducted on December 1, 2016, the Company concluded that its FCC license for 98.7FM in New York, and the licenses for our Austin, St. Louis and Terre Haute clusters were impaired by $6.9 million.

In connection with the annual impairment review conducted on December 1, 2017, the Company concluded that goodwill associated with its Indianapolis radio operations was impaired and recorded an impairment loss of $0.3 million to reduce the carrying value of this goodwill to zero.

We could record impairment charges in future periods if we determine the carrying value of our intangible assets exceeds their fair value. Our annual impairment test of our broadcasting licenses and goodwill is performed each year as of December 1. We may be required to retest prior to our next annual evaluation, which could result in additional impairment charges.

Gain on sale of radio and publishing assets, net of disposition costs:

	For the years ended February 28,			
	2017	2018	$ Change	% Change
	(As reported, amounts in thousands)			
Gain on sale of radio and publishing assets, net of disposition costs:				
Radio	$(3,478)	$(76,745)	$(73,267)	N/A
Publishing	(20,079)	141	20,220	N/A
Emerging Technologies	—	—	$—	N/A
Gain on sale of radio and publishing assets, net of disposition costs	$(23,557)	$(76,604)	$(53,047)	N/A

On August 1, 2017, the Company closed on its sale of KPWR-FM in Los Angeles and recorded a $76.7 million gain on sale of assets, net of disposition costs. On January 30, 2017, we closed on the sale of our Terre Haute, Indiana radio cluster. We recognized a $3.5 million gain on sale of the cluster.

On November 1, 2016, we closed on the sale of Texas Monthly and recorded a $17.4 million gain on sale of assets, net of disposition costs. On February 28, 2017, we closed on the sale of Los Angeles Magazine, Atlanta Magazine, Cincinnati Magazine and Orange Coast Magazine and recorded a $2.7 million gain on sale of assets, net of disposition costs.

Depreciation and amortization:

	For the years ended February 28,			
	2017	2018	$ Change	% Change
	(As reported, amounts in thousands)			
Depreciation and amortization:				
Radio	$ 3,462	$ 2,792	$ (670)	(19.4)%
Publishing	230	19	(211)	(91.7)%
Corporate & Emerging Technologies	1,114	817	(297)	(26.7)%
Total depreciation and amortization	$ 4,806	$ 3,628	$ (1,178)	(24.5)%

The decrease in radio depreciation and amortization expense for the year ended February 28, 2018 mostly relates to the sale of our Terre Haute radio stations near the end of the prior fiscal year and the sale of KPWR-FM during the current fiscal year.

The decrease in publishing depreciation and amortization expense for the year ended February 28, 2018 is due to the sale of all but one of our magazines during the year ended February 28, 2017.

The decrease in corporate & emerging technologies is mostly due to reduced amortization expense of Digonex-related definite-lived intangible assets. The Company recorded an impairment charge in fiscal 2017 related to these definite-lived intangible assets, which reduced the carrying value of these definite-lived intangibles to zero.

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Operating income (loss):

	For the years ended February 28,			
	2017	2018	$ Change	% Change
	(As reported, amounts in thousands)			
Operating income (loss):				
Radio	$42,819	$114,209	$71,390	166.7 %
Publishing	17,345	(687)	(18,032)	(104.0)%
Corporate & Emerging Technologies	(28,256)	(22,725)	5,531	19.6 %
Total operating income (loss)	$31,908	$90,797	$58,889	184.6 %

Radio operating income increased for year ended February 28, 2018 due to the gain on sale of KPWR-FM.

Publishing operating income decreased due to the gain on sale recorded in the prior year related to five publications that were sold during that fiscal year.

Corporate and emerging technologies operating loss decreased in the year ended February 28, 2018 mostly due to the following items in the prior year: (1) $3.0 million impairment charge related to Digonex intangible assets, (2) $3.4 million of proceeds from a third party loan to NextRadio that were remitted to Sprint, and (3) $0.9 million of costs associated with an unsuccessful going private transaction. These costs were partially offset by additional emerging technologies operating expenses in the current year as discussed above.

Interest expense:

	For the years ended February 28,			
	2017	2018	$ Change	% Change
	(As reported, amounts in thousands)			
Interest expense	$(18,018)	$(15,143)	$ 2,875	16.0 %

The decrease in interest expense is attributable to lower debt balances as the Company used the proceeds from its various asset sales to reduce debt outstanding.

Loss on debt extinguishment:

	For the years ended February 28,			
	2017	2018	$ Change	% Change
	(As reported, amounts in thousands)			
Loss on debt extinguishment	$ (620)	$ (2,662)	$ (2,042)	N/M

The Company repaid outstanding term loans under its credit facility with proceeds from asset sales during fiscal 2018. The pro-rata portion of unamortized debt discount that was written-off in connection with these repayments was classified as a loss on debt extinguishment.

Other (expense) income, net:

	For the years ended February 28,			
	2017	2018	$ Change	% Change
	(As reported, amounts in thousands)			
Other (expense) income, net	$ (160)	$ 35	$ 195	N/M

Other expense in fiscal 2017 mostly relates to a $0.3 million other-than-temporary impairment of an equity method investment that reduced the carrying value of the investment to zero as of February 28, 2017.

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Benefit for income taxes:

	For the years ended February 28,			
	2017	2018	$ Change	% Change
	(As reported, amounts in thousands)			
Benefit for income taxes	$ (110)	$ (11,732)	$ (11,622)	N/M

During the year ended February 28, 2017, the Company was recording a valuation allowance for its net deferred tax assets, including its net operating loss carryforwards, but excluding deferred tax liabilities related to indefinite-lived intangibles. During fiscal 2018, the taxable gain associated with the sale of KPWR-FM in Los Angeles was mostly offset by the utilization of deferred tax assets, including substantially all Federal net operating loss carryforwards. The benefit recorded in fiscal 2018 principally relates to the Tax Cuts and Jobs Act (the “Act”), which was signed into law on December 22, 2017. Among its numerous changes to the Internal Revenue Code, the Act reduced U.S. corporate rates from 35% to 21%. The corresponding reduction of deferred tax liabilities based on this lower rate resulted in a one-time benefit of $14.2 million in fiscal 2018.

Consolidated net income:

	For the years ended February 28,			
	2017	2018	$ Change	% Change
	(As reported, amounts in thousands)			
Consolidated net income	$ 13,220	$ 84,759	$ 71,539	N/M

The increase in consolidated net income is principally due to the $76.7 million gain on sale associated with the sale of KPWR-FM in Los Angeles and the $14.2 million tax benefit resulting from the Tax Cuts and Jobs Act in fiscal 2018, partially offset by gains recorded on sales of radio stations and magazines in the prior year.

YEAR ENDED FEBRUARY 29, 2016 COMPARED TO YEAR ENDED FEBRUARY 28, 2017

Net revenues:

	For the years ended February 28 (29),			
	2016	2017	$ Change	% Change
	(As reported, amounts in thousands)			
Net revenues:				
Radio	$ 169,228	$ 165,148	$ (4,080)	(2.4)%
Publishing	60,992	48,559	(12,433)	(20.4)%
Emerging Technologies	1,213	861	$ (352)	(29.0)%
Total net revenues	$ 231,433	$ 214,568	$ (16,865)	(7.3)%

Radio net revenues decreased during the year ended February 28, 2017 as our radio division underperformed the aggregate performance of the markets in which we operate. We typically monitor the performance of our stations against the aggregate performance of the markets in which we operate based on reports for the periods prepared by Miller Kaplan. Miller Kaplan reports are generally prepared on a gross revenues basis and exclude revenues from barter arrangements. A summary of market revenue performance and Emmis’ revenue performance in those markets for the year ended February 28, 2017 is presented below:

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Market	For the year ended February 28, 2017 Overall Market Revenue Performance	Emmis Revenue Performance [1]
New York	0.2 %	(2.8 %)
Los Angeles	3.3 %	(14.7 %)
St. Louis	1.4 %	11.0 %
Indianapolis	0.8 %	(4.3 %)
Austin	0.3 %	(0.9 %)
All Markets	1.7 %	(3.1 %)

[1] Emmis revenue performance in New York excludes the results of WEPN-FM which is being operated pursuant to an LMA

Our weak performance in Los Angeles mostly related to a format competitor that began directly competing against our station there in February 2015. The revenue impact was most pronounced beginning in the fall of 2015. Excluding Los Angeles, our radio revenues would have been down 0.3% in markets that were up 0.5% according to Miller Kaplan.

For the year ended February 28, 2017, as compared to the prior year, our average rate per minute for our domestic radio stations was down 1.9%, and our minutes sold were down 2.9%.

Publishing net revenues were down for the year ended February 28, 2017 mostly due to the sale of Texas Monthly on November 1, 2016.

Emerging technologies net revenues, which primarily relate to licensing fees of our TagStation software and pricing services provided by Digonex, decreased during the year as a large retail customer of Digonex did not renew for fiscal 2017.

Station operating expenses excluding depreciation and amortization expense:

	For the years ended February 28 (29),			
	2016	2017	$ Change	% Change
	(As reported, amounts in thousands)			
Station operating expenses, excluding depreciation and amortization expense:				
Radio	$116,862	$115,366	$(1,496)	(1.3)%
Publishing	58,891	51,063	(7,828)	(13.3)%
Emerging Technologies	7,641	13,656	$6,015	78.7 %
Total station operating expenses, excluding depreciation and amortization expense	$183,394	$180,085	$(3,309)	(1.8)%

Radio station operating expenses, excluding LMA fees and depreciation and amortization expense decreased due to nonrecurring severance expenses incurred during Q4 of the prior year.

Station operating expenses excluding depreciation and amortization expense for publishing decreased during the year ended February 28, 2017 due to the sale of Texas Monthly on November 1, 2016, partially offset by severance and retention bonuses for employees of the five magazines that were sold in fiscal 2017.

Station operating expenses excluding depreciation and amortization expense for emerging technologies increased during the year ended February 28, 2017 mostly due to (i) NextRadio funding $3.4 million of its obligation to Sprint with the proceeds of a third party loan and (ii) increased NextRadio headcount during the year across all departments to support increased activity expected in upcoming years.

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Corporate expenses excluding depreciation and amortization expense:

	For the years ended February 28 (29),			
	2016	2017	$ Change	% Change
	(As reported, amounts in thousands)			
Corporate expenses excluding depreciation and amortization expense	$ 13,023	$ 11,359	$ (1,664)	(12.8)%

Corporate expenses excluding depreciation and amortization expense decreased during the year ended February 28, 2017 mostly due to personnel bonuses, which totaled approximately $1.0 million in fiscal 2016, but there were no such bonuses in fiscal 2017. Also contributing to the decrease in corporate expenses excluding depreciation and amortization expense was the effect of cost reduction actions taken in January 2016, which were partially offset by costs incurred related to the evaluation of a go-private offer received by the Company during fiscal 2017.

Impairment loss on intangible assets:

	For the years ended February 28 (29),			
	2016	2017	$ Change	% Change
	(As reported, amounts in thousands)			
Impairment loss on intangible assets	$ 9,499	$ 9,843	$ 344	3.6 %

In connection with the annual impairment review conducted on December 1, 2015, the Company concluded that its FCC license for 98.7FM in New York, and the licenses for our Austin, St. Louis and Terre Haute clusters were impaired by $5.4 million. The Company also concluded that the goodwill and patents associated with Digonex were impaired and recorded an impairment loss of $4.1 million related to these assets.

In connection with an interim review for impairment during the quarter ended August 31, 2016, the Company recorded an impairment loss of $2.1 million related to goodwill and $0.9 million related to definite-lived intangible assets, all of which related to Digonex. This impairment loss reduced the carrying value of Digonex goodwill and definite-lived intangible assets to zero. In connection with the annual impairment review conducted on December 1, 2016, the Company concluded that its FCC license for 98.7FM in New York, and the licenses for our Austin, St. Louis and Terre Haute clusters were impaired by $6.9 million.

We could record impairment charges in future periods if we determine the carrying value of our intangible assets exceeds their fair value. Our annual impairment test of our broadcasting licenses and goodwill is performed each year as of December 1. We may be required to retest prior to our next annual evaluation, which could result in additional impairment charges.

Gain on sale of radio and publishing assets, net of disposition costs:

	For the years ended February 28 (29),			
	2016	2017	$ Change	% Change
	(As reported, amounts in thousands)			
Gain on sale of radio and publishing assets, net of disposition costs:				
Radio	$ —	$ (3,478)	$ (3,478)	N/A
Publishing	—	(20,079)	(20,079)	N/A
Emerging Technologies	—	—	$ —	N/A
Gain on sale of radio and publishing assets, net of disposition costs	$ —	$ (23,557)	$ (23,557)	N/A

On November 1, 2016, we closed on the sale of Texas Monthly. We recognized a $17.4 million gain on sale of Texas Monthly. On January 30, 2017, we closed on the sale of our Terre Haute, Indiana radio cluster. We recognized a $3.5 million gain on sale of the cluster. On February 28, 2017, we closed on the sale of Los Angeles Magazine, Atlanta Magazine, Cincinnati Magazine and Orange Coast Magazine. We recognized a $2.7 million gain on sale of these magazines.

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Depreciation and amortization:

	For the years ended February 28 (29),			
	2016	2017	$ Change	% Change
	(As reported, amounts in thousands)			
Depreciation and amortization:				
Radio	$ 3,345	$ 3,462	$ 117	3.5 %
Publishing	266	230	(36)	(13.5)%
Corporate & Emerging Technologies	2,186	1,114	(1,072)	(49.0)%
Total depreciation and amortization	$ 5,797	$ 4,806	$ (991)	(17.1)%

The increase in depreciation and amortization for the year ended February 28, 2017 for our radio division is mostly due to depreciation expense associated with broadcasting equipment and other equipment that was placed into service toward the end of the prior fiscal year.

The decrease in depreciation and amortization for the year ended February 28, 2017 for corporate & emerging technologies is mostly due to reduced amortization expense of Digonex-related definite-lived intangible assets. The Company recorded impairment charges related to these definite-lived intangible assets in connection with its annual review of impairment during fiscal 2016 and with its interim review of impairment as of August 31, 2016, the latter of which reduced the carrying value of these definite-lived intangibles to zero.

Operating income (loss):

	For the years ended February 28 (29),			
	2016	2017	$ Change	% Change
	(As reported, amounts in thousands)			
Operating income (loss):				
Radio	$ 43,527	$ 42,819	$ (708)	(1.6)%
Publishing	1,835	17,345	15,510	845.2 %
Corporate & Emerging Technologies	(25,698)	(28,256)	(2,558)	10.0 %
Total operating income (loss)	$ 19,664	$ 31,908	$ 12,244	62.3 %

Radio operating income decreased for the year ended February 28, 2017 principally due to the effect of revenue declines for all of our markets except St. Louis and larger impairment losses recorded during the year. The gain on sale of our Terre Haute, Indiana cluster and lower radio operating expenses partially offset the effect of the revenue declines and larger impairment losses.

Publishing operating income increased due to the gain on sale of the five publications that were sold during the year.

Corporate and Emerging Technologies operating losses increased mostly due to additional investments in TagStation and NextRadio and proceeds from a third party loan to NextRadio that were remitted to Sprint, as previously discussed. These increases were partially offset by lower overall corporate expenses.

Interest expense:

	For the years ended February 28 (29),			
	2016	2017	$ Change	% Change
	(As reported, amounts in thousands)			
Interest expense	$ (18,956)	$ (18,018)	$ 938	(4.9)%

The decrease in interest expense is attributable to lower debt balances as the Company used the proceeds from its various asset sales during fiscal 2017 to reduce debt outstanding.

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Loss on debt extinguishment:

	For the years ended February 28 (29),			
	2016	2017	$ Change	% Change
	(As reported, amounts in thousands)			
Loss on debt extinguishment	$ —	$ (620)	$ (620)	N/A

The Company repaid outstanding term loans under its credit facility with proceeds from asset sales during fiscal 2017. The pro-rata portion of unamortized debt discount that was written-off in connection with these repayments was classified as a loss on debt extinguishment.

Other income (expense), net:

	For the years ended February 28 (29),			
	2016	2017	$ Change	% Change
	(As reported, amounts in thousands)			
Other income (expense), net	$ 1,057	$ (160)	$ (1,217)	115.1 %

Other income in fiscal 2016 mostly relates to various nonrecurring recoveries and noncash gains. Other expense in fiscal 2017 mostly relates to a $0.3 million other-than-temporary impairment of an equity method investment that reduced the carrying value of the investment to zero as of February 28, 2017.

Provision (benefit) for income taxes:

	For the years ended February 28 (29),			
	2016	2017	$ Change	% Change
	(As reported, amounts in thousands)			
Provision (benefit) for income taxes	$ 2,069	$ (110)	$ (2,179)	(105.3)%

The Company previously recorded a full valuation allowance against its net deferred tax assets, except for the deferred tax liabilities related to indefinite-lived intangibles. Although the Company continued to record a full valuation allowance in fiscal 2016 and 2017, the income tax expense related to deferred tax liabilities for indefinite-lived intangibles must still be recorded. Because this amount is based on tax amortization, the full year amount of associated tax expense is known at the beginning of the year and the Company recognized the tax expense related to deferred tax liabilities for indefinite-lived intangibles evenly through the year as a discrete item. Separately, the company recorded tax benefits of $1.3 million and $2.4 million related to impairment charges on FCC licenses during the years ended February 29, 2016 and February 28, 2017, respectively.

Consolidated net (loss) income:

	For the years ended February 28 (29),			
	2016	2017	$ Change	% Change
	(As reported, amounts in thousands)			
Consolidated net (loss) income	$ (304)	$ 13,220	$ 13,524	N/M

The increase in consolidated net income (loss) is principally due to the $23.6 million gain on sale associated with the sale of our Terre Haute, Indiana radio cluster and five magazines during the year ended February 28, 2017. This gain is partially offset by other items, including lower radio division revenues and higher expenses at our TagStation and NextRadio businesses.

Loss on modification of preferred stock:

For the years ended February 28 (29),			
2016	2017	$ Change	% Change

	(As reported, amounts in thousands)			
Loss on modification of preferred stock	$ (162)	$ —	$ 162	N/A

On February 17, 2016, Emmis filed amendments to its Articles of Incorporation that modified the rights of holders of the Company's Preferred Stock. The amendments, among other things, modified the conversion ratio for shares of Preferred Stock

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into Class A Common Stock from 2.44 shares of Class A Common Stock to 2.80 shares of Class A Common Stock. In connection with this modification, the Company recorded a loss of $0.2 million.

LIQUIDITY AND CAPITAL RESOURCES

2014 CREDIT AGREEMENT

On June 10, 2014, Emmis entered into the 2014 Credit Agreement, by and among the Company, EOC, as borrower (the "Borrower"), certain other subsidiaries of the Company, as guarantors (the "Subsidiary Guarantors") and the lenders party thereto. Capitalized terms in this section not defined elsewhere in this 10-K are defined in the 2014 Credit Agreement and related amendments.

The 2014 Credit Agreement consists of remaining balances of a term loan ($152.2 million and $69.5 million as of February 28, 2017 and 2018, respectively) and a revolving credit facility with a maximum commitment of $20.0 million. Outstanding revolver borrowings as of February 28, 2018 were $9.0 million. No revolver borrowings were outstanding as of February 28, 2017. The revolving credit facility includes a sub-facility for the issuance of up to $5.0 million of letters of credit. No letters of credit were outstanding during the three years ended February 28, 2018.

The term loan is due not later than April 18, 2019 and the revolving credit facility expires on August 31, 2018. The Company is not required to make scheduled principal payments under the term loan or revolving credit facility prior to these dates. Amounts outstanding under the 2014 Credit Agreement bear interest, at the Company's option, at either (i) the Alternate Base Rate (but not less than 2.00%) plus 6.00% or (ii) the Adjusted LIBO Rate plus 7.00%. The Company pays an unused commitment fee of 75 basis points per annum on the average unused amount of the revolving credit facility. If the Company has not refinanced the 2014 Credit Agreement by July 18, 2018, any principal payments on the term loans thereafter must be accompanied by a fee to the lenders equal to 2% of the amount being repaid. In addition, on each ninety day anniversary of July 18, 2018, such fee increases by an additional 0.5% and the interest rate on amounts outstanding increases by 0.5%. The weighted average borrowing rate of amounts outstanding related to the 2014 Credit Agreement was 7.0% and 8.7% at February 28, 2017 and 2018, respectively.

Our 2014 Credit Agreement debt is carried net of an unamortized original issue discount of $1.8 million as of February 28, 2018. The original issue discount is being amortized as additional interest expense over the life of the 2014 Credit Agreement.

The 2014 Credit Agreement requires mandatory prepayments for, among other things, proceeds from the sale of assets, insurance proceeds and Consolidated Excess Cash Flow (as defined in the 2014 Credit Agreement).

The 2014 Credit Agreement requires the Company to comply with certain financial and non-financial covenants. These covenants include a minimum Consolidated EBITDA covenant through May 31, 2018. Subsequent to the quarter ending May 31, 2018, the Company is required to comply with a Total Leverage Ratio covenant of 4.00:1.00. Additionally, the Company is required to meet a minimum Interest Coverage Ratio of at least 1.60:1.00.

The obligations under the 2014 Credit Agreement are secured by a perfected first priority security interest in substantially all of the assets of the Company, the Borrower and the Subsidiary Guarantors.

On April 30, 2018, Emmis closed on its sale of substantially all of the assets of its radio stations in St. Louis in two separate transactions. In one transaction, Emmis sold the assets of KSHE-FM and KPNT-FM to affiliates of Hubbard Radio. In the other transaction, Emmis sold the assets of KFTK-FM and KNOU-FM to affiliates of Entercom Communications Corp. At closing, Emmis received aggregate gross proceeds of $60.0 million. After deducting estimated taxes payable of $15.9 million and transaction-related expenses, net proceeds totaled $40.5 million and were used to repay term loan indebtedness under Emmis' senior credit facility. The taxes payable as a result of the transactions are not required to be remitted to the applicable taxing authority until May 2019, so we repaid amounts outstanding under our revolver and we plan to hold excess cash on our balance sheet to enhance our liquidity position until we remit the taxes in May 2019.

SOURCES OF LIQUIDITY

Our primary sources of liquidity are cash provided by operations and cash available through revolver borrowings under our credit facility. Our primary uses of capital during the past few years have been, and are expected to continue to be, capital expenditures, working capital, debt service requirements, repayment of debt and investments in future

growth opportunities in new businesses.

At February 28, 2018, we had cash and cash equivalents of $4.1 million and net working capital of $27.1 million. At February 28, 2017, we had cash and cash equivalents of $11.3 million and net working capital of $(8.1) million. The increase in

net working capital is largely due to our St. Louis radio stations being classified as current assets held for sale as of February 28, 2018. In addition, during fiscal 2018, we extended the maturity of non-recourse debt associated with Digonex from December 31, 2017 to December 31, 2020. Accordingly, this debt, totaling $5.5 million and classified as current as of February 28, 2017, is classified as long-term as of February 28, 2018.

The Company continually projects its anticipated cash needs, which include its operating needs, capital needs, and principal and interest payments on its indebtedness. As of the filing of this Form 10-K, management believes the Company can meet its liquidity needs through the end of fiscal year 2019 with cash and cash equivalents on hand and projected cash flows from operations. Based on these projections, management also believes the Company will be in compliance with its debt covenants through the end of fiscal year 2019.

Since we manage cash on a consolidated basis, any cash needs of a particular segment or operating entity are met by intercompany transactions. See Investing Activities below for a discussion of specific segment needs.

Operating Activities

Cash flows provided by operating activities were $19.1 million and $0.2 million for the years ended February 28, 2017 and 2018, respectively. The decrease in cash flows provided by operating activities was attributable to lower operating income (excluding gains on the sale of radio stations) of our radio division, coupled with the settlement of liabilities with cash balances.

Cash flows provided by operating activities were $25.1 million and $19.1 million for the years ended February 28 (29), 2016 and 2017, respectively. The decrease in cash flows provided by operating activities was mainly attributable to lower operating income (excluding the effect of gains on the sale of businesses) of our radio and publishing businesses.

Investing Activities

Cash flows provided by investing activities of $78.4 million for the year ended February 28, 2018 consisted of $80.2 million of proceeds from the sale of KPWR-FM in Los Angeles, partially offset by $1.8 million of capital expenditures.

Cash flows provided by investing activities of $28.5 million for the year ended February 28, 2017 primarily consisted of $31.3 million of proceeds from the sale of our Terre Haute, Indiana radio cluster and five of our magazines, partially offset by $2.9 million of capital expenditures.

Cash used in investing activities of $3.3 million for the year ended February 29, 2016 primarily consisted of $3.4 million of capital expenditures partially offset by $0.1 million of cash distributed from investments.

Financing Activities

Cash used in financing activities for the year ended February 28, 2018 primarily relates to net payments on our long-term debt of $79.1 million, distributions to noncontrolling interests of $4.9 million, debt-related costs of $1.6 million and the settlement of tax withholding obligations of $0.4 million.

Cash used in financing activities for the year ended February 28, 2017 primarily relates to net payments on our long-term debt of $34.6 million, distributions to noncontrolling interests of $5.6 million, and the settlement of tax withholding obligations of $0.5 million.

Cash used in financing activities for the year ended February 29, 2016 primarily relates to net payments on our long-term debt of $13.2 million, distributions to noncontrolling interests of $5.8 million, debt-related costs of $1.1 million and the settlement of tax withholding obligations of $1.0 million.

As of February 28, 2018, Emmis had $78.5 million of borrowings under the 2014 Credit Agreement ($9.5 million current and $69.0 million long-term) and $63.9 million of non-recourse debt ($6.6 million current and $57.3 million long-term). Borrowings under the 2014 Credit Agreement bear interest, at our option, at a rate equal to the Eurodollar rate or an alternative Base Rate plus a margin. The non-recourse debt bears interest ranging from 5.0% to 6.0% per annum. As of February 28, 2018, our weighted average borrowing rate under our 2014 Credit Agreement was approximately 8.7%.

Subsequent to the April 30, 2018 sales our St. Louis radio stations, the debt service requirements of Emmis over the next twelve-month period are expected to be $3.0 million related to our 2014 Credit Agreement, as amended, ($0.5 million of principal repayments and $2.5 million of interest payments) and $8.7 million related to our 98.7FM non-recourse debt ($6.6 million of principal repayments and $2.1 million of interest payments). Digonex non-recourse debt ($6.2 million face amount, $6.0 million carrying amount as of February 28, 2018) is due in December 2020. NextRadio non-recourse debt of $4.0 million is due in December 2021. The Company expects that proceeds from the 98.7FM LMA will be sufficient to pay all debt service related to the 98.7FM non-recourse debt. The 2014 Credit Agreement debt bears interest at variable rates. The Company estimated interest payments for the 2014 Credit Agreement above by using the amounts outstanding as of February 28, 2018 and the weighted average interest rate as of the same date.

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As of May 4, 2018, we had $20.0 million available for additional borrowing under our credit facility. Availability under the credit facility depends upon our continued compliance with certain operating covenants and financial ratios. Emmis was in compliance with these covenants as of February 28, 2018. As part of our business strategy, we continually evaluate potential acquisitions of businesses that we believe hold promise for long-term appreciation in value and leverage our strengths. However, Emmis Operating Company's credit facility substantially limits our ability to make acquisitions. We also regularly review our portfolio of assets and may opportunistically dispose of assets when we believe it is appropriate to do so. See Note 7 to our consolidated financial statements for a discussion of dispositions that occurred during the three years ended February 2018.

INTANGIBLES

As of February 28, 2018, approximately 74% of our total assets consisted of FCC licenses and goodwill, the value of which depends significantly upon the operational results of our businesses. In the case of our radio stations, we would not be able to operate the properties without the related FCC license for each property. FCC licenses are renewed every eight years; consequently, we continually monitor the activities of our stations for compliance with regulatory requirements. Historically, all of our FCC licenses have been renewed (or a waiver has been granted pending renewal) at the end of their respective eight-year periods, and we expect that all of our FCC licenses will continue to be renewed in the future.

SEASONALITY

Our results of operations are usually subject to seasonal fluctuations, which result in higher second and third quarter revenues and operating income. For our radio operations, this seasonality is due to the younger demographic composition of many of our stations. Advertisers increase spending during the summer months to target these listeners. In addition, advertisers generally increase spending during the months of October and November, which are part of our third quarter, in anticipation of the holiday season.

INFLATION

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

OFF-BALANCE SHEET FINANCINGS AND LIABILITIES

Other than lease commitments, legal contingencies incurred in the normal course of business, contractual commitments to purchase goods and services and employment contracts for key employees, all of which are discussed in Note 11 to the consolidated financial statements, the Company does not have any material off-balance sheet financings or liabilities. The Company does not have any majority-owned and controlled subsidiaries that are not included in the consolidated financial statements, nor does the Company have any interests in or relationships with any "special-purpose entities" that are not reflected in the consolidated financial statements or disclosed in the Notes to Consolidated Financial Statements.

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

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

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Emmis Communications Corporation and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Emmis Communications Corporation and Subsidiaries (the Company) as of February 28, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), changes in equity (deficit), and cash flows for each of the three years in the period ended February 28, 2018, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at February 28, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended February 28, 2018, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.
Indianapolis, Indiana
May 10, 2018

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	For the years ended February 28 (29),		
	2016	2017	2018
NET REVENUES	$231,433	$214,568	$148,487
OPERATING EXPENSES:			
Station operating expenses excluding depreciation and amortization expense of $4,713, $3,998, and $2,897 respectively	183,394	180,085	119,758
Corporate expenses excluding depreciation and amortization expense of $1,084, $808, and $731 respectively	13,023	11,359	10,712
Impairment loss on intangible assets	9,499	9,843	265
Depreciation and amortization	5,797	4,806	3,628
Gain on sale of radio and publishing assets, net of disposition costs	—	(23,557)	(76,604)
Loss (gain) on sale of assets	56	124	(69)
Total operating expenses	211,769	182,660	57,690
OPERATING INCOME	19,664	31,908	90,797
OTHER EXPENSE:			
Interest expense	(18,956)	(18,018)	(15,143)
Loss on debt extinguishment	—	(620)	(2,662)
Other income (expense), net	1,057	(160)	35
Total other expense	(17,899)	(18,798)	(17,770)
INCOME BEFORE INCOME TAXES	1,765	13,110	73,027
PROVISION (BENEFIT) FOR INCOME TAXES	2,069	(110)	(11,732)
CONSOLIDATED NET (LOSS) INCOME	(304)	13,220	84,759
NET (LOSS) INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(2,418)	101	2,630
NET INCOME ATTRIBUTABLE TO THE COMPANY	2,114	13,119	82,129
LOSS ON MODIFICATION OF PREFERRED STOCK	(162)	—	—
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	$1,952	$13,119	$82,129

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

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS - (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	For the years ended February 28 (29),		
	2016	2017	2018
Amounts attributable to common shareholders for basic earnings per share	$ 1,952	$ 13,119	$ 82,129
Amounts attributable to common shareholders for diluted earnings per share	$ 1,952	$ 13,119	$ 82,129
Basic net income per share attributable to common shareholders:	$ 0.18	$ 1.09	$ 6.65
Diluted net income per share attributable to common shareholders:	$ 0.17	$ 1.07	$ 6.50
Basic weighted average common shares outstanding	11,034	12,040	12,347
Diluted weighted average common shares outstanding	11,316	12,229	12,626

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

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	For the year ended February 28 (29),		
	2016	2017	2018
CONSOLIDATED NET (LOSS) INCOME	$(304)	$13,220	$84,759
LESS: COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(2,418)	101	2,630
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	$2,114	$13,119	$82,129

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

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	FEBRUARY 28,	
	2017	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$11,349	$4,107
Restricted cash	2,323	2,008
Accounts receivable, net of allowance for doubtful accounts of $903 and $539, respectively	26,484	20,594
Prepaid expenses	4,798	3,234
Assets held for sale	—	26,170
Other	1,503	3,680
Total current assets	46,457	59,793
PROPERTY AND EQUIPMENT:		
Land and buildings	27,242	26,608
Leasehold improvements	13,142	9,239
Broadcasting equipment	43,566	34,623
Office equipment and automobiles	27,810	24,773
Construction in progress	1,474	696
	113,234	95,939
Less-accumulated depreciation and amortization	82,389	69,338
Total property and equipment, net	30,845	26,601
INTANGIBLE ASSETS:		
Indefinite lived intangibles	197,666	170,890
Goodwill	4,603	4,338
Other intangibles	3,165	2,154
	205,434	177,382
Less-accumulated amortization	1,642	1,101
Total intangible assets, net	203,792	176,281
OTHER ASSETS:		
Investments	800	800
Deposits and other	7,444	7,669
Total other assets	8,244	8,469
Total assets	$289,338	$271,144

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

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS – (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	FEBRUARY 28,	
	2017	2018
LIABILITIES AND (DEFICIT) EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$13,398	$6,394
Current maturities of long-term debt	23,600	16,037
Accrued salaries and commissions	6,238	3,541
Deferred revenue	4,560	4,030
Other	6,807	2,695
Total current liabilities	54,603	32,697
LONG-TERM DEBT, NET OF CURRENT PORTION	190,372	122,849
OTHER NONCURRENT LIABILITIES	4,842	5,932
DEFERRED INCOME TAXES	43,537	31,403
Total liabilities	293,354	192,881
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
SHAREHOLDERS’ (DEFICIT) EQUITY:	`	
Class A common stock, $0.01 par value; authorized 42,500,000 shares; issued and outstanding 11,278,065 shares and 11,649,440 shares at February 28, 2017 and 2018, respectively	113	116
Class B common stock, $0.01 par value; authorized 7,500,000 shares; issued and outstanding 1,142,366 shares at February 28, 2017 and 2018	11	11
Class C common stock, $0.01 par value; authorized 7,500,000 shares; none issued	—	—
Additional paid-in capital	592,320	594,708
Accumulated deficit	(629,381)	(547,252)
Total shareholders’ (deficit) equity	(36,937)	47,583
NONCONTROLLING INTERESTS	32,921	30,680
Total (deficit) equity	(4,016)	78,263
Total liabilities and (deficit) equity	$289,338	$271,144

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

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
FOR THE THREE YEARS ENDED FEBRUARY 28, 2018
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	Class A Common Stock		Class B Common Stock		Series A Preferred Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
BALANCE, FEBRUARY 28, 2015	9,763,680	$ 98	1,142,366	$ 11	928,991	$ 9
Net income (loss)	—	—	—	—	—	—
Exercise of stock options and related income tax benefits	47,500	—	—	—	—	—
Issuance of Common Stock to employees and officers and related income tax benefits	552,990	6	—	—	—	—
Conversion of Preferred Stock to Class A Common Stock	38,230	—		—	(62,672)	—
Distributions to noncontrolling interests	—	—	—	—	—	—
BALANCE, FEBRUARY 29, 2016	10,402,400	$ 104	1,142,366	$ 11	866,319	$ 9
Net income	—	—	—	—	—	—
Exercise of stock options and related income tax benefits	57,738	1	—	—	—	—
Issuance of Common Stock to employees and officers and related income tax benefits	213,197	2	—	—	—	—
Conversion of Preferred Stock to Class A Common Stock	606,423	6		—	(866,319)	(9)
Purchase of Class A Common Stock	(1,693)	—	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—
BALANCE, FEBRUARY 28, 2017	11,278,065	$ 113	1,142,366	$ 11	—	$ —
Net income	—	—	—	—	—	—
Exercise of stock options and related income tax benefits	52,250	—	—	—	—	—
Issuance of Common Stock to employees and officers and related income tax benefits	319,125	3	—	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—
BALANCE, FEBRUARY 28, 2018	11,649,440	$ 116	1,142,366	$ 11	—	$ —

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

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT) – (CONTINUED)
FOR THE THREE YEARS ENDED FEBRUARY 28, 2018
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interests	Total Equity (Deficit)
BALANCE, FEBRUARY 28, 2015	$585,686	$(644,614)	$ 46,661	$ (12,149)
Net income (loss)	—	2,114	(2,418)	(304)
Exercise of stock options and related income tax benefits	135	—	—	135
Issuance of Common Stock to employees and officers and related income tax benefits	4,008	—	—	4,014
Conversion of Preferred Stock to Class A Common Stock	1	—	—	1
Distributions to noncontrolling interests	—	—	(5,846)	(5,846)
BALANCE, FEBRUARY 29, 2016	$589,830	$(642,500)	$ 38,397	$ (14,149)
Net income	—	13,119	101	13,220
Exercise of stock options and related income tax benefits	114	—	—	115
Issuance of Common Stock to employees and officers and related income tax benefits	2,372	—	—	2,374
Conversion of Preferred Stock to Class A Common Stock	9	—	—	6
Purchase of Class A Common Stock	(5)	—	—	(5)
Distributions to noncontrolling interests	—	—	(5,577)	(5,577)
BALANCE, FEBRUARY 28, 2017	$592,320	$(629,381)	$ 32,921	$ (4,016)
Net income	—	82,129	2,630	84,759
Exercise of stock options and related income tax benefits	131	—	—	131
Issuance of Common Stock to employees and officers and related income tax benefits	2,257	—	—	2,260
Distributions to noncontrolling interests	—	—	(4,871)	(4,871)
BALANCE, FEBRUARY 28, 2018	$594,708	$(547,252)	$ 30,680	$ 78,263

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

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	FOR THE YEARS ENDED FEBRUARY 28 (29),		
	2016	2017	2018
OPERATING ACTIVITIES:			
Consolidated net (loss) income	$ (304)	$ 13,220	$ 84,759
Adjustments to reconcile net (loss) income to net cash provided by operating activities—			
Gain on sale of radio and publishing assets, net of disposition costs	—	(23,557)	(76,604)
Impairment losses on intangible assets	9,499	9,843	265
Loss on debt extinguishment	—	620	2,662
Noncash accretion of debt instruments to interest expense	743	743	495
Amortization of deferred financing costs, including original issue discount	1,667	1,661	2,536
Depreciation and amortization	5,797	4,806	3,628
Provision for bad debts	626	377	699
Provision (benefit) for deferred income taxes	2,100	(178)	(12,134)
Noncash compensation	4,904	2,920	2,654
Loss on investments including other-than-temporary impairment	—	254	—
Loss (gain) on sale of assets	56	124	(69)
Changes in assets and liabilities—			
Restricted cash	1,276	(209)	315
Accounts receivable	1,796	3,460	5,191
Prepaid expenses and other current assets	1,289	1,639	(631)
Other assets	(1,583)	(644)	(507)
Accounts payable and accrued liabilities	(1,236)	5,131	(9,701)
Deferred revenue	(133)	(294)	(463)
Income taxes	(117)	(76)	(121)
Other liabilities	(1,266)	(788)	(2,733)
Net cash provided by operating activities	25,114	19,052	241
INVESTING ACTIVITIES:			
Purchases of property and equipment	(3,388)	(2,850)	(1,809)
Proceeds from the sale of assets	—	31,330	80,238
Cash received from investments, net	107	54	—
Other	—	(35)	—
Net cash (used in) provided by investing activities	(3,281)	28,499	78,429

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

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS – (CONTINUED)
(DOLLARS IN THOUSANDS)

	FOR THE YEARS ENDED FEBRUARY 28 (29),		
	2016	2017	2018
FINANCING ACTIVITIES:			
Payments on long-term debt	(24,228)	(55,970)	(100,833)
Proceeds from long-term debt	11,000	21,350	21,690
Settlement of tax withholding obligations	(971)	(539)	(393)
Dividends and distributions paid to noncontrolling interests	(5,846)	(5,577)	(4,871)
Proceeds from exercise of stock options and employee stock purchases	133	115	131
Payments for debt related costs	(1,134)	(32)	(1,636)
Other	—	(5)	—
Net cash used in financing activities	(21,046)	(40,658)	(85,912)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	787	6,893	(7,242)
CASH AND CASH EQUIVALENTS:			
Beginning of period	3,669	4,456	11,349
End of period	$ 4,456	$ 11,349	$ 4,107
SUPPLEMENTAL DISCLOSURES:			
Cash paid for —			
Interest	$ 16,742	$ 15,618	$ 13,334
Income taxes	216	112	2,636
Noncash financing transactions—			
Value of stock issued to employees under stock compensation program and to satisfy accrued incentives	4,963	2,920	2,650

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

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS UNLESS INDICATED OTHERWISE)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The following discussion pertains to Emmis Communications Corporation ("ECC") and its subsidiaries (collectively, "Emmis," the "Company," or "we"). All significant intercompany balances and transactions have been eliminated.

Organization

We are a diversified media company, principally focused on radio broadcasting. Emmis owns 11 FM and 3 AM radio stations in New York, Indianapolis, and Austin (Emmis has a 50.1% controlling interest in Emmis' radio stations located there). One of the FM radio stations that Emmis currently owns in New York is operated pursuant to a Local Marketing Agreement ("LMA") whereby a third party provides the programming for the station and sells all advertising within that programming. On April 30, 2018, we sold our four radio stations in St. Louis. These stations were being operated pursuant to LMAs, which commenced on March 1, 2018 and remained in effect until the stations were sold. Emmis also developed and licenses TagStation®, a cloud-based software platform that allows a broadcaster to manage album art, meta data and enhanced advertising on its various broadcasts, developed NextRadio®, a smartphone application that marries over-the-air FM radio broadcasts with visual and interactive features on smartphones, and has introduced the Dial Report™ to give radio advertising buyers and sellers big data analytics derived from a nationwide radio station network, smartphone usage, location-based data, listening data, and demographic and behavioral attributes.

In addition to our radio properties, we also publish Indianapolis Monthly and operate Digonex, a dynamic pricing business.

Substantially all of ECC's business is conducted through its subsidiaries. Our credit agreement, dated June 10, 2014 (the "2014 Credit Agreement"), contains certain provisions that may restrict the ability of ECC's subsidiaries to transfer funds to ECC in the form of cash dividends, loans or advances.

Common Stock Reverse Split

On July 8, 2016, the Company effected a one-for-four reverse stock split for its Class A, Class B and Class C common stock. All share and per share information has been retroactively adjusted to reflect the reverse stock split.

Revenue Recognition

Broadcasting revenue is recognized as advertisements are aired. Publication revenue is recognized in the month of delivery of the publication. Both broadcasting revenue and publication revenue recognition is subject to meeting certain conditions such as persuasive evidence that an arrangement exists and collection is reasonably assured. These criteria are generally met at the time the advertisement is aired for broadcasting revenue and upon delivery of the publication for publication revenue. Advertising revenues presented in the financial statements are reflected on a net basis, after the deduction of advertising agency fees, usually at a rate of 15% of gross revenues.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is recorded based on management's judgment of the collectability of receivables. When assessing the collectability of receivables, management considers, among other things, historical loss experience and existing economic conditions. Amounts are written off after all normal collection efforts have been exhausted. The activity in the allowance for doubtful accounts for the three years ended February 28, 2018 was as follows:

	Balance At Beginning Of Year	Provision	Write-Offs	Balance At End Of Year
Year ended February 29, 2016	$ 665	$ 626	$ (357)	$ 934
Year ended February 28, 2017	934	377	(408)	903
Year ended February 28, 2018	903	699	(1,063)	539

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Local Programming and Marketing Agreement Fees

The Company from time to time enters into LMAs in connection with acquisitions and dispositions of radio stations, pending regulatory approval of transfer of the FCC licenses. Under the terms of these agreements, the acquiring company makes specified periodic payments to the holder of the FCC license in exchange for the right to program and sell advertising for a specified portion of the station's inventory of broadcast time. The acquiring company records revenues and expenses associated with the portion of the station's inventory of broadcast time it manages. Nevertheless, as the holder of the FCC license, the owner-operator retains control and responsibility for the operation of the station, including responsibility over all programming broadcast on the station.

On April 26, 2012, the Company entered into an LMA with New York AM Radio, LLC ("98.7FM Programmer") pursuant to which, commencing April 30, 2012, 98.7FM Programmer purchased from Emmis the right to provide programming on 98.7FM until August 31, 2024. Disney Enterprises, Inc., the parent company of 98.7FM Programmer, has guaranteed the obligations of 98.7FM Programmer under the LMA. The Company retains ownership and control of the station, including the related FCC license during the term of the LMA and received an annual fee from 98.7FM Programmer of $8.4 million for the first year of the term under the LMA, which fee increases by 3.5% each year thereafter until the LMA's termination. This LMA fee revenue is recorded on a straight-line basis over the term of the LMA. Emmis retains the FCC license of 98.7FM after the term of the LMA expires.

On May 8, 2017, Emmis and an affiliate of the Meruelo Group (the "Meruelo Group") entered into an LMA and asset purchase agreement related to KPWR-FM in Los Angeles. This LMA started on July 1, 2017 and terminated with the consummation of the sale of KPWR-FM on August 1, 2017. Emmis recognized $0.4 million of LMA fee revenue, which is included in net revenues in our accompanying consolidated statements of operations, during the year ended February 28, 2018. See Note 7 for more discussion of our sale of KPWR-FM to the Meruelo Group.

On February 22, 2018, Emmis entered into LMAs with subsidiaries of Entercom Communications Corp. and Hubbard Radio, LLC related to Emmis' four stations in St. Louis. As the LMAs for our St. Louis stations commenced on March 1, 2018, they had no effect on our results of operations for the three years ended February 28, 2018. See Note 16 for more discussion of the sale of our St. Louis stations.

LMA fees recorded as net revenues in the accompanying consolidated statements of operations were as follows for the years ended February 2016, 2017 and 2018:

	For the years ended February 28 (29),		
	2016	2017	2018
98.7FM, New York	$ 10,331	$ 10,331	$ 10,331
KPWR-FM, Los Angeles	—	—	421
Total LMA fees	$ 10,331	$ 10,331	$ 10,752

Share-based Compensation

The Company determines the fair value of its employee stock options at the date of grant using a Black-Scholes option-pricing model. The Black-Scholes option pricing model was developed for use in estimating the value of exchange-traded options that have no vesting restrictions and are fully transferable. The Company's employee stock options have characteristics significantly different than these traded options. In addition, option pricing models require the input of highly subjective assumptions, including the expected stock price volatility and expected term of the options granted. The Company relies heavily upon historical data of its stock price when determining expected volatility, but each year the Company reassesses whether or not historical data is representative of expected results. See Note 4 for more discussion of share-based compensation.

Cash and Cash Equivalents

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

Restricted Cash

As of February 28, 2018, restricted cash relates to cash on deposit in trust accounts related to our 98.7FM LMA in New York City that services long-term debt and cash held in escrow as part of our sale of four magazines in February

2017. Restricted cash as of February 28, 2017 also included cash collected by our wholly-owned subsidiary, NextRadio LLC, from other radio broadcasters for payments to Sprint. Usage of cash collected by NextRadio LLC was restricted for specific purposes by funding agreements. See Note 8 for more discussion of NextRadio LLC's agreement with Sprint. The table below summarizes restricted cash held by the Company as of February 28, 2017 and 2018:

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	For the years ending February 28,	
	2017	2018
98.7FM LMA restricted cash (see Note 8)	$ 1,550	$ 1,358
NextRadio LLC restricted cash (see Note 8)	123	—
Cash held in escrow from magazine sale restricted cash (see Note 7)	650	650
Total restricted cash	$ 2,323	$ 2,008

Property and Equipment

Property and equipment are recorded at cost. Depreciation is generally computed using the straight-line method over the estimated useful lives of the related assets, which are 39 years for buildings, the shorter of economic life or expected lease term for leasehold improvements, five to seven years for broadcasting equipment, five years for automobiles, and three to five years for office equipment. Maintenance, repairs and minor renewals are expensed as incurred; improvements are capitalized. On a continuing basis, the Company reviews the carrying value of property and equipment for impairment. If events or changes in circumstances were to indicate that an asset carrying value may not be recoverable, a write-down of the asset would be recorded through a charge to operations. See below for more discussion of impairment policies related to our property and equipment. Depreciation expense for the years ended February 2016, 2017 and 2018 was $4.3 million, $4.1 million and $3.3 million, respectively.

Intangible Assets and Goodwill

Indefinite-lived Intangibles and Goodwill

In connection with past acquisitions, a significant amount of the purchase price was allocated to radio broadcasting licenses, goodwill and other intangible assets. Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible net assets acquired. In accordance with ASC Topic 350, “Intangibles—Goodwill and Other,” goodwill and radio broadcasting licenses are not amortized, but are tested at least annually for impairment at the reporting unit level and unit of accounting level, respectively. We test for impairment annually, on December 1 of each year, or more frequently when events or changes in circumstances or other conditions suggest impairment may have occurred. Impairment exists when the asset carrying values exceed their respective fair values, and the excess is then recorded to operations as an impairment charge. See Note 9, Intangible Assets and Goodwill, for more discussion of our interim and annual impairment tests performed during the three years ended February 28, 2018.

Definite-lived Intangibles

The Company’s definite-lived intangible assets primarily consist of trademarks which are amortized over the period of time the intangible assets are expected to contribute directly or indirectly to the Company’s future cash flows.

Advertising and Subscription Acquisition Costs

Advertising and subscription acquisition costs are expensed when incurred. Advertising expense for the years ended February 2016, 2017 and 2018 was $4.1 million, $5.7 million and $2.6 million, respectively.

Investments

For those investments in common stock or in-substance common stock in which the Company has the ability to exercise significant influence over the operating and financial policies of the investee, the investment is accounted for under the equity method. For those investments in which the Company does not have such significant influence, the Company applies the accounting guidance for certain investments in debt and equity securities.

Equity method investment

Emmis had a minority interest in a partnership that owns and operates various entertainment websites. During the year ended February 28, 2017, Emmis recorded a noncash impairment charge of $0.3 million in other income (expense), net in the accompanying consolidated statements of operations as it deemed the investment was impaired and the impairment was other-than-temporary. This impairment charge reduced the carrying value of this investment to zero as of February 28, 2017. Emmis sold its noncontrolling stake in this partnership in March 2017. Proceeds from this sale were immaterial.

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Available for sale investment

Emmis' available for sale investment is an investment in the preferred shares of a non-public company. This investment is accounted for under the provisions of ASC 320, and as such, is carried at its fair value which Emmis believes approximates its cost basis of $0.8 million.

Unrealized gains and losses would be reported in other comprehensive income until realized, at which point they would be recognized in the consolidated statements of operations. If the Company determines that the value of an investment is other-than-temporarily impaired, the Company will recognize, through the statements of operations, a loss on the investment.

Deferred Revenue and Barter Transactions

Deferred revenue includes deferred barter, other transactions in which payments are received prior to the performance of services (i.e. cash-in-advance advertising and prepaid LMA payments), and deferred magazine subscription revenue. Barter transactions are recorded at the estimated fair value of the product or service received. Revenue from barter transactions is recognized when commercials are broadcast or a publication is delivered. The appropriate expense or asset is recognized when merchandise or services are used or received. Magazine subscription revenue is recognized when the publication is shipped. Barter revenues for the years ended February 2016, 2017 and 2018 were $8.5 million, $7.8 million and $4.7 million, respectively, and barter expenses were $8.5 million, $7.9 million, and $4.8 million, respectively.

Earnings Per Share

ASC Topic 260 requires dual presentation of basic and diluted income per share ("EPS") on the face of the income statement for all entities with complex capital structures. Basic EPS is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted. Potentially dilutive securities at February 2016 consisted of stock options, restricted stock awards and preferred stock. Potentially dilutive securities at February 2017 and 2018 consisted of stock options and restricted stock awards.

The following table sets forth the calculation of basic and diluted net income per share from continuing operations:

	For the year ended								
	February 29, 2016			February 28, 2017			February 28, 2018		
	Net Income	Shares	Net Income Per Share	Net Income	Shares	Net Income Per Share	Net Income	Shares	Net Income Per Share
	(amounts in 000's, except per share data)								
Basic net income per common share:									
Net income available to common shareholders from continuing operations	$1,952	11,034	$ 0.18	$13,119	12,040	$ 1.09	$82,129	12,347	$ 6.65
Impact of equity awards	—	282		—	189		—	279	
Diluted net income per common share:									
Net income available to common shareholders from continuing operations	$1,952	11,316	$ 0.17	$13,119	12,229	$ 1.07	$82,129	12,626	$ 6.50

Shares excluded from the calculation as the effect of their conversion into shares of our common stock would be antidilutive were as follows:

For the year ended February 28 (29),		
2016	2017	2018

	(shares in 000's)		
Preferred stock	607	—	—
Stock options and restricted stock awards	1,279	1,341	1,951
Antidilutive common share equivalents	1,886	1,341	1,951

Income Taxes

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

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

Long-Lived Tangible Assets

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

Noncontrolling Interests

The Company follows Accounting Standards Codification paragraph 810-10-65-1 to report the noncontrolling interests related to our Austin radio partnership and Digonex. We have a 50.1% controlling interest in our Austin radio partnership. We do not own any of the common equity of Digonex, but we consolidate the entity because we control its board of directors via rights granted in convertible preferred stock and convertible debt that we own. As of February 28, 2018, Emmis owns rights that are convertible into approximately 82% of Digonex's common equity. Noncontrolling interests represents the noncontrolling interest holders' proportionate share of the equity of the Austin radio partnership and Digonex. Noncontrolling interests are adjusted for the noncontrolling interest holders' proportionate share of the earnings or losses of the applicable entity. The noncontrolling interest continues to be attributed its share of losses even if that attribution results in a deficit noncontrolling interest balance. Below is a summary of the noncontrolling interest activity for the years ended February 2017 and 2018:

	Austin radio partnership	Digonex	Total noncontrolling interests
Balance, February 29, 2016	$ 47,556	$(9,159)	$ 38,397
Net income (loss)	4,851	(4,750)	101
Payments of dividends and distributions to noncontrolling interests	(5,577)	—	(5,577)
Balance, February 28, 2017	46,830	(13,909)	32,921
Net income (loss)	5,465	(2,835)	2,630
Payments of dividends and distributions to noncontrolling interests	(4,871)	—	(4,871)
Balance, February 28, 2018	$ 47,424	$(16,744)	$ 30,680

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements and in disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

National Representation Agreement

On October 1, 2007, Emmis terminated its existing national sales representation agreement with Interep National Radio Sales, Inc. ("Interep") and entered into a new agreement with Katz Communications, Inc. ("Katz") extending to March 2018. Emmis' existing contract with Interep at the time extended through September 2011. Emmis, Interep and Katz entered into a tri-party termination and mutual release agreement under which Interep agreed to release Emmis from its future contractual obligations in exchange for a one-time payment of $15.3 million, which was paid by Katz on behalf of Emmis as an inducement for Emmis to enter into the new long-term contract with Katz. Emmis measured and recognized the charge associated with terminating the Interep contract as of the effective termination date, which was recorded as a noncash contract termination fee in the year ended February 2008. The liability established as a result of the termination represented an incentive received from Katz that was recognized as a reduction of our

national agency commission expense over the term of the agreement with Katz.

Liquidity and Going Concern

In August 2014, the FASB issued Accounting Standards Update 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. This update provided guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The Company adopted ASU 2014-15 during the year ended February 28, 2017. Subsequent to adoption, the Company is required to evaluate whether there is substantial doubt about its ability to continue as a going concern each reporting period, including interim periods.

In evaluating the Company's ability to continue as a going concern, management evaluated the conditions and events that could raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements were issued (May 10, 2018). Management considered the Company's current projections of future cash flows, current financial condition, sources of liquidity and debt obligations due on or before May 10, 2019.

The Company's revolver expires on August 31, 2018 and its term loan is due no later than April 18, 2019. Subsequent to the closing of the sale of our St. Louis stations on April 30, 2018, the Company has no outstanding revolver borrowings, $28.0 million outstanding under its term loan, and has approximately $10 million of cash on hand. The Company believes it can fund its operational needs once its revolver expires on August 31, 2018 with its cash on hand and cash generated from operations, but will not be able to repay its term loan by April 18, 2019 absent other actions. Management is currently exploring a number of options that would allow the Company to repay its term loan by April 18, 2019. Management believes that it is probable that it will refinance its remaining term loan under the 2014 Credit Agreement prior to April 18, 2019. The Company has successfully refinanced its credit agreement debt many times in the past. Recent asset sales and associated term loan repayments have significantly reduced the Company's leverage ratio, which management believes has enhanced its ability to refinance the debt. Management is also exploring several alternatives that would further reduce our term loan obligations and enhance our ability to refinance, including the sale of WLIB-AM in New York City and other assets.

Management's intention and belief that the credit agreement debt will be refinanced prior to April 18, 2019 assumes, among other things, that the Company will continue to be successful in implementing its business strategy and that there will be no material adverse developments in its business, liquidity or capital requirements. If one or more of these factors do not occur as expected, it could cause a default under the Company's credit agreement.

See Note 5 for more discussion of our indebtedness and Note 16 for more discussion of the sale of our St. Louis radio stations.

Recent Accounting Standards Updates

In January 2017, the FASB issued Accounting Standards Update ("ASU") 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This ASU was issued to simplify goodwill impairment by removing the second step of the goodwill impairment test. The Company early adopted this guidance as of March 1, 2017. As part of the Company's annual review of goodwill impairment, the Company recorded an impairment charge of $0.3 million. In accordance with this ASU, the Company compared the fair value of its reporting units with their respective fair values. In one instance, the carrying value of a reporting unit exceeded its fair value. The Company recorded an impairment charge of equal to the amount that the carrying value exceeded the fair value, limited by the amount of goodwill allocated to the reporting unit. See Note 9, Intangible Assets and Goodwill, for more discussion of our interim and annual impairment tests performed during the three years ended February 28, 2018.

In January 2017, the FASB issued Accounting Standards Update 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. This ASU was issued to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The Company adopted this guidance on March 1, 2018 with no material impact on its consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore,

amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted this guidance on March 1, 2018 with no material impact on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, Leases (Topic 842). This update requires lessees to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases of greater than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This guidance will be effective for the Company as of March 1, 2019. A modified

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retrospective transition method is required. The Company is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements. Our future operating lease commitments are summarized in Note 11.
In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), to clarify the principles used to recognize revenue for all entities. The FASB deferred implementation of this guidance by one year with the issuance of Accounting Standards Update 2015-14. The Company adopted this guidance on March 1, 2018 using the modified retrospective method with no impact on its consolidated financial statements for the three years ending February 28, 2018. The cumulative effect of initially applying the new guidance had no impact on the opening balance of retained earnings as of March 1, 2018 and the Company does not expect this guidance will have a material impact on its consolidated financial statements in future periods. However, additional disclosure will be included in future periods in accordance with the requirements of the guidance.

2. COMMON STOCK

Emmis has authorized Class A common stock, Class B common stock, and Class C common stock. The rights of these three classes are essentially identical except that each share of Class A common stock has one vote with respect to substantially all matters, each share of Class B common stock has 10 votes with respect to substantially all matters, and each share of Class C common stock has no voting rights with respect to substantially all matters. All Class B common stock is owned by our Chairman, CEO and President, Jeffrey H. Smulyan, and automatically converts to Class A common stock upon sale or other transfer to a party unaffiliated with Mr. Smulyan. At February 28, 2017 and 2018, no shares of Class C common stock were issued or outstanding.
On July 8, 2016, the Company effected a one-for-four reverse stock split. As a result of the reverse stock split, every four shares of each class of the Company’s outstanding common stock were combined into one share of the same class of common stock and the authorized shares of each class of the Company’s common stock were reduced by the same ratio. In lieu of issuing fractional shares, the Company paid in cash the fair value of such fractions of a share as of July 7, 2016 . Such fair value was $0.695 for each pre-split share of our outstanding common stock, which was the average closing sales price of the Class A common stock as reported by the Nasdaq Global Select Market for the thirty trading days preceding such date. The number and strike price of the Company’s outstanding stock options were adjusted proportionally. The par value of the Company’s common stock was not adjusted as a result of the reverse stock split.

3. REDEEMABLE PREFERRED STOCK

The Company’s redeemable Preferred Stock was delisted from the Nasdaq Global Select Market on March 28, 2016. Pursuant to the Company’s Articles of Incorporation, all shares of Preferred Stock were converted into shares of Class A common stock on April 4, 2016. Subsequent to the mandatory conversion on April 4, 2016, no shares of the Company’s redeemable Preferred Stock remain outstanding. On various dates during the year ended February 28, 2017, including the mandatory conversion date of April 4, 2016, 866,319 shares of Preferred Stock were originally converted into 2,452,692 shares of Class A common stock (606,423 shares of Class A common stock after the one-for-four reverse stock split).
Each share of redeemable Preferred Stock was convertible into a number of shares of common stock, which was determined by dividing the liquidation preference of the share of preferred stock ($50.00 per share) by the conversion price. The conversion price was originally $20.495, which resulted in a conversion ratio of approximately 2.44 shares of common stock per share of Preferred Stock. On February 17, 2016, shareholders of Emmis’ common stock and Preferred Stock approved amendments to Emmis’ Articles of Incorporation which, among other things, modified the conversion ratio to 2.80 shares of Class A common stock per share of Preferred Stock. In connection with this modification, the Company recorded a loss of $0.2 million.

4. SHARE BASED PAYMENTS

The amounts recorded as share based compensation expense consist of stock option and restricted stock grants, common stock issued to employees and directors in lieu of cash payments, and Preferred Stock contributed to the 2012 Retention Plan.

Stock Option Awards

The Company has granted options to purchase its common stock to employees and directors of the Company under various stock option plans at no less than the fair market value of the underlying stock on the date of grant. These options are granted for a term not exceeding 10 years and are forfeited, except in certain circumstances, in the event the employee or director terminates his or her employment or relationship with the Company. Generally, these options either vest annually over 3 years (one-third each year for 3 years), or cliff vest at the end of 3 years. The Company issues new shares upon the exercise of stock options.

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The fair value of each option awarded is estimated on the date of grant using a Black-Scholes option-pricing model and expensed on a straight-line basis over the vesting period. Expected volatilities are based on historical volatility of the Company's stock. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The Company includes estimated forfeitures in its compensation cost and updates the estimated forfeiture rate through the final vesting date of awards. The risk-free interest rate for periods within the life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The following assumptions were used to calculate the fair value of the Company's options on the date of grant during the years ended February 2016, 2017 and 2018:

	For the Years Ended February 28 (29),		
	2016	2017	2018
Risk-Free Interest Rate:	1.2% - 1.4%	0.9% - 1.8%	1.7% - 2.0%
Expected Dividend Yield:	0%	0%	0%
Expected Life (Years):	4.3	4.3 - 4.4	4.4
Expected Volatility:	57.2% - 64.6%	52.9% - 60.0%	52.9% - 53.9%

The following table presents a summary of the Company's stock options outstanding at February 28, 2018, and stock option activity during the year ended February 28, 2018 ("Price" reflects the weighted average exercise price per share):

	Options	Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of period	2,559,643	$5.17		
Granted	341,250	2.79		
Exercised (1)	52,250	2.51		
Forfeited	33,330	4.20		
Expired	123,984	11.06		
Outstanding, end of period	2,691,329	4.66	6.4	$ 2,548
Exercisable, end of period	2,000,215	4.78	5.8	$ 1,822

(1) The Company did not record an income tax benefit related to option exercises in the years ended February 2016, 2017 and 2018. Cash received from option exercises during the years ended February 2016, 2017 and 2018 was $0.1 million, $0.1 million and $0.1 million, respectively.

The weighted average grant date fair value of options granted during the years ended February 2016, 2017 and 2018, was $2.98, $1.20 and $1.25, respectively.

A summary of the Company's nonvested options at February 28, 2018, and changes during the year ended February 28, 2018, is presented below:

	Options	Weighted Average Grant Date Fair Value
Nonvested, beginning of period	1,090,375	$ 2.26
Granted	341,250	1.25
Vested	707,181	1.94
Forfeited	33,330	2.06
Nonvested, end of period	691,114	2.10

There were 2.3 million shares available for future grants under the Company's various equity plans at February 28, 2018 (2.0 million shares under the 2017 Equity Compensation Plan and 0.3 million shares under other plans). The

vesting dates of outstanding options at February 28, 2018 range from March 2018 to October 2020, and expiration dates range from March 2018 to October 2027.

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Restricted Stock Awards

The Company has historically granted restricted stock awards to directors annually, and periodically grants restricted stock to employees in connection with employment agreements. Awards to directors were granted on the date of our annual meeting of shareholders and vest on the earlier of (i) the completion of the director's 3-year term or (ii) the third anniversary of the date of grant. Restricted stock award grants are granted out of the Company's 2017 Equity Compensation Plan. The Company may also award, out of the Company's 2017 Equity Compensation Plan, stock to settle certain bonuses and other compensation that otherwise would be paid in cash. Any restrictions on these shares may be immediately lapsed on the grant date.

The following table presents a summary of the Company's restricted stock grants outstanding at February 28, 2018, and restricted stock activity during the year ended February 28, 2018 ("Price" reflects the weighted average share price at the date of grant):

	Awards	Price
Grants outstanding, beginning of period	196,706	$4.64
Granted	439,489	2.96
Vested (restriction lapsed)	282,801	4.01
Forfeited	—	—
Grants outstanding, end of period	353,394	3.05

The total grant date fair value of shares vested during the years ended February 2016, 2017 and 2018, was $3.4 million, $1.8 million and $1.1 million, respectively.

Recognized Non-Cash Compensation Expense

The following table summarizes stock-based compensation expense and related tax benefits recognized by the Company in the years ended February 2016, 2017 and 2018:

	Year Ended February 28 (29),		
	2016	2017	2018
Station operating expenses	$1,760	$1,012	$501
Corporate expenses	3,144	1,908	2,153
Stock-based compensation expense included in operating expenses	4,904	2,920	2,654
Tax benefit	—	—	—
Recognized stock-based compensation expense, net of tax	$4,904	$2,920	$2,654

As of February 28, 2018, there was $0.9 million of unrecognized compensation cost, net of estimated forfeitures, related to nonvested share-based compensation arrangements. The cost is expected to be recognized over a weighted average period of approximately 1.4 years.

5. LONG-TERM DEBT

Long-term debt was comprised of the following at February 28, 2017 and 2018:

	As of February 28, 2017	As of February 28, 2018
Revolver	$—	$9,000
Term Loan	152,245	69,451
Total 2014 Credit Agreement debt	152,245	78,451
Other nonrecourse debt [(1)]	8,807	9,992

98.7FM nonrecourse debt	59,958	53,919
Current maturities	(23,600)	(16,037)
Unamortized original issue discount	(7,038)	(3,476)
Total long-term debt	$190,372	$122,849

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[1] The face value of other nonrecourse debt was $9.5 million and $10.2 million at February 28, 2017 and 2018, respectively.

On June 10, 2014, Emmis entered into the 2014 Credit Agreement, by and among the Company, EOC, as borrower (the "Borrower"), certain other subsidiaries of the Company, as guarantors (the "Subsidiary Guarantors") and the lenders party thereto. Capitalized terms in this section not defined elsewhere in this 10-K are defined in the 2014 Credit Agreement and related amendments.

The 2014 Credit Agreement consists of remaining balances of a term loan ($152.2 million and $69.5 million as of February 28, 2017 and 2018, respectively) and a revolving credit facility with a maximum commitment of $20.0 million. Outstanding revolver borrowings as of February 28, 2018 were $9.0 million. No revolver borrowings were outstanding as of February 28, 2017. The revolving credit facility includes a sub-facility for the issuance of up to $5.0 million of letters of credit. No letters of credit were outstanding during the three years ended February 28, 2018.

The term loan is due not later than April 18, 2019 and the revolving credit facility expires on August 31, 2018. The Company is not required to make scheduled principal payments under the term loan or revolving credit facility prior to these dates. Amounts outstanding under the 2014 Credit Agreement bear interest, at the Company's option, at either (i) the Alternate Base Rate (but not less than 2.00%) plus 6.00% or (ii) the Adjusted LIBO Rate plus 7.00%. The Company pays an unused commitment fee of 75 basis points per annum on the average unused amount of the revolving credit facility. If the Company has not refinanced the 2014 Credit Agreement by July 18, 2018, any principal payments on the term loans thereafter must be accompanied by a fee to the lenders equal to 2% of the amount being repaid. In addition, on each ninety day anniversary after July 18, 2018, such fee increases by an additional 0.5% and the interest rate on amounts outstanding increases by 0.5%. The weighted average borrowing rate of amounts outstanding related to the 2014 Credit Agreement was 7.0% and 8.7% at February 28, 2017 and 2018, respectively.

Our 2014 Credit Agreement debt is carried net of an unamortized original issue discount of $1.8 million as of February 28, 2018. The original issue discount is being amortized as additional interest expense over the life of the 2014 Credit Agreement.

The 2014 Credit Agreement requires mandatory prepayments for, among other things, proceeds from the sale of assets, insurance proceeds and Consolidated Excess Cash Flow (as defined in the 2014 Credit Agreement).

The 2014 Credit Agreement requires the Company to comply with certain financial and non-financial covenants. These covenants include a minimum EBITDA amount covenant through May 31, 2018. Subsequent to the quarter ending May 31, 2018, the Company is required to comply with a Total Leverage Ratio covenant of 4.00:1.00. Additionally, the Company is required to meet a minimum Interest Coverage Ratio of at least 1.60:1.00.

The obligations under the 2014 Credit Agreement are secured by a perfected first priority security interest in substantially all of the assets of the Company, the Borrower and the Subsidiary Guarantors.

2014 Credit Agreement Covenants

We were in compliance with all financial and non-financial covenants as of February 28, 2018. Based on the Company's projections of cash and cash equivalents on hand, projected cash flows from operations and other factors, management believes the Company will be in compliance with its debt covenants through the end of fiscal year 2019.

Our Minimum EBITDA Amount and Interest Coverage Ratio (each as defined in the 2014 Credit Agreement and related amendments) requirements and actual amounts as of February 28, 2018 were as follows:

	As of February 28, 2018	
	Covenant Requirement	Actual Results
Minimum EBITDA Amount	$8.4 million	$11.3 million
Interest Coverage Ratio	1.60 : 1.00	2.63 : 1.00

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98.7FM Nonrecourse Debt

On May 30, 2012, the Company, through wholly-owned, newly-created subsidiaries, issued $82.2 million of nonrecourse notes. Teachers Insurance and Annuity Association of America, through a participation agreement with Wells Fargo Bank Northwest, National Association, is entitled to receive payments made on the notes. The notes are obligations only of the newly-created subsidiaries, are non-recourse to the rest of the Company's subsidiaries and are secured by the assets of the newly-created subsidiaries, including the payments made to the newly-created subsidiary related to the 98.7FM LMA, which are guaranteed by Disney Enterprises, Inc. The notes bear interest at 4.1%.

Our 98.7FM nonrecourse debt is carried net of an unamortized original issue discount of $1.7 million as of February 28, 2018. The original issue discount is being amortized as additional interest expense over the life of the 98.7FM nonrecourse debt.

Other Nonrecourse Debt

Digonex issued $6.2 million of notes payable prior to Emmis' acquisition of a controlling interest of Digonex on June 16, 2014. Emmis recorded these notes at fair value in its purchase price allocation as of June 16, 2014. The difference between the fair value recorded on June 16, 2014 and the face value of the notes is being accreted as additional interest expense through the maturity date of the notes. The notes are obligations of Digonex only and are non-recourse to the rest of Emmis' subsidiaries. Approximately $1.5 million of the Digonex notes are secured by the assets of Digonex and the remaining $4.7 million are unsecured. The notes bear simple interest at 5% with interest due at maturity of the notes on December 31, 2020.

NextRadio, LLC issued $4.0 million of notes payable. As of February 28, 2018, these notes bear interest at 6.0% with interest due quarterly beginning in August 2018. The notes mature on December 23, 2021 and are to be repaid through revenues generated by enhanced advertisement revenues earned by NextRadio LLC. If any portion of the notes remain unpaid at maturity, the lender has the option to exchange the notes for senior preferred equity of NextRadio LLC's parent entity, TagStation, LLC. These notes are obligations of NextRadio LLC and TagStation, LLC and are non-recourse to the rest of Emmis' subsidiaries.

Based on amounts outstanding at February 28, 2018, mandatory principal payments of long-term debt for the next five years and thereafter are summarized below:

	2014 Credit Agreement				
Year ended February 28 (29),	Revolver	Term Loan	98.7FM Debt	Other Nonrecourse Debt	Total
2019	$9,000	$450	$ 6,587	$ —	$16,037
2020	—	69,001	7,150	—	76,151
2021	—	—	7,755	6,239	13,994
2022	—	—	8,394	4,000	12,394
2023	—	—	9,069	—	9,069
Thereafter	—	—	14,964	—	14,964
Total	$9,000	$69,451	$ 53,919	$ 10,239	$142,609

6. FAIR VALUE MEASUREMENTS

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

Recurring Fair Value Measurements

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of February 28, 2017 and 2018. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

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	As of February 28, 2018			
	Level 1	Level 2	Level 3	
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
Available for sale securities	$ —	$ —	$ 800	$ 800
Total assets measured at fair value on a recurring basis	$ —	$ —	$ 800	$ 800

	As of February 28, 2017			
	Level 1	Level 2	Level 3	
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
Available for sale securities	$ —	$ —	$ 800	$ 800
Total assets measured at fair value on a recurring basis	$ —	$ —	$ 800	$ 800

Available for sale securities — Emmis' available for sale securities are comprised of preferred stock of a private company that is not traded in active markets. The preferred stock is recorded at fair value, which is generally estimated using significant unobservable market parameters, resulting in a level 3 categorization. The carrying value of our available for sale securities is determined by using implied valuations of recent rounds of financing and by other corroborating evidence, including the application of various valuation methodologies including option-pricing and discounted cash flow based models.

The following table shows a reconciliation of the beginning and ending balances for fair value measurements using significant unobservable inputs:

	Year Ended February 28,	
	2017	2018
	Available For Sale Securities	
Beginning Balance	$ 800	$ 800
Purchases	—	—
Ending Balance	$ 800	$ 800

Non-Recurring Fair Value Measurements

The Company has certain assets that are measured at fair value on a non-recurring basis under circumstances and events that include those described in Note 9, Intangible Assets and Goodwill, and are adjusted to fair value only when the carrying values are more than the fair values. The categorization of the framework used to price the assets is considered a Level 3 measurement due to the subjective nature of the unobservable inputs used to determine the fair value (see Note 9 for more discussion).

Fair Value of Other Financial Instruments

Certain nonfinancial assets and liabilities are measured at fair value on a nonrecurring basis and are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment. Assets and liabilities acquired in business combinations are recorded at their fair value as of the date of acquisition. Refer to Note 7 for the fair values of assets acquired and liabilities assumed in connection with the Company's acquisitions. The estimated fair value of financial instruments is determined using the best available market information and appropriate valuation methodologies. Considerable judgment is necessary, however, in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange, or the value that ultimately will be realized upon maturity or disposition. The use of different market assumptions may have a material effect on the estimated fair value amounts. The following methods and assumptions were used to estimate the fair value of financial instruments:

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- Cash and cash equivalents: The carrying amount of these assets approximates fair value because of the short maturity of these instruments.
- 2014 Credit Agreement debt: As of February 28, 2018, the fair value and carrying value, excluding original issue discount, of the Company's 2014 Credit Agreement debt was $76.1 million and $78.4 million, respectively. The Company's estimate of fair value was based on quoted prices of this instrument and is considered a Level 2 measurement.
- Other long-term debt: The Company's 98.7FM non-recourse debt and other non-recourse debt is not actively traded and is considered a level 3 measurement. The Company believes the current carrying value of its other long-term debt approximates its fair value.

7. ACQUISITIONS AND DISPOSITIONS

Completed subsequent to February 28, 2018

On April 30, 2018, Emmis closed on its sale of substantially all of the assets of its radio stations in St. Louis in two separate transactions. See Note 16 for more discussion of the sale of our St. Louis radio stations.

For the year ended February 28, 2018

Sale of KPWR-FM

On August 1, 2017, Emmis closed on its sale of substantially all of the assets of KPWR-FM for gross proceeds of approximately $80.1 million to affiliates of the Meruelo Group. Under the terms of the Fourth Amendment to Emmis' senior credit facility, Emmis was required to enter into definitive agreements to sell assets that generated at least $80 million of proceeds by January 18, 2018 and to close on such transactions following receipt of required regulatory approvals. The sale of KPWR-FM satisfied these requirements. Emmis found it more advantageous to sell its standalone radio station in Los Angeles than to sell other assets to meet this requirement. After payment of transaction costs and withholding for estimated tax obligations, net proceeds totaled approximately $73.6 million and were used to repay term loan indebtedness under Emmis' senior credit facility. Emmis recorded a $76.7 million gain on the sale of KPWR-FM.

KPWR-FM was operated pursuant to an LMA from July 1, 2017 through the closing of the sale on August 1, 2017. Affiliates of the Meruelo Group paid an LMA fee to Emmis totaling $0.4 million during this period, which is included in net revenues in the accompanying condensed consolidated statements of operations and in the summary of KPWR-FM results included below.

KPWR-FM had historically been included in our Radio segment. The following table summarizes certain operating results of KPWR-FM for all periods presented. Pursuant to Accounting Standards Codification 205-20-45-6, interest expense associated with the required term loan repayment associated with the sale of KPWR-FM is included in the results below. The sale of KPWR-FM did not qualify for reporting as a discontinued operation as it did not represent a strategic shift for the Company as described in Accounting Standards Codification 205-20-45. The following table summarizes certain operating results of KPWR-FM for all periods presented. Pursuant to Accounting Standards Codification 205-20-45-6, interest expense associated with the required term loan repayment associated with the sale of KPWR-FM is included in the stations' results below.

	For the year ended February 28 (29),		
	2016	2017	2018
Net revenues	$28,183	$24,379	$7,819
Station operating expenses, excluding depreciation and amortization expense	16,392	16,933	6,651
Depreciation and amortization	422	401	63
Gain on sale of assets, net of disposition costs	—	—	(76,745)
Operating income	11,369	7,045	77,850
Interest expense	5,115	5,223	2,479
Income before income taxes	6,254	1,822	75,371

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For the year ended February 28, 2017

Sale of Los Angeles Magazine, Atlanta Magazine, Cincinnati Magazine and Orange Coast Magazine

On February 28, 2017, Emmis closed on its sale of substantially all of the assets of Los Angeles Magazine, Atlanta Magazine, Cincinnati Magazine and Orange Coast Magazine (the “Hour Magazines”) for gross proceeds of $6.5 million to Hour Media Group, LLC. The Company previously announced that it was exploring strategic alternatives for its publishing division, excluding Indianapolis Monthly. Emmis decided to sell most of its publishing assets to reduce debt outstanding. Emmis received net proceeds of $2.9 million, consisting of the stated purchase price of $6.5 million, less $0.7 million held in escrow and disposition costs totaling $2.9 million. The $2.9 million of disposition costs primarily relate to $1.6 million of employee-related costs, including severance, and transaction advisory fees of $1.0 million. The funds held in escrow secure Emmis’ post closing indemnification obligations in the purchase agreement and were scheduled to be released six months after the closing of the transaction. The release of these funds from escrow is currently being litigated. See Note 11 for further discussion. These funds are classified as restricted cash in our accompanying consolidated balance sheets. After settling retention bonuses to affected employees, substantially all of the net proceeds were used to repay term loan indebtedness under Emmis’ senior credit facility. Emmis recorded a $2.7 million gain on the sale of the Hour Magazines. The Hour Magazines had historically been included in our Publishing segment. This disposal did not qualify for reporting as a discontinued operation as it did not represent a strategic shift for the Company as described in Accounting Standards Codification 205-20-45. The following table summarizes certain operating results of the Hour Magazines for all periods presented. Pursuant to Accounting Standards Codification 205-20-45-6, interest expense associated with the required term loan repayment associated with the sale of the Hour Magazines is included in the magazines’ results below.

	For the year ended February 28 (29),		
	2016	2017	2018
Net revenues	$31,819	$29,112	$ —
Station operating expenses, excluding depreciation and amortization expense	31,385	31,076	172
Depreciation and amortization	125	122	—
(Gain) loss on sale of publishing assets, net of disposition costs	—	(2,677)	141
Operating income (loss)	309	591	(313)
Interest expense	173	179	—
Income (loss) before income taxes	136	412	(313)

Sale of Terre Haute, Indiana radio stations

On January 30, 2017, Emmis closed on its sale of substantially all of the assets of its radio stations in Terre Haute, Indiana, in two contemporaneous transactions. In one transaction, Emmis sold the assets of WTHI-FM and the intellectual property of WWVR-FM to Midwest Communications, Inc. In the other transaction, Emmis sold the assets of WFNF-AM, WFNB-FM, WWVR-FM (other than the intellectual property for that station) and an FM translator to DLC Media, Inc. The Company previously announced that it was exploring strategic alternatives for these radio stations. Emmis believed that operating stations in Terre Haute, Indiana was not a core part of its radio strategy and its strong market position in the Terre Haute market would be attractive to potential buyers. At closing, Emmis received gross proceeds of approximately $5.2 million for both transactions. After payment of brokerage and other transaction costs, net proceeds totaled $4.8 million and were used to repay term loan indebtedness under Emmis’ senior credit facility. Emmis recorded a $3.5 million gain on the sale of its Terre Haute radio stations. The Terre Haute radio stations had historically been included in our Radio segment. This disposal did not qualify for reporting as a discontinued operation as it did not represent a strategic shift for the Company as described in Accounting Standards Codification 205-20-45. The following table summarizes certain operating results of the our Terre Haute radio stations for all periods presented. Pursuant to Accounting Standards Codification 205-20-45-6, interest expense associated with the required term loan repayment associated with the sale of the Terre Haute radio stations is included in the stations’

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results below.

	For the year ended February 28 (29),		
	2016	2017	2018
Net revenues	$2,418	$2,298	$(6)
Station operating expenses, excluding depreciation and amortization expense	2,395	2,258	24
Depreciation and amortization	163	117	—
Impairment loss	39	79	—
Gain on sale of radio assets, net of disposition costs	—	(3,478)	—
Operating (loss) income	(179)	3,322	(30)
Interest expense	324	307	—
(Loss) income before income taxes	(503)	3,015	(30)

Sale of Texas Monthly

On November 1, 2016, Emmis closed on its sale of Texas Monthly for gross proceeds of $25.0 million in cash to a subsidiary of Genesis Park, LP. The Company previously announced that it was exploring strategic alternatives for its publishing division, excluding Indianapolis Monthly. Emmis believed that its publishing portfolio had significant brand value and planned to use proceeds from the sale of its publishing properties to repay debt. Emmis received net proceeds of $23.4 million, consisting of the stated purchase price of $25.0 million, net of estimated purchase price adjustments totaling $0.7 million and disposition costs totaling $0.9 million. The $0.9 million of disposition costs primarily related to severance costs. Proceeds were used to repay term and revolving loan indebtedness under Emmis' senior credit facility. Emmis recorded a $17.4 million gain on the sale of Texas Monthly. Texas Monthly had historically been included in our Publishing segment. This disposal did not qualify for reporting as a discontinued operation as it did not represent a strategic shift for the Company as described in Accounting Standards Codification 205-20-45. The following table summarizes certain operating results of Texas Monthly for all periods presented. Pursuant to Accounting Standards Codification 205-20-45-6, interest expense associated with the required term loan repayment associated with the sale of Texas Monthly is included in the magazine's results below.

	For the year ended February 28 (29),		
	2016	2017	2018
Net revenues	$23,561	$14,685	$(2)
Station operating expenses, excluding depreciation and amortization expense	21,527	14,465	(78)
Depreciation and amortization	118	84	—
Gain on sale of publishing assets, net of disposition costs	—	(17,402)	—
Operating income	1,916	17,538	76
Interest expense	1,384	1,067	—
Other income	(370)	(37)	—
Income before income taxes	902	16,508	76

Unaudited pro forma summary information is presented below for the years ended February 28, 2017 and 2018, assuming the dispositions discussed above and related mandatory debt repayments had occurred on the first day of the pro forma periods presented below.

	For the year ended February 28,	
	2017	2018
	(unaudited)	(unaudited)
Net revenues	$120,243	$116,438
Station operating expenses, excluding depreciation and amortization	96,889	92,918
Consolidated net (loss) income	(5,066)	502
Net loss attributable to the Company	(5,167)	(2,128)
Net income per share - basic	$(0.43)	$(0.17)

Net income per share - diluted	$(0.43)	$(0.17)

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For the year ended February 29, 2016
There were no acquisitions or dispositions during this period.

8. OTHER SIGNIFICANT TRANSACTIONS
Going private offer
On August 18, 2016, the Board of Directors of the Company received a letter from E Acquisition Corporation ("EAC"), an Indiana corporation owned by Jeffrey H. Smulyan, the Company's Chairman of the Board, Chief Executive Officer and controlling shareholder, setting forth a non-binding proposal by which E Acquisition Corporation (the "Proposing Person"), would acquire all the outstanding shares of Class A Common Stock of the Company that were not owned by the Proposing Person at a cash purchase price of $4.10 per share (the "Proposal"). The Proposal contemplated that, following the closing of the proposed transaction, the Company's shares would no longer be registered with the Securities and Exchange Commission and the Company would no longer be a reporting company or have any public shares traded on Nasdaq.
The Company's Board of Directors formed a special committee of independent and disinterested directors (the "Special Committee") to review and evaluate the Proposal. The members of the Special Committee were Susan Bayh and Peter Lund. On October 14, 2016, EAC delivered to the Special Committee a letter (the "Proposal Expiration Letter") confirming that the offer had expired on October 14, 2016 and had not been extended.
The Special Committee engaged independent legal counsel and independent financial advisors to assist the Special Committee in the evaluation of the Proposal. During the year ended February 28, 2017, the Company incurred $0.9 million of costs associated with the Proposal, which are included in corporate expenses, excluding depreciation and amortization expense in the accompanying consolidated statements of operations. No further costs are expected to be incurred in connection with the going private offer as it has expired.
Next Radio LLC - Sprint Agreement
On August 9, 2013, NextRadio LLC, a wholly-owned subsidiary of Emmis, entered into an agreement with Sprint whereby Sprint agreed to pre-load the Company's smartphone application, NextRadio, on a minimum of 30 million FM-enabled wireless devices on the Sprint wireless network over a three-year period. In return, NextRadio LLC agreed to serve as a conduit for the radio industry to pay Sprint $15 million per year in equal quarterly installments over the three year term and to share with Sprint certain revenue generated by the NextRadio application. Emmis did not guarantee NextRadio LLC's performance under this agreement and Sprint did not have recourse to any Emmis related entity other than NextRadio LLC. Additionally, the agreement does not limit the ability of NextRadio LLC to place the NextRadio application on FM-enabled devices on other wireless networks. Through February 28, 2018, the NextRadio application had not generated a material amount of revenue.
Nearly all of the largest radio broadcasters and many smaller radio broadcasters expressed support for NextRadio LLC's agreement with Sprint. Accordingly, NextRadio LLC entered into a number of funding agreements with radio broadcasters and other participants in the radio industry to collect and remit cash to Sprint to fulfill the quarterly payment obligation. As part of some of these funding agreements, Emmis agreed to certain limitations on the operation of its NextRadio and TagStation businesses, including assurances of access to the NextRadio app and to TagStation (the cloud-based engine that provides data to the NextRadio application), and limitations on the sale of the businesses to potential competitors of the U.S. radio industry. Emmis also granted the U.S. radio industry (as defined in the funding agreements) a call option on substantially all of the assets used in the NextRadio and TagStation businesses in the United States. The call option may be exercised in August 2019 by paying Emmis a purchase price equal to the greater of (i) the appraised fair market value of the NextRadio and TagStation businesses, or (ii) two times Emmis' cumulative investments in the development of the businesses through August 2015. If the call option is exercised, the businesses will continue to be subject to the operating limitations applicable today, and no radio operator will be permitted to own more than 30% of the NextRadio and TagStation businesses.
From the inception of NextRadio LLC's agreement with Sprint through December 7, 2016, NextRadio LLC had remitted to Sprint approximately $33.2 million. Effective December 8, 2016, NextRadio LLC and Sprint entered into an amendment of their original agreement. The amendment called for NextRadio LLC to make installment payments

totaling $6.0 million through March 15, 2017, which have been paid. In exchange, Sprint agreed to forgive the remaining $5.8 million that it was due under the original agreement, and in return receive a higher share of certain revenue generated by the NextRadio application. NextRadio LLC received a loan of $4.0 million for the sole purpose of fulfilling the payment obligations to Sprint under the amendment. The loan will be repaid out of proceeds from sales of enhanced advertising through the NextRadio application. See Note 5 for more discussion of this loan.

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Emmis determined that NextRadio LLC is a variable interest entity (VIE) and that Emmis is the primary beneficiary because the Company has the power to direct substantially all of the activities of NextRadio LLC, and because the Company may absorb certain losses and receive certain benefits from the operations of the VIE. Emmis does not record any revenue or expense related to the amounts that are collected and remitted to Sprint except the portion of any payment to Sprint that was actually contributed to NextRadio LLC by Emmis (or the amounts funded by NextRadio LLC via the loan discussed above). Emmis contributed approximately $0.4 million and $0.3 million to NextRadio LLC during the years ended February 28, 2016 and February 28, 2018, respectively, and recorded its contributions as station operating expenses, excluding depreciation and amortization expense. Emmis did not fund any of NextRadio LLC's payments to Sprint during the year ended February 28, 2017.

As of February 28, 2017, the carrying value of assets of NextRadio LLC totaled $0.1 million, which represented cash collected by NextRadio LLC from other broadcasting companies and other companies in the radio industry. This cash was restricted because it must be remitted to Sprint. NextRadio LLC had $3.5 million of liabilities at February 28, 2017, which represented the obligation to remit $0.1 million of cash received from radio industry participants to Sprint along with NextRadio LLC's then outstanding nonrecourse debt of $3.4 million. As of February 28, 2018, the carrying value of NextRadio LLC's assets were less than $0.1 million. Liabilities totaled $4.2 million and consisted solely of NextRadio LLC's nonrecourse debt and related accrued interest as previously discussed.

LMA of 98.7FM in New York, NY and Related Financing Transaction

On April 26, 2012 Emmis entered into an LMA with a subsidiary of Disney Enterprises, Inc., pursuant to which the Disney subsidiary purchased the right to provide programming for 98.7FM in New York, NY until August 24, 2024. Emmis retains ownership and control of 98.7FM, including the related FCC license during the term of the LMA and receives an annual fee from the Disney subsidiary. The fee, initially $8.4 million annually, increases by 3.5% annually until the LMA's termination.

As discussed in Note 5, Emmis, through newly-created subsidiaries, issued $82.2 million of notes, which are nonrecourse to the rest of the Company's subsidiaries and are secured by the assets of the newly-created subsidiaries including the payments made in connection with the 98.7FM LMA. See Notes 1 and 5 for more discussion of the LMA payments and nonrecourse debt.

The following table summarizes Emmis' operating results of 98.7FM for all periods presented. Emmis programmed 98.7FM until the LMA commenced on April 26, 2012. 98.7FM is a part of our Radio segment. Results of operations of 98.7FM for the years ended February 2016, 2017 and 2018 were as follows:

	For the year ended February 28 (29),		
	2016	2017	2018
Net revenues	$10,331	$10,331	$10,331
Station operating expenses, excluding depreciation and amortization expense	1,000	1,275	1,169
Impairment loss on intangible assets (Note 9)	1,766	2,907	—
Depreciation and amortization	21	21	21
Interest expense	3,042	2,827	2,591

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Assets and liabilities of 98.7FM as of February 28, 2017 and 2018 were as follows:

	As of February 28,	
	2017	2018
Current assets:		
Restricted cash	$ 1,550	$ 1,358
Prepaid expenses	445	448
Other	7	31
Total current assets	2,002	1,837
Noncurrent assets:		
Property and equipment	229	208
Indefinite lived intangibles	46,390	46,390
Deposits and other	6,205	6,543
Total noncurrent assets	52,824	53,141
Total assets	$ 54,826	$ 54,978
Current liabilities:		
Accounts payable and accrued expenses	$ 54	$ 18
Current maturities of long-term debt	6,039	6,587
Deferred revenue	807	835
Other current liabilities	205	184
Total current liabilities	7,105	7,624
Noncurrent liabilities:		
Long-term debt, net of current portion	51,954	45,632
Other noncurrent liabilities	—	—
Total noncurrent liabilities	51,954	45,632
Total liabilities	$ 59,059	$ 53,256

9. INTANGIBLE ASSETS AND GOODWILL

In accordance with ASC Topic 350, Intangibles—Goodwill and Other, the Company reviews goodwill and other intangibles at least annually for impairment. In connection with any such review, if the recorded value of goodwill and other intangibles is greater than its fair value, the intangibles are written down and charged to results of operations. FCC licenses are renewed every eight years at a nominal cost, and historically all of our FCC licenses have been renewed at the end of their respective eight-year periods. Since we expect that all of our FCC licenses will continue to be renewed in the future, we believe they have indefinite lives. Radio stations in a geographic market cluster are considered a single unit of accounting, provided that they are not being operated under a Local Marketing Agreement by another broadcaster.

Impairment testing

The Company generally performs its annual impairment review of indefinite-lived intangibles as of December 1 each year. At the time of each impairment review, if the fair value of the indefinite-lived intangible is less than its carrying value a charge is recorded to results of operations. When indicators of impairment are present, the Company will perform an interim impairment test. Impairment recorded as a result of our interim and annual impairment testing is summarized in the table below. We will perform additional interim impairment assessments whenever triggering events suggest such testing for the recoverability of these assets is warranted. The table below summarizes the results of our interim and annual impairment testing for the three years ending February 28, 2018.

	Interim Assessment			Annual Assessment			
	FCC Licenses	Goodwill	Definite-lived	FCC Licenses	Goodwill	Definite-lived	Total
Year Ended February 29, 2016	—	—	—	5,440	695	3,364	9,499
Year Ended February 28, 2017	—	2,058	930	6,855	—	—	9,843
Year Ended February 28, 2018	—	—	—	—	265	—	265

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Valuation of Indefinite-lived Broadcasting Licenses

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

Below are some of the key assumptions used in our annual impairment assessments. As part of our recent annual impairment assessments, we reduced long-term growth rates in most of the markets in which we operate based on recent industry trends and our expectations for the markets going forward. The methodology used to value our FCC licenses has not changed in the three-year period ended February 28, 2018.

	December 1, 2015	December 1, 2016	December 1, 2017
Discount Rate	12.0% - 12.4%	12.2% - 12.5%	12.1% - 12.4%
Long-term Revenue Growth Rate	1.3% - 2.5%	1.0% - 2.0%	1.0% - 1.8%
Mature Market Share	3.2% - 29.3%	3.1% - 30.4%	12.7% - 31.1%
Operating Profit Margin	25.0% - 39.1%	25.1% - 39.1%	27.0% - 39.1%

As of February 28, 2017 and 2018, excluding amounts classified as held for sale, the carrying amounts of the Company’s FCC licenses were $197.7 million and $170.9 million, respectively. These amounts are entirely attributable to our radio division. The table below presents the changes to the carrying values of the Company’s FCC licenses for the years ended February 2017 and 2018 for each unit of accounting.

	Change in FCC License Carrying Values							
Unit of Accounting	As of February 29, 2016	Purchase	Sale of Stations	Impairment	As of February 28, 2017	Sale of Stations	Reclassification	As of February 28, 2018
New York Cluster	$71,614	$ —	$ —	$ —	$71,614	$—	$ —	$71,614
98.7FM (New York)	49,297	—	—	(2,907)	46,390	—	—	46,390
Austin Cluster	36,912	—	—	(2,192)	34,720	—	—	34,720
St. Louis Cluster	26,401	34	—	(1,677)	24,758	—	(24,758)	—
Indianapolis Cluster	18,166	—	—	—	18,166	—	—	18,166
KPWR-FM (Los Angeles)	2,018	—	—	—	2,018	(2,018)	—	—
Terre Haute Cluster	721	—	(642)	(79)	—	—	—	—
Subotal	205,129	34	(642)	(6,855)	197,666	(2,018)	(24,758)	170,890
Assets held for sale								
St. Louis Cluster	—	—	—	—	—	—	24,758	24,758
Grand Total	$205,129	$ 34	$ (642)	$ (6,855)	$197,666	$(2,018)	$ —	$195,648

Impairment was recorded for our New York station being operated pursuant to an LMA during the years ended February 2016 and 2017 along with impairment for our Austin, St. Louis and Terre Haute clusters. Stagnant market revenues in recent years, coupled with a reduction in the Company’s estimate of long-term revenue growth rates, led to

a lower estimate of fair value for these FCC licenses.

During the three years ended February 2018, we sold our stations in Terre Haute and Los Angeles. We closed on the sale of our St. Louis radio stations on April 30, 2018. See Note 7 and Note 16 for more discussion of these transactions.

Valuation of Goodwill

ASC Topic 350-20-35 requires the Company to test goodwill for impairment at least annually. The Company conducts its impairment test on December 1 of each fiscal year, unless indications of impairment exist during an interim period. When assessing its goodwill for impairment, the Company uses an enterprise valuation approach to determine the fair value of each of the Company’s reporting units (radio stations grouped by market, excluding any stations that are being operated pursuant to an LMA). Management determines enterprise value for each of its reporting units by multiplying the two-year average station operating income generated by each reporting unit (current year based on actual results and the next year based on budgeted results) by an estimated market multiple. The Company uses a blended station operating income trading multiple of publicly traded radio operators as well as recent market transactions as a benchmark for the multiple it applies to its radio reporting units. For the annual assessment performed as of December 1, 2017, the Company applied a market multiple of 8.0 times the reporting unit’s operating performance. Management believes this methodology for valuing radio properties is a common approach and believes that the multiples used in the valuation are reasonable given our peer comparisons and market transactions. To corroborate the fair values determined using the market approach described above, management also uses an income approach, which is a discounted cash flow method to determine the fair value of the reporting unit. If the carrying value of a reporting unit’s goodwill exceeds its fair value, the Company recognizes an impairment charge equal to the difference in the statement of operations.

The Company adopted ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment as of March 1, 2017. Prior to March 1, 2017, the Company performed a two-step impairment test for goodwill. Goodwill impairments recorded during the years ended February 28 (29), 2016 and 2017 were recorded using the two-step methodology. Goodwill impairments recorded from March 1, 2017 forward will be recorded using the simplified method as described above.

The Company used an income approach to determine the enterprise value of Digonex. Digonex is a dynamic pricing business that does not have well-established industry trading multiples, analyst estimates of valuations, or recently completed transactions that would indicate fair values of these businesses. As such, the Company used a discounted cash flow method to determine the fair value of Digonex.

During our December 2015 annual goodwill impairment test, the Company wrote off $0.7 million of goodwill associated with Digonex. Emmis acquired a controlling interest in Digonex in June 2014 and recorded approximately $2.8 million of goodwill. The performance of Digonex since Emmis acquired its controlling interest has lagged the original assumptions used when estimating the fair values of the acquired assets and liabilities of the business. This, coupled with a reduction in long-term growth estimates for Digonex, resulted in a step-one indication of impairment. Upon completion of the step-two analysis, the Company determined that Digonex goodwill was partially impaired.

During the quarter ended August 31, 2016, the Company lowered its growth expectations for Digonex for the next several years due to slow client adoption of dynamic pricing services. While the Company continues to believe in the long-term growth prospects of Digonex, the lengthy sales cycle has caused Digonex to perform below expectations to date. Despite lowering near-term growth expectations for Digonex in connection with our annual impairment review for fiscal 2016 as discussed above, performance in the first six months of fiscal 2017 indicated that a further revision was appropriate. Our then-current projections assumed that Digonex would generate cash flow losses in the short and medium-term. The combination of lower-than-expected current period results, coupled with downward revisions to future revenue projections, resulted in an impairment indicator that caused the Company to assess goodwill and related intangibles on an interim basis during the quarter ended August 31, 2016. The Company’s discounted cash flow analysis for Digonex indicated a nominal enterprise value. Therefore, in connection with the interim impairment test, Emmis determined that Digonex’s goodwill was fully impaired and recorded an impairment loss of $2.1 million.

Subsequent to our impairment of Digonex goodwill and the sale of Texas Monthly (see note 7 for more discussion), the Company’s goodwill relates entirely to its Radio segment.

During our December 2017 annual goodwill impairment test, the Company wrote off $0.3 million of goodwill associated with our Indianapolis radio cluster. Weak ratings and declining market revenues significantly impacted our operating performance in Indianapolis. This resulted in the carrying value of our Indianapolis radio cluster exceeding its estimated fair value by more than the amount of goodwill we had recorded for the cluster on the assessment date.

As such, the Company fully impaired the goodwill of this cluster.

As of February 28, 2017 and 2018, the carrying amount of the Company's goodwill was $4.6 million and $4.3 million. The table below presents the changes to the carrying values of the Company's goodwill for the years ended February 2017 and 2018 for each reporting unit. A reporting unit is a cluster of radio stations in one geographical market (except for stations being operated pursuant to LMAs) and each magazine on an individual basis. We sold Texas Monthly in November 2016 (see Note 7 for more discussion).

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Reporting Unit (Segment)	Change in Goodwill Carrying Values					
	As of February 29, 2016	Impairment	Sale of Entity	As of February 28, 2017	Impairment	As of February 28, 2018
Indianapolis Cluster (Radio)	$265	$ —	—	$ 265	$ (265)	$ —
Austin Cluster (Radio)	4,338	—	—	4,338	—	4,338
Texas Monthly (Publishing)	8,036	—	(8,036)	—	—	—
Digonex (Corporate & Emerging Technologies)	2,058	(2,058)	—	—	—	—
Total	$14,697	$ (2,058)	(8,036)	$ 4,603	$ (265)	$ 4,338

Definite-lived intangibles

The following table presents the weighted-average remaining useful life at February 28, 2018 and gross carrying amount and accumulated amortization for each major class of definite-lived intangible assets at February 28, 2017 and 2018:

	Weighted Average Remaining Useful Life (in years)	As of February 28, 2017			As of February 28, 2018		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trademarks	N/A	$696	$ 545	$ 151	$—	$ —	$ —
Programming Contract	3.6	2,154	808	1,346	2,154	1,101	1,053
Customer List	N/A	315	289	26	—	—	—
Total		$3,165	$ 1,642	$ 1,523	$2,154	$ 1,101	$ 1,053

In accordance with Accounting Standards Codification paragraph 360-10, the Company performs an analysis to (i) determine if indicators of impairment of a long-lived asset are present, (ii) test the long-lived asset for recoverability by comparing undiscounted cash flows of the long-lived asset to its carrying value and (iii) measure any potential impairment by comparing the long-lived asset's fair value to its current carrying value. In connection with this analysis for the year ended February 29, 2016, the Company determined that the patents of Digonex were impaired and recorded an impairment charge of $3.4 million. As discussed above, performance below the Company's expectations, coupled with a downward revision of long-term forecasts for Digonex, led the Company to measure impairment for Digonex's definite-lived intangibles during the quarter ended August 31, 2016. The Company determined that the patents, customer list and trademarks of Digonex were fully impaired and recorded an impairment loss of $0.9 million.

Total amortization expense from definite-lived intangibles was $1.5 million, $0.7 million and $0.3 million for the years ended February 2016, 2017 and 2018, respectively. The following table presents the Company's estimate of amortization expense for each of the five succeeding fiscal years for definite-lived intangibles:

Year ended February 28 (29),	Expected Amortization Expense (in 000's)
2019	$ 294
2020	294
2021	294
2022	171
2023	—

10. EMPLOYEE BENEFIT PLANS

a. Equity Incentive Plans

The Company has stock options and restricted stock grants outstanding that were issued to employees or non-employee directors under one or more of the following plans: the 2004 Equity Compensation Plan, the 2010 Equity Compensation Plan, the 2012 Equity Compensation Plan, the 2015 Equity Compensation Plan, the 2016 Equity Compensation Plan and the 2017 Equity Compensation Plan. These outstanding grants continue to be governed by the terms of the applicable plan.

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2017 Equity Compensation Plan

At the 2017 annual meeting, the shareholders approved the 2017 Equity Compensation Plan (the “2017 Plan”). Under the 2017 Plan, awards equivalent to 2.0 million shares of common stock may be granted. Furthermore, any unissued awards from prior equity compensation plans (or shares subject to outstanding awards that would again become available for awards under this plan) increases the number of shares of common stock available for grant under the 2017 Plan. The awards, which have certain restrictions, may be for incentive stock options, nonqualified stock options, shares of restricted stock, restricted stock units, stock appreciation rights or performance units. Under the 2017 Plan, all awards are granted with a purchase price equal to at least the fair market value of the stock except for shares of restricted stock and restricted stock units, which may be granted with any purchase price (including zero). The stock options under the 2017 Plan generally expire not more than 10 years from the date of grant. Under the 2017 Plan, awards equivalent to approximately 2.0 million shares of common stock were available for grant as of February 28, 2018.

b. 401(k) Retirement Savings Plan

Emmis sponsors a Section 401(k) retirement savings plan that is available to substantially all employees age 18 years and older who have at least 30 days of service. Employees may make pretax contributions to the plan up to 50% of their compensation, not to exceed the annual limit prescribed by the Internal Revenue Service (“IRS”). Emmis may make discretionary matching contributions to the plan in the form of cash or shares of the Company’s Class A common stock.

Emmis historically matched employee contributions at 33% up to a maximum of 6% of eligible compensation. Emmis’ discretionary contributions were made in cash until March 2015. From March 2015 through December 2015, Emmis’ discretionary contributions were made in the form of Class A common stock. Emmis suspended its discretionary contributions on January 1, 2016. Emmis’ discretionary contributions to the plan totaled $0.9 million for the year ended February 29, 2016. No discretionary matching contributions were made during the years ended February 28, 2017 and 2018.

c. Defined Contribution Health and Retirement Plan

Emmis contributes to a multi-employer defined contribution health and retirement plan for employees who are members of a certain labor union. Amounts charged to expense related to the multi-employer plan were approximately $0.3 million for each of the years ended February 2016, 2017 and 2018.

11. OTHER COMMITMENTS AND CONTINGENCIES

a. Commitments

The Company has various commitments under the following types of material contracts: (i) operating leases; (ii) employment agreements and (iii) other contracts with annual commitments (mostly contractual services for audience measurement information) at February 28, 2018 as follows:

Year ending February 28 (29),	Operating Leases	Employment Agreements	Other Contracts	Total
2019	$ 5,991	$ 13,283	$ 11,076	$30,350
2020	5,898	5,365	3,769	15,032
2021	5,715	403	577	6,695
2022	5,500	373	485	6,358
2023	5,157	383	—	5,540
Thereafter	15,404	—	—	15,404
Total	$ 43,665	$ 19,807	$ 15,907	$79,379

Emmis leases certain office space, tower space, equipment and automobiles under operating leases expiring at various dates through March 2032. Some of the lease agreements contain renewal options and annual rental escalation clauses, as well as provisions for payment of utilities and maintenance costs. The Company recognizes escalated rents on a straight-line basis over the term of the lease agreement. Rental expense during the years ended February 2016, 2017 and 2018 was approximately $8.9 million, $8.3 million and $6.0 million, respectively. The Company recognized

approximately $0.3 million, $0.3 million and less than $0.1 million of sublease income as a reduction of rent expense for the years ended February 2016, 2017, and 2018 respectively. The total minimum sublease rentals to be received in the future under noncancelable subleases as of February 28, 2018 were as follows:

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Year ending February 28 (29),	Noncancelable Sublease rentals
2019	$ 222
2020	228
2021	226
2022	10
2023	—
Total	$ 686

b. Litigation

The Company is a party to various legal proceedings arising in the ordinary course of business. In the opinion of management of the Company, there are no legal proceedings pending against the Company likely to have a material adverse effect on the Company.

In connection with Emmis' sale of four magazines to Hour Media on February 28, 2017, ten percent of the purchase price, or $0.65 million, was placed in escrow to secure Emmis' post-closing indemnification obligations in the asset purchase agreement and was scheduled to be released six months after the closing of the transaction. Hour Media has claimed that Emmis breached the asset purchase agreement and will not consent to the release of the $0.65 million in escrow. Emmis filed a lawsuit against Hour Media for breach of the asset purchase agreement and Hour Media has filed a counterclaim against Emmis. Emmis believes that substantially all of Hour Media's claims are without merit.

Emmis filed suit against Illinois National Insurance Company ("INIC") in 2015 related to INIC's decision to not cover Emmis' defense costs under Emmis' directors and officers insurance policy in a lawsuit related to the Company's preferred stock in which Emmis was the defendant (the "Prior Litigation"). On March 21, 2018, Emmis was granted summary judgment entitling it to coverage of its defense costs in the Prior Litigation, but the amount Emmis should recover has not yet been determined and all final decisions by the U.S. District Court are subject to appeal. Emmis incurred approximately $4.1 million of costs defending the Prior Litigation, subject to a $1.0 million deductible. Emmis is seeking to recover these costs plus applicable accrued interest less the applicable deductible from INIC. However, Emmis cannot reasonably estimate the amount or timing of such recovery.

12. INCOME TAXES

The provision (benefit) for income taxes for the years ended February 2016, 2017, and 2018 consisted of the following:

	2016	2017	2018
Current:			
Federal	$—	$—	$(1,209)
State	(31)	68	1,611
Total current	(31)	68	402
Deferred:			
Federal	1,793	(152)	(13,612)
State	307	(26)	1,478
Total deferred	2,100	(178)	(12,134)
Provision (benefit) for income taxes	$2,069	$(110)	$(11,732)

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The provision (benefit) for income taxes for the years ended February 2016, 2017 and 2018 differs from that computed at the Federal statutory corporate tax rate as follows:

	2016	2017	2018
Computed income tax provision at 35%	$618	$4,588	$23,855
State income tax	276	42	3,089
Nondeductible stock compensation	296	444	261
Entertainment disallowance	366	366	235
Disposal of goodwill with no tax basis	—	3,533	—
Change in federal valuation allowance	2,376	(7,387)	(20,373)
Tax attributed to noncontrolling interest	(1,932)	(1,698)	(1,785)
Federal tax credit	(43)	(171)	(85)
Federal tax reform	—	—	(15,546)
Reclassification of AMT credit	—	—	(2,162)
Other	112	173	779
Provision (benefit) for income taxes	$2,069	$(110)	$(11,732)

The final determination of our income tax liability may be materially different from our income tax provision. Significant judgment is required in determining our provision for income taxes. Our calculation of the provision for income taxes is subject to our interpretation of applicable tax laws in the jurisdictions in which we file. In addition, our income tax returns are subject to periodic examination by the Internal Revenue Service and other taxing authorities. As of February 28, 2018, the Company had no open income tax examinations. The Company's tax years ended February 28, 2015 through 2018 remain subject to federal income tax examination. For state and local jurisdictions, the tax years February 28, 2014 through 2018 remain subject to income tax examination. To the extent that net operating losses are utilized, the year of loss is open to examination.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into federal law. The provisions of this major tax reform are generally effective January 1, 2018. The most significant change impacting the Company is the reduction of the corporate federal income tax rate from 35% to 21% effective January 1, 2018. The Company was able to make reasonable estimates in order to remeasure its deferred tax balances and account for the effects of the Tax Act, which have been reflected in the February 28, 2018 financial statements. The adjustment to federal deferred tax balances resulted in a benefit of $15.5 million and the adjustment to state deferred tax balances resulted in an expense of $1.4 million. Any further technical corrections or other forms of guidance addressing the Tax Act, as well as regulatory or governmental actions, could result in adjustments to our accounting for the effects of the Tax Act.

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The components of deferred tax assets and deferred tax liabilities at February 28, 2017 and February 28, 2018 are as follows:

	2017	2018
Deferred tax assets:		
Net operating loss carryforwards	$35,365	$10,977
Intangible assets	22,130	14,072
Compensation relating to stock options	1,942	1,600
Deferred revenue	420	—
Accrued rent	1,892	1,204
Tax credits	3,438	1,464
Investments in subsidiaries	396	143
Other	993	332
Valuation allowance	(60,379)	(27,099)
Total deferred tax assets	6,197	2,693
Deferred tax liabilities		
Indefinite-lived intangible assets	(43,505)	(31,383)
Property and equipment	(814)	(483)
Cancellation of debt income	(5,386)	(1,839)
Other	(29)	(391)
Total deferred tax liabilities	(49,734)	(34,096)
Net deferred tax liabilities	$(43,537)	$(31,403)

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset ("DTA") will not be realized. The Company historically recorded a full valuation allowance on all U.S. (federal and state) deferred tax assets. The Company does not benefit its deferred tax assets based on the deferred tax liabilities ("DTLs") related to indefinite-lived intangibles that are not expected to reverse during the carry-forward period. Because these DTLs would not reverse until some future indefinite period when the intangibles are either sold or impaired, any resulting temporary differences cannot be considered a source of future taxable income to support realization of the DTAs.

The Company decreased its valuation allowance by $33.3 million ($32.7 million federal and $0.6 million state), from $60.4 million as of February 28, 2017, to $27.1 million as of February 28, 2018, principally as a result of the sale of KPWR-FM in Los Angeles on August 1, 2017, and the corresponding realization of net operating loss carryforwards. The Company has considered future taxable income and ongoing prudent and feasible tax-planning strategies in assessing the need for the valuation allowance. The Company will assess quarterly whether it remains more likely than not that the deferred tax assets will not be realized. In the event the Company determines at a future time that it could realize its deferred tax assets in excess of the net amount recorded, the Company will reduce its deferred tax asset valuation allowance and decrease income tax expense in the period when the Company makes such determination.

The Company has federal net operating losses ("NOLs") of $18 million and state NOLs of $144 million available to offset future taxable income. The federal net operating loss carryforwards begin expiring in 2031, and the state net operating loss carryforwards expire between the years ending February 2019 and February 2037. A valuation allowance has been provided for the net operating loss carryforwards related to states in which the Company no longer has operating results as it is more likely than not that substantially all of these net operating losses will expire unutilized.

The activities of Digonex Technologies, Inc., a C Corporation under the Internal Revenue Code, are consolidated for financial statement purposes, but are not included in the U.S. consolidated income tax return of Emmis. As of February 28, 2018, Digonex has federal NOLs of $47 million and state NOLs of $47 million . If Digonex produces pretax income in the future, it is possible that the utilization of these NOL carryforwards will be limited due to Section

382 of the Internal Revenue Code. The Company is in the process of completing a Section 382 study to determine the applicable limitation, if any. As of February 28, 2018, the Company was able to determine that at least $18 million of federal NOLs and $18 million of state NOLs will be fully available to offset future taxable income. These amounts are included in the above consolidated federal and state NOL totals of $18 million and $144 million, respectively.

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The Company had a $1.8 million tax credit at February 28, 2018, including tax credits in Illinois, Texas and a Federal Research Credit, all of which have a full valuation allowance.

Accounting Standards Codification paragraph 740-10 clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken within a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest benefit that is greater than 50 percent likely of being realized upon ultimate settlement. As of February 28, 2018, the estimated value of the Company's net uncertain tax positions is less than $0.1 million, most of which is included in other noncurrent liabilities, as the Company does not expect to settle the items within the next 12 months.

The following is a tabular reconciliation of the total amounts of gross unrecognized tax benefits for the years ending February 28, 2017 and February 28, 2018:

	For the year ending February 28,	
	2017	2018
Gross unrecognized tax benefit – opening balance	$ (87)	$ (60)
Gross decreases – lapse of applicable statute of limitations	27	22
Gross unrecognized tax benefit – ending balance	$ (60)	$ (38)

Included in the balance of unrecognized tax benefits are tax benefits that, if recognized, would reduce the Company's provision for income taxes by less than $0.1 million as of February 28, 2017 and February 28, 2018. Due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in liabilities that could be different from this estimate. In such case, the Company will record additional tax expense or tax benefit in the tax provision, or reclassify amounts on the accompanying consolidated balance sheets in the period in which such matter is effectively settled with the taxing authority.

The Company recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. Related to the uncertain tax benefits noted above, the Company accrued an immaterial amount of interest during the year ending February 28, 2018 and in total, as of February 28, 2018, has recognized a liability for interest of $6 thousand.

13. SEGMENT INFORMATION

The Company's operations have historically been aligned into three business segments: (i) Radio, (ii) Publishing and (iii) Corporate & Emerging Technologies. Emerging Technologies includes our TagStation, NextRadio and Digonex businesses.

These business segments are consistent with the Company's management of these businesses and its financial reporting structure. Corporate expenses are not allocated to reportable segments. Our radio operations in New York, including the LMA fee we receive from a subsidiary of Disney, accounted for approximately 40% of our radio revenues for the year ended February 28, 2018. The Company's segments operate exclusively in the United States.

During the year ended February 28, 2017, we sold our radio cluster in Terre Haute, Indiana and sold five of our six magazines. During the year ended February 28, 2018, we sold our radio station in Los Angeles and announced the sale of our radio stations in St. Louis. See Note 7 and Note 16 for more discussion of our dispositions.

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

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Year Ended February 28, 2018	Radio	Publishing	Corporate & Emerging Technologies	Consolidated
Net revenues	$142,852	$4,521	$1,114	$148,487
Station operating expenses excluding depreciation and amortization expense	102,413	5,035	12,310	119,758
Corporate expenses excluding depreciation and amortization expense	—	—	10,712	10,712
Impairment loss	265	—	—	265
Depreciation and amortization	2,792	19	817	3,628
Gain on sale of radio and publishing assets, net of disposition costs	(76,745)	141	—	(76,604)
(Gain) loss on disposal of fixed assets	(82)	13	—	(69)
Operating income (loss)	$114,209	$(687)	$(22,725)	$90,797

Year Ended February 28, 2017	Radio	Publishing	Corporate & Emerging Technologies	Consolidated
Net revenues	$165,148	$48,559	$861	$214,568
Station operating expenses excluding depreciation and amortization expense	115,366	51,063	13,656	180,085
Corporate expenses excluding depreciation and amortization expense	—	—	11,359	11,359
Impairment loss	6,855	—	2,988	9,843
Depreciation and amortization	3,462	230	1,114	4,806
Gain on sale of radio and publishing assets, net of disposition costs	(3,478)	(20,079)	—	(23,557)
Loss on sale of fixed assets	124	—	—	124
Operating income (loss)	$42,819	$17,345	$(28,256)	$31,908

Year Ended February 29, 2016	Radio	Publishing	Corporate & Emerging Technologies	Consolidated
Net revenues	$169,228	$60,992	$1,213	$231,433
Station operating expenses excluding depreciation and amortization expense	116,862	58,891	7,641	183,394
Corporate expenses excluding depreciation and amortization expense	—	—	13,023	13,023
Impairment loss	5,440	—	4,059	9,499
Depreciation and amortization	3,345	266	2,186	5,797
Loss on sale of fixed assets	54	—	2	56
Operating income (loss)	$43,527	$1,835	$(25,698)	$19,664

Total Assets	Radio	Publishing	Corporate & Emerging Technologies	Consolidated
As of February 28, 2017	$260,228	$1,746	$27,364	$289,338
As of February 28, 2018	249,044	1,293	20,807	271,144

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14. OTHER INCOME (EXPENSE), NET

Components of other income (expense), net for the three years ended February 2016, 2017 and 2018 were as follows:

	For the year ended February 28 (29),		
	2016	2017	2018
Income (loss) from unconsolidated affiliate, including other-than-temporary impairment losses	$ (82)	$ (28)	$ (15)
Other-than-temporary impairment loss on investments	—	(254)	—
Interest income	36	38	60
Other	1,103	84	(10)
Total other income (expense), net	$ 1,057	$ (160)	$ 35

See Note 1 for further discussion of the other-than-temporary impairment loss on investments recorded during the year ended February 28, 2017. Other income in the year ended February 29, 2016 mostly relates to various nonrecurring recoveries and noncash gains.

15. RELATED PARTY TRANSACTIONS

Prior to 2002, the Company made certain life insurance premium payments for the benefit of Mr. Smulyan. The Company discontinued making such payments in 2001; however, pursuant to a Split Dollar Life Insurance Agreement and Limited Collateral Assignment dated November 2, 1997, the Company retains the right, upon Mr. Smulyan's death, resignation or termination of employment, to recover all of the premium payments it has made, which total $1.1 million.

As previously discussed in Note 8, the Company received an offer from EAC, an Indiana corporation owned by Jeffrey H. Smulyan, the Company's Chairman of the Board, Chief Executive Officer and controlling shareholder, setting forth a non-binding proposal by which EAC would acquire all the outstanding shares of Class A common stock of the Company. During the year ended February 28, 2017, the Company incurred $0.9 of costs associated with the offer, which are included in corporate expenses, excluding depreciation and amortization expense in the accompanying consolidated statements of operations. The going private offer expired on October 14, 2016. No further costs are expected to be incurred in connection with the going private offer as it has expired. See Note 8 for further discussion of the going private offer.

16. SUBSEQUENT EVENTS

Sale of St. Louis Radio Stations

On April 30, 2018, Emmis closed on its sale of substantially all of the assets of its radio stations in St. Louis in two separate transactions. In one transaction, Emmis sold the assets of KSHE-FM and KPNT-FM to affiliates of Hubbard Radio. In the other transaction, Emmis sold the assets of KFTK-FM and KNOU-FM to affiliates of Entercom Communications Corp. At closing, Emmis received aggregate gross proceeds of $60.0 million. After deducting estimated taxes payable of $15.9 million and transaction-related expenses, net proceeds totaled approximately $40.5 million and were used to repay term loan indebtedness under Emmis' senior credit facility. The taxes payable as a result of the transactions are not required to be remitted to the applicable taxing authority until May 2019, so we repaid amounts outstanding under our revolver and we plan to hold excess cash on our balance sheet to enhance our liquidity position until we remit the taxes in May 2019. Emmis recorded a $29.9 million gain on the sale of its St. Louis radio stations.

The St. Louis radio stations were operated pursuant to LMAs from March 1, 2018 through the closing of the transactions. Entercom and Hubbard paid LMA fees to Emmis totaling $0.7 million during the period. These fees are not included in our results of operations for the year ended February 28, 2018, but will be included in net revenues for our first fiscal quarter of fiscal 2019.

The St. Louis radio stations had historically been included in our Radio segment. This disposal did not qualify for reporting as a discontinued operation as it did not represent a strategic shift for the Company as described in

Accounting Standards Codification 205-20-45-1C. The following table summarizes certain operating results of the our St. Louis radio stations for all periods presented. Pursuant to Accounting Standards Codification 205-20-45-6, interest expense associated with the required term loan repayment associated with the sale of the St. Louis radio stations is included in the stations' results below.

	For the year ended February 28 (29),		
	2016	2017	2018
Net revenues	$21,297	$23,851	$24,238
Station operating expenses, excluding depreciation and amortization expense	17,960	18,464	20,071
Depreciation and amortization	502	502	558
Impairment loss	1,677	1,293	—
(Gain) loss on sale of assets	(1)	123	—
Operating income	1,159	3,469	3,609
Interest expense	2,842	2,910	3,379
(Loss) income before income taxes	(1,683)	559	230

The carrying amounts of major classes of assets included in the sale of the St. Louis radio stations as of February 28, 2017 and 2018 were as follows. Amounts shown below as of February 28, 2018 were reclassified to current assets held for sale in the accompanying consolidated balance sheets.

	As of February 28,	
	2017	2018
Property and equipment, net	1,600	1,340
Indefinite-lived intangibles	24,758	24,758
Other intangibles, net	82	72

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Based upon the Controls Evaluation, our CEO and CFO concluded that as of February 28, 2018, our Disclosure Controls are effective to provide reasonable assurance that information relating to Emmis Communications Corporation and Subsidiaries that is required to be disclosed by us in the reports that we file or submit is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting.

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f)) that occurred during the fourth quarter of fiscal 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

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

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Management's Report on Internal Control Over Financial Reporting

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

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Emmis Communications Corporation;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Emmis Communications Corporation are being made only in accordance with authorizations of management and directors of Emmis Communications Corporation; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Emmis Communications Corporation's assets that could have a material effect on the financial statements.

Management has evaluated the effectiveness of its internal control over financial reporting as of February 28, 2018, based on the control criteria established in a report entitled Internal Control—Integrated Framework (2013 Framework), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, we have concluded that Emmis Communications Corporation's internal control over financial reporting is effective as of February 28, 2018.

Jeffrey H. Smulyan Chairman and Chief Executive Officer
Ryan A. Hornaday Executive Vice President, Chief Financial Officer and Treasurer

ITEM 9B. OTHER INFORMATION

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

ITEM 11. EXECUTIVE COMPENSATION.

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

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

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

Equity Compensation Plan Information

The following table gives information about our common stock that may be issued upon the exercise of options, warrants and rights under our 2004 Equity Compensation Plan, 2010 Equity Compensation Plan, 2012 Equity Compensation Plan, 2015 Equity Compensation Plan, 2016 Equity Compensation Plan and 2017 Equity Compensation Plan as of February 28, 2018. Our shareholders have approved these plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)
Class A common stock			
Equity Compensation Plans Approved by Security Holders	2,691,329	$ 4.66	2,013,291
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	2,691,329	$ 4.66	2,013,291

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

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

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

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

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Financial Statements

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

Financial Statement Schedules

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

Exhibits

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

			Incorporated by Reference			
Exhibit Number	Exhibit Description	Filed Herewith	Form	Period Ending	Exhibit	Filing Date
3.1	Second Amended and Restated Articles of Incorporation of Emmis Communications Corporation, as amended effective July 7, 2016		8-K		3.1	7/7/2016
3.2	Second Amended and Restated Bylaws of Emmis Communications Corporation		10-K	2/28/2013	3.2	5/8/2013
4.1	Form of stock certificate for Class A common stock		S-1		3.5	12/22/1993
10.01	Form of Option Grant Agreement ++		8-K		10.1	7/13/2017
10.02	Form of Restricted Stock Agreement ++		8-K		10.1	7/13/2017
10.03	Credit Agreement, dated as of June 10, 2014, among Emmis Communications Corporation, Emmis Operating Company, certain other subsidiaries of the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and Fifth Third Bank, as syndication agent		8-K		10.1	6/10/2014
10.04	First Amendment to 2014 Credit Agreement, dated as of November 7, 2014, among Emmis Communications Corporation, Emmis Operating Company, certain other subsidiaries of the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and Fifth Third Bank, as syndication agent		8-K		10.1	11/7/2014
10.05	Second Amendment to 2014 Credit Agreement, dated as of April 30, 2015, among Emmis Communications Corporation, Emmis Operating Company, certain other subsidiaries of the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and Fifth Third Bank, as syndication agent		8-K		10.1	4/30/2015
10.06	Third Amendment to 2014 Credit Agreement, dated as of August 18, 2016, among Emmis Communications Corporation, Emmis Operating Company, certain other subsidiaries of the Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and Fifth Third Bank, as syndication agent		8-K		10.1	8/26/2016
10.07	Successor agent agreement and amendment to credit agreement dated as of April 18, 2017 by and among JPMorgan Chase Bank, N.A., in its capacity as the existing administrative agent, the Bank of New York Mellon, in its capacity as successor administrative agent, Emmis Operating Company, certain other subsidiaries of the		8-K		10.1	4/24/2017

	Company and the lenders party thereto				
10.08	Change in Control Severance Agreement, dated as of July 10, 2012, by and between Emmis Operating Company and Jeffrey H. Smulyan ++	10-Q	5/31/2012	10.18	7/12/2012
10.09	Change in Control Severance Agreement, dated as of March 1, 2018, by and between Emmis Operating Company and Jeffrey H. Smulyan ++	8-K		10.10	3/2/2018

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
10.10	Employment Agreement, dated as of December 26, 2012, by and between Emmis Operating Company and Jeffrey H. Smulyan ++		8-K		10.1	12/28/2012
10.11	Change in Control Severance Agreement, dated as of September 4, 2011, by and between Emmis Operating Company and Patrick M. Walsh ++		10-Q	11/30/2011	10.2	1/12/2012
10.12	Employment Agreement, dated as of August 1, 2017, by and between Emmis Operating Company and Patrick M. Walsh ++		8-K		10.1	8/3/2017
10.13	Employment Agreement, dated as of March 1, 2017, by and between Emmis Operating Company and J. Scott Enright ++		10-K		10.14	5/11/2017
10.14	Change in Control Severance Agreement, dated as of March 8, 2012, by and between Emmis Operating Company and J. Scott Enright ++		10-K		10.24	5/10/2012
10.15	Employment Agreement, effective as of March 3, 2009, by and between Emmis Operating Company and Gary L. Kaseff ++		10-K/A	2/28/2009	10.31	10/9/2009
10.16	Amendment to Employment Agreement, effective as of March 1, 2013, by and between Emmis Operating Company and Gary L. Kaseff ++		10-K	2/28/2013	10.23	5/8/2013
10.17	Amendment to Employment Agreement, effective as of January 26, 2018, by and between Emmis Operating Company and Gary L. Kaseff ++	X				
10.18	Emmis Communications Corporation 2016 Equity Compensation Plan ++		DEF14A			5/26/2016
10.19	Emmis Communications Corporation 2017 Equity Compensation Plan ++		DEF 14A			5/26/2017
10.20	Local Programming and Marketing Agreement, dated as of April 26, 2012, between Emmis Radio License Corporation of New York and New York AM Radio, LLC		8-K		10.1	4/26/2012
10.21	Asset Purchase Agreement, dated as of October 13, 2016, by and between Emmis Publishing, L.P., Emmis Operating Company, GP TM Acquisition LLC and Genesis Park II LP		10-Q		10.1	1/5/2017
10.22	Asset Purchase Agreement, dated as of October 12, 2016, by and between Emmis Indiana Broadcasting, L.P., Emmis Radio License, LLC, Emmis Communications Corporation, and Midwest Communications, Inc.		10-Q		10.2	1/5/2017
10.23	Asset Purchase Agreement, dated as of October 12, 2016, by and between Emmis Indiana Broadcasting, L.P., Emmis Radio License, LLC, Emmis Communications Corporation, and DLC Media, Inc.		10-Q		10.3	1/5/2017
10.24			8-K		10.1	2/28/2017

	Asset Purchase Agreement between subsidiaries of Emmis Communications Corporation and Hour Media Group, LLC, dated February 23, 2017			
10.25	Asset Purchase Agreement, dated as of May 8, 2017, by and among Emmis Radio, LLC, Emmis Radio License, LLC and KWHY-22 Broadcasting, LLC	8-K	10.1	5/9/2017
10.26	Local Programming and Marketing Agreement, dated as of May 8, 2017, by and among Emmis Radio License, LLC and KWHY-22 Broadcasting, LLC	8-K	10.2	5/9/2017

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Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference Form	Period Ending	Exhibit	Filing Date
10.27	Asset Purchase Agreement, dated as of February 22, 2018, by and among Emmis Radio, LLC, Emmis Radio License, LLC, and for limited purposes Emmis Communications Corporation, and Hubbard Radio St. Louis, LLC and St. Louis FCC License Sub, LLC, and for limited purposes, Hubbard Radio, LLC		8-K		10.1	2/23/2018
10.28	Local Programming and Marketing Agreement, dated as of February 22, 2018, by and among Emmis Radio, LLC, Emmis Radio License, LLC, and Hubbard Radio St. Louis, LLC		8-K		10.2	2/23/2018
10.29	Asset Purchase Agreement, dated as of February 22, 2018, by and among Emmis Radio, LLC, Emmis Radio License, LLC, and , and for limited purposes Emmis Communications Corporation, and Entercom Missouri, LLC and Entercom License, LLC, and for limited purposes, Entercom Communications Corp		8-K		10.3	2/23/2018
10.30	Local Programming and Marketing Agreement, dated as of February 22, 2018, by and among Emmis Radio, LLC, Emmis Radio License, LLC, and Entercom Missouri, LLC		8-K		10.4	2/23/2018
21	Subsidiaries of Emmis	X				
23	Consent of Independent Registered Public Accounting Firm	X				
24	Powers of Attorney	X				
31.1	Certification of Principal Executive Officer of Emmis Communications Corporation pursuant to Rule 13a-14(a) under the Exchange Act	X				
31.2	Certification of Principal Financial Officer of Emmis Communications Corporation pursuant to Rule 13a-14(a) under the Exchange Act	X				
32.1	Certification of Principal Executive Officer of Emmis Communications Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
32.2	Certification of Principal Financial Officer of Emmis Communications Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				
101.INS	XBRL Instance Document	X				
101.SCH	XBRL Taxonomy Extension Schema Document	X				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document	X				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	X				

++Management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY.
None.

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Signatures.

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

		EMMIS COMMUNICATIONS CORPORATION
Date: May 10, 2018	By:	/s/ Jeffrey H. Smulyan
		Jeffrey H. Smulyan
		Chairman of the Board and Chief Executive Officer

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

	SIGNATURE	TITLE
Date: May 10, 2018	/s/ Jeffrey H. Smulyan Jeffrey H. Smulyan	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
Date: May 10, 2018	/s/ Patrick M. Walsh Patrick M. Walsh	President, Chief Operating Officer and Director
Date: May 10, 2018	/s/ Ryan A. Hornaday Ryan A. Hornaday	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
Date: May 10, 2018	Susan B. Bayh* Susan B. Bayh	Director
Date: May 10, 2018	James M. Dubin* James M. Dubin	Director
Date: May 10, 2018	Gary L. Kaseff* Gary L. Kaseff	Director
Date: May 10, 2018	Richard A. Leventhal* Richard A. Leventhal	Director
Date: May 10, 2018	Peter A. Lund* Peter A. Lund	Director
Date: May 10, 2018	Greg A. Nathanson* Greg A. Nathanson	Director
Date: May 10, 2018	Lawrence B. Sorrel* Lawrence B. Sorrel	Director

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