SBA COMMUNICATIONS CORP
Form 424B7
September 16, 2008
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Prospectus Supplement

To Prospectus dated April 14, 2006

Filed pursuant to Rule 424(b)(7)

A filing fee of $8,899, calculated in accordance with Rule 457(r), has been transmitted to the SEC in connection with the offering of Class A common stock offered from the registration statement (no. 333-133303) by means of this prospectus supplement.

7,250,000 Shares

SBA Communications Corporation

Class A Common Stock

This prospectus supplement relates to the offer and sale of up to 7,250,000 shares of our Class A common stock by the selling shareholders named in this prospectus supplement. We will not receive any of the proceeds from the sale of the shares of our Class A common stock by the selling shareholders under this prospectus supplement.

Our Class A common stock is traded on the Nasdaq Global Select Market under the symbol SBAC. On September 12, 2008, the last reported sale price of our common stock reported on the Nasdaq Global Select Market was $31.09 per share.

Investing in our securities involves risks. See The Offering Risk Factors on page S-1 of this prospectus supplement.

Neither the Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

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Prospectus Supplement

Prospectus

About This Prospectus Supplement

You should rely only on the information contained in or incorporated by reference into this prospectus supplement, the accompanying prospectus and any additional prospectus supplements, if necessary. We have not authorized anyone to provide you with information that is different. This prospectus supplement is not an offer to sell or solicitation of an offer to buy these shares of common stock in any circumstances under which the offer or solicitation is unlawful. You should not assume that the information we have included in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement or the accompanying prospectus or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference regardless of the time of delivery of this prospectus supplement or of any such shares of our common stock.

This document is in two parts. The first part is this prospectus supplement, which adds, updates and changes information contained in the accompanying prospectus and the information incorporated by reference. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of common stock. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or any document incorporated by reference, the information in this prospectus supplement shall control.

No dealer, sales person or other person is authorized to give any information or to represent anything not contained in this prospectus supplement or the accompanying prospectus. You must not rely on any unauthorized information or representations. This prospectus supplement and the accompanying prospectus are an offer to sell only the securities specifically offered by it, but only under circumstances and in jurisdictions where it is lawful to do so.

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THE OFFERING

Class A common stock offered by the selling shareholders	7,250,000 shares.
Nasdaq Global Select Market symbol	SBAC.
Use of proceeds	We will not receive any proceeds from the sale of the shares of our Class A common stock by the selling shareholders.
Risk Factors	Investing in our securities involves risks. Potential investors are urged to read and consider the risk factors relating to an investment in us described in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, each filed with the SEC and incorporated by reference in this prospectus supplement as well as other information we include or incorporate by reference in this prospectus supplement and the accompanying prospectus.

THE SELLING SHAREHOLDERS

Class A Common Stock

On July 18, 2008, we entered into the Agreement and Plan of Merger (the Merger Agreement) by and between ourselves, SBA Acquisition 2008-2, Inc., a Delaware corporation and our direct wholly-owned subsidiary (Merger Sub), Optasite Holding Company, Inc., a Delaware corporation (Optasite), the Securityholders Committee (as defined in the Merger Agreement) and certain other individuals named therein, pursuant to which Merger Sub would merge with and into Optasite. As a result of the merger, Optasite would become our direct wholly-owned subsidiary for a total consideration of 7,250,000 newly issued shares of our Class A common stock. On September 16, 2008, we consummated this acquisition and issued an aggregate of 7,250,000 shares of Class A common stock to the shareholders and optionholders of Optasite (the selling shareholders). The shares were issued pursuant to Rule 506 of Regulation D under the Securities Act of 1933, as amended (the Securities Act), and the rules and regulations thereunder.

Registration Rights

Pursuant to the Merger Agreement, we agreed to register for resale all 7,250,000 shares of our Class A common stock issued in the acquisition. In addition, we have agreed to maintain the effectiveness of the registration statement, which includes this prospectus supplement and the accompanying prospectus, until the earlier of:

- one (1) year from September 16, 2008; or
- until such earlier date as of which all the shares shall have been disposed of.

Notwithstanding the foregoing, we may suspend the use of this prospectus supplement and the accompanying prospectus during the effectiveness of the registration statement for such period of time as (i) such a suspension is required by the rules and regulations of the Securities and Exchange Commission, or SEC, as applied to us, (ii) such prospectus ceases to meet the requirements of Section 10 of the Securities Act or (iii) in the good faith determination by our board of directors, offers and sales pursuant to the registration statement should not be made by reason of the existence of material undisclosed circumstances or developments with respect to which the disclosure that would be required in the registration statement would be premature and would have an adverse effect on us. However, any such suspension shall not exceed sixty (60) calendar days.

Stock Ownership of Selling Shareholders

The following table sets forth information known to us with respect to the beneficial ownership of our Class A common stock as of September 16, 2008 by the selling shareholders. The number of shares that may

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actually be sold by each selling shareholder will be determined by such selling shareholder. The selling shareholders may sell some, all or none of these shares. Because the offering contemplated by this prospectus supplement is not currently being underwritten, no estimate can be given as to the number of shares of common stock that will be held by the selling shareholders upon termination of the offering. Information concerning other selling shareholders, if any, will be set forth in prospectus supplements from time to time, if required. In addition, upon receiving notice from a selling shareholder that a donee, pledgee or transferee or other successor-in-interest who receives shares of our Class A common stock offered hereby from the selling shareholder as a gift, pledge, partnership or limited liability company distribution or other non-sale related transfer and who subsequently intends to sell more than 500 shares covered by this prospectus supplement, we will file a supplement to this prospectus supplement pursuant to Rule 424(b) of the Securities Act to identify the non-sale transferee.

The table assumes that the selling shareholders sell as many shares as they can under this prospectus supplement.

Selling Shareholders	Class A Common Stock Beneficially Owned Prior to the Offering[1]	Number of Shares of Class A Common Stock to be Sold Under the Offering	Shares of Class A Common Stock Beneficially Owned After the Offering	
			Number	Percent
Highland Capital Partners V Limited Partnership [2]	972,368	972,368	0	0%
Highland Subfund V-OPT Limited Partnership [2]	250,667	250,667	0	0%
Highland Entrepreneurs Fund V Limited Partnership[2]	154,256	154,256	0	0%
R&R Davis Investments, L.L.C. [3]	6,622	6,622	0	0%
Columbia Optasite (Cayman), Inc. [4]	392,388	392,388	0	0%
Columbia Optasite Partners III, L.L.C. [5]	217,919	217,919	0	0%
Columbia Capital Equity Partners III (QP), L.P. [6]	714,533	714,533	0	0%
Centennial Ventures VII, L.P. [7]	1,129,178	1,129,178	0	0%
Centennial Entrepreneurs Fund VII, L.P. [8]	16,373	16,373	0	0%
Worcester Venture Fund, L.P. [9]	31,726	31,726	0	0%
Long River Ventures, L.P. [10]	108,094	108,094	0	0%
LRV Optasite Investors, LLC [11]	11,918	11,918	0	0%
Village Ventures Partners Optasite Fund (Delaware), L.P. [12]	77,323	77,323	0	0%
Village Ventures Partners Optasite Fund (Cayman), L.P. [12]	41,204	41,204	0	0%
Village Ventures Partners Fund A, L.P. [12]	9,046	9,046	0	0%
Village Ventures Partners Optasite Fund (MVEF), L.P. [12]	945	945	0	0%
VVN, LLC [13]	4,159	4,159	0	0%
Key Venture Partners II, LLC [14]	381,382	381,382	0	0%
Massachusetts Mutual Life Insurance Company [15][19]	286,036	286,036	0	0%
C.M. Life Insurance Company [16][19]	95,345	95,345	0	0%
Winterset Master Fund, L.P. [17][19]	71,509	71,509	0	0%
Mill River Master Fund, L.P. [18][19]	23,836	23,836	0	0%
Citigroup Financial Products Inc. [20]	1,935,801	671,559	1,264,242	1.2%
Goldman Sachs Investment Partners Master Fund, L.P. [21]	4,384,276	419,724	3,964,552	3.7%
Point Judith Venture Fund, L.P. [22]	165,338	165,338	0	0%
James Eisenstein	228,013	228,013	0	0%
James Eisenstein 2006 Grantor Retained Annuity Trust u/d/t dated July 31, 2006, James Eisenstein, Trustee	70,841	70,841	0	0%
James Ross	129,684	129,684	0	0%
TSG Equity Fund, L.P. [23]	62,171	62,171	0	0%
Berkshires Capital Investors Fund II Limited Partnership [24]	55,281	55,281	0	0%
Mass Ventures Equity Fund, L.P. [25]	53,905	53,905	0	0%
Francine Bergman	82	82	0	0%

Michael Boychuk	7,088	7,088	0	0%
Christian Carmody	336	336	0	0%
Andrew Colbow	669	669	0	0%
Keith Coppins	12,418	12,418	0	0%
Glynis Dena	66	66	0	0%
Shelley Doolity	678	678	0	0%
Kevin Gallagher	669	669	0	0%
Marc Goodman	60,131	60,131	0	0%

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Anna Henry	12	12	0	0%
Keeley Houghton	12	12	0	0%
Geoffrey O. Kent	3,983	3,983	0	0%
Michelle Lessard	167	167	0	0%
Jesse McDermott	33	33	0	0%
Ellen McGeeney	9,803	9,803	0	0%
Michael McQueen	19,326	19,326	0	0%
John Merrill	31	31	0	0%
Nicole Nighman	137	137	0	0%
Shawn Nottage	12	12	0	0%
Michael B Paradowski	68,236	68,236	0	0%
Anthony F. Peduto Jr.	58,544	58,544	0	0%
Hollis Redding	669	669	0	0%
Charles Regulbuto	12	12	0	0%
Nate Shepherd	1,918	1,918	0	0%
Thomas R. Shepherd	5,209	5,209	0	0%
Elizabeth Stillman	12	12	0	0%
Robin Tomberlin	24,639	24,639	0	0%

(1) We have determined the number and percentage of shares beneficially owned in accordance with Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act), and this information does not necessarily indicate beneficial ownership for any other purpose. In determining the number of shares beneficially owned by the selling shareholders and the percentage ownership of the selling shareholders, we included any shares as to which any selling shareholder has sole or shared voting power or investment power, as well as any shares of our Class A common stock subject to options held by a selling shareholder that is currently exercisable or exercisable prior to September 16, 2008. Except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table above have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Under the rules of the SEC, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest.

(2) Total Highland Capital Ownership consists of 8,747,408 shares held of record by Highland Capital Partners V Limited Partnership (Highland Capital V), 2,254,998 shares held of record by Highland Subfund V-OPT Limited Partnership (HSF V-OPT L.P.), a limited partnership owned by Highland Management Partners V Limited Partnership (HMP) and Highland Subfund V-OPT Limited (HSF V-Opt Ltd), a wholly owned subsidiary of Highland Capital Partners V-B Limited Partnership (Highland Capital V-B), and 1,387,690 shares held of record by Highland Entrepreneurs Fund V Limited Partnership (Highland Entrepreneurs Fund and together with Highland Capital V and Highland Capital V-B, the Highland Investing Entities). HMP is the general partner of Highland Capital V and Highland Capital V-B. HEF V Limited Partnership (HEF) is the general partner of Highland Entrepreneurs Fund. Highland Management Partners V, Inc. (Highland Management) is the general partner of both HMP and HEF. Robert F. Higgins, Paul A. Maeder, Sean M. Dalton and Daniel J. Nova are the managing directors of Highland Management (together, the Managing Directors). Highland Management, as the general partner of the general partners of the Highland Investing Entities, may be deemed to have beneficial ownership of the shares held by the Highland Investing Entities. The Managing Directors have shared voting and investment control over all the shares held by Highland Investing Entities and therefore may be deemed to share beneficial ownership of the shares held by Highland Investing Entities by virtue of their status as controlling persons of Highland Management. Each of the Managing Directors disclaims beneficial ownership of the shares held by the Highland Investing Entities, except to the extent of such Managing Director s pecuniary interest therein, if any. The address for the entities affiliated with Highland Capital Partners is 92 Hayden Avenue, Lexington, MA 02421.

(3) Rita Davis is the controlling shareholder of R&R Davis Investments, L.L.C. and therefore may be deemed to be the indirect beneficial owner, with shared voting power and investment power, of the shares owned by R&R Davis Investments, L.L.C. The business address of R&R Davis Investments, L.L.C. is 7 Wyndemere Drive, Southborough, MA 01772.

(4) The sole shareholder of Columbia Optasite (Cayman), Inc. is Columbia Capital Equity Partners III (Cayman), L.P. The general partner of Columbia Capital Equity Partners III (Cayman), L.P. is Columbia Capital Equity Partners (Cayman) III, Ltd. Columbia Capital Equity Partners III, L.P. (Columbia III) is the sole stockholder of Columbia Capital Equity Partners (Cayman) III, Ltd. The general partner of Columbia III is Columbia Capital III, LLC (Columbia Manager III). James B. Fleming, Jr., Harry F. Hopper III and R. Phillip Herget, III

control Columbia Manager III. As a result, Messrs. Fleming, Hopper and Herget exercise voting and investment control over all the shares offered by Columbia Capital Equity Partners III, (QP), L.P., Columbia Optasite (Cayman), Inc. and Columbia Optasite Partners III, LLC, and may be deemed to have beneficial ownership over all those shares. Messrs. Fleming, Hopper and Herget disclaim beneficial ownership of all these shares, to the extent allowable by law. The business

address of Messrs. Fleming, Hopper, and Herget, and Columbia Optasite (Cayman), Inc. is 201 N. Union Street, Suite 300, Alexandria, VA 22314.

(5) The members of Columbia Optasite Partners III, LLC are Columbia Capital Equity Partners III (AI), L.P., Columbia Capital Investors III, LLC and Columbia Capital Employee Investors III, LLC. Columbia Capital Equity Partners III, L.P. (Columbia III) is also the general partner of Columbia Capital Equity Partners III (AI), L.P. and is the managing member of Columbia Capital Investors III, LLC and Columbia Capital Employee Investors III, LLC. James B. Fleming, Jr., Harry F. Hopper III and R. Phillip Herget, III control Columbia Manager III. As a result, Messrs. Fleming, Hopper and Herget exercise voting and investment control over all the shares offered by Columbia Capital Equity Partners III, (QP), L.P., Columbia Optasite (Cayman), Inc. and Columbia Optasite Partners III, LLC, and may be deemed to have beneficial ownership over all those shares. Messrs. Fleming, Hopper and Herget disclaim beneficial ownership of all these shares, to the extent allowable by law. The business address of Messrs. Fleming, Hopper, and Herget, and Columbia Optasite (Cayman), Inc. is 201 N. Union Street, Suite 300, Alexandria, VA 22314.

(6) The general partner of Columbia Capital Equity Partners III (QP), L.P. is Columbia Capital Equity Partners III, L.P. (Columbia III). The general partner of Columbia III is Columbia Capital III, LLC (Columbia Manager III). James B. Fleming, Jr., Harry F. Hopper III and R. Phillip Herget, III control Columbia Manager III. As a result, Messrs. Fleming, Hopper and Herget exercise voting and investment control over all the shares offered by Columbia Capital Equity Partners III, (QP), L.P., Columbia Optasite (Cayman), Inc. and Columbia Optasite Partners III, LLC, and may be deemed to have beneficial ownership over all those shares. Messrs. Fleming, Hopper and Herget disclaim beneficial ownership of all these shares, to the extent allowable by law. The business address of Messrs. Fleming, Hopper, and Herget, and Columbia Capital Equity Partners III, (QP), L.P. is 201 N. Union Street, Suite 300, Alexandria, VA 22314.

(7) Centennial Holdings VII, LLC is the general partner of the Centennial Ventures VII, L.P. Centennial Holdings VII, LLC may be deemed to be the indirect beneficial owner, with shared voting power and investment power, of the shares owned by Centennial Ventures VII, L.P. The business address of Centennial Ventures VII, L.P. is 1428 Fifteenth Street, Denver, CO 80202.

(8) Centennial Holdings VII, LLC is the general partner of Centennial Entrepreneurs Fund VII, L.P. Centennial Holdings VII, LLC may be deemed to be the indirect beneficial owner, with shared voting power and investment power, of the shares owned by Centennial Entrepreneurs Fund VII, L.P. The business address of Centennial Entrepreneurs Fund VII, L.P. is 1428 Fifteenth Street, Denver, CO 80202.

(9) Worcester Capital Partners, LLC (WC Partners) is the general partner of Worcester Venture Fund, L.P. The manager of WC Partners is Long River Capital Management, LLC (LRC Management). Word D. Peake and William R. Cowen are the members and managers of LRC Management. Consequently, WCP, LRC Management, Word D. Peake and William R. Cowen may be deemed to be the indirect beneficial owners, with shared voting power and investment power, of the shares owned by Worcester Venture Fund, L.P. Messrs. Peake and Cowen disclaim beneficial ownership of all these shares, to the extent allowable by law. The business address of Worcester Venture Fund, L.P. is c/o Long River Ventures, 100 Venture Way, Hadley, MA 01035. Village Ventures, Inc. is a member of WC Partners.

(10) Long River Capital Partners, LLC (LRC Partners) is the general partner of Long River Ventures, L.P. The manager of LRC Partners is LRC Management. Word D. Peake and William R. Cowen are the members and managers of LRC Management. Consequently, LRC Partners, LRC Management, Word D. Peake and William R. Cowen may be deemed to be the indirect beneficial owners, with shared voting power and investment power, of the shares owned by Long River Ventures, L.P. Messrs. Peake and Cowen disclaim beneficial ownership of all these shares, to the extent allowable by law. The business address of Long River Ventures, L.P. is 100 Venture Way, Hadley, MA 01035. Village Ventures, Inc. is a member of LRC Partners.

(11) Word D. Peake is the manager of LRV Optasite Investors, LLC (LRV Optasite). Consequently Mr. Peake is deemed to share voting power and investment power with LRV Optasite for the shares owned by LRV Optasite. The business address of LRV Optasite is c/o Long River Ventures, 100 Venture Way, Hadley, MA 01035. Mr. Peake disclaims beneficial ownership in any of the shares owned by LRV Optasite.

(12) Village Ventures Capital Partners I, LLC (VV Capital Partners I) is the general partner of (i) Village Ventures Partners Optasite Fund (MVEF), L.P., (ii) Village Ventures Partners Optasite Fund (Cayman), L.P., (iii) Village Ventures Partners Optasite Fund (Delaware), L.P. and (iv) Village Ventures Partners Fund A, L.P. (collectively, the VV Funds). VV Capital Partners I is controlled by Village Ventures, Inc. (VVI). Consequently VV Capital Partners I and VVI may be deemed to the indirect beneficial owners of the shares owned by each of the VV Funds. Mathew C. Harris and Steven H. Massicotte serve as the Chief Executive Officer and Chief Operating Officer, respectively, of VVI and consequently, may be deemed to share voting power and investment power, of the shares owned by the VV Funds. Messrs. Harris and Massicotte disclaim beneficial ownership of all these shares, to the extent allowable by law. The sole limited partnership interest in Village Ventures Partners Optasite Fund (MVEF), L.P. is owned by Mass Ventures Equity Fund. Highland Capital Partners V and Highland Entrepreneurs Fund hold limited partnership interests in Village Ventures Partners Optasite Fund (Delaware), L.P. and Highland Capital Partners V

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holds a limited partnership interest in Village Ventures Partners Optasite Fund (Cayman), L.P. The business address of each of the VV Funds is 430 Main Street, Suite 1, Williamstown, MA 01267.

(13) VVI is the sole member of VVN, LLC and therefore may be deemed to be the indirect beneficial owner, with shared voting power and investment power, of the shares owned by VVN, LLC. The business address of VVN, LLC is 430 Main Street, Suite 1, Williamstown, MA 01267.

(14) Key Capital Corporation is the controlling shareholder of Key Venture Partners II, LLC and therefore may be deemed to be the indirect beneficial owner, with shared voting power and investment power, of the shares owned by Key Venture Partners II, LLC. The business address of Key Venture Partners II, LLC is 1000 Winter St., Ste. 1400, Waltham, MA 02451.

(15) The business address of Massachusetts Mutual Life Insurance Company is c/o Babson Capital Management LLC, 1500 Main Street, 22nd Floor, Springfield MA 01115.

(16) Massachusetts Mutual Life Insurance Company is the controlling shareholder of C.M. Life Insurance Company and therefore may be deemed to be the indirect beneficial owner, with shared voting power and investment power, of the shares owned by C.M. Life Insurance Company. The business address for C.M. Life Insurance Company is c/o Babson Capital Management LLC, 1500 Main Street, 22nd Floor, Springfield MA 01115.

(17) Winterset Management LLC (Winterset Management) is the general partner of Winterset Master Fund, L.P. Massachusetts Mutual Life Insurance Company (Mass Mutual Life) indirectly owns 100% of the interest of Winterset Management. Consequently, Massachusetts Mutual Life and Winterset Management may be deemed to be the indirect beneficial owners, with shared voting power and investment power, of the shares owned by Winterset Master Fund, L.P. The business address for Winterset Master Fund, L.P. is c/o Babson Capital Management LLC, 1500 Main Street, Suite 1100, Springfield MA 01115.

(18) Mill River Management LLC (Mill River Management) is the general partner of the Mill River Master Fund, L.P. Massachusetts Mutual Life indirectly owns 100% of the interest of Mill River Management. Consequently, Mill River Management and Massachusetts Mutual Life may be deemed to be the indirect beneficial owners, with shared voting power and investment power, of the shares owned by Mill River Master Fund, L.P. The business address of Mill River Master Fund, L.P. is c/o Babson Capital Management LLC, 1500 Main Street, Suite 1100, Springfield MA 01115.

(19) Babson Capital Management, LLC (Babson Capital Management) serves as investment manager, investment advisor or investment sub-advisor to (i) Massachusetts Mutual Life, (ii) Mill River Master Fund, L.P., (iii) Winterset Master Fund, L.P. and (iv) C.M. Life Insurance Company. Consequently, Babson Capital Management may be deemed to be the indirect beneficial owner with shared voting power and investment power of the shares owned by each of these entities.

(20) Citigroup Financial Products Inc. (CFP) is a wholly-owned subsidiary of Citigroup Inc. (Citi), a publicly-traded company and therefore Citi may be deemed to be the indirect beneficial owner with shared voting power and investment power of the common shares owned by CFP. Citi may be deemed to beneficially own 3,845,564 shares of SBA Common Stock, as of June 30, 2008, with shared voting and investment power of the shares owned by CFP and other affiliates of Citi. Citi disclaims beneficial ownership of such shares. The business address of CFP is 399 Park Avenue, New York, NY 10043.

(21) GS Investment Strategies, LLC is the investment manager of Goldman Sachs Investment Partners Master Fund, L.P. and therefore may be deemed to be the indirect beneficial owner with shared voting power and investment power of the shares owned by Goldman Sachs Investment Partners Master Fund, L.P. GS Investment Strategies, LLC has an investment team of senior portfolio managers that are

responsible for the day-to-day management of Goldman Sachs Investment Partners Master Fund L.P.. As a result, no single natural person has voting or investment power over the units held by Goldman Sachs Investment Partners Master Fund L.P..

Goldman Sachs Investment Partners GP, LLC is the general partner of Goldman Sachs Investment Partners Master Fund, L.P. and therefore may be deemed to be the indirect beneficial owner with shared voting power and investment power of the shares owned by Goldman Sachs Investment Partners Master Fund, L.P. Goldman, Sachs & Co. is an indirect, wholly-owned subsidiary of the Goldman Sachs Group, Inc., a publicly-traded company. In accordance with the Securities and Exchange Commission Release No. 34-39538 (January 12, 1998) (the Release), this filing reflects the securities beneficially owned by certain operating units (collectively, the Goldman Sachs Reporting Units) of The Goldman Sachs Group, Inc. and its subsidiaries and affiliates (collectively, GSG). This filing does not reflect securities, if any, beneficially owned by any operating unites of GSG whose ownership of securities is disaggregated from that of the Goldman Sachs Reporting Units in accordance with the Release. The Goldman Sachs Reporting Units disclaim beneficial ownership of the securities beneficially owned by (i) any client accounts with respect to which Goldman Sachs Reporting Units or their employees have voting or investment discretion, or both and (ii) certain investment entities of which the Goldman Sachs Reporting Units act as the general partner, managing general partner or other manager, to the extent interests in such entities are held by persons other than Goldman Sachs Reporting Units.

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The business address of Goldman Sachs Investment Partners Master Fund, L.P. is c/o GS Investment Strategies, LLC, 85 Broad Street, NY, NY, 10004.

(22) Point Judith Capital Partners, LLC is the general partner of the Point Judith Venture Fund, L.P. Point Judith Administrators, LLC serves as the investment advisor of Point Judith Capital Partners, LLC. Consequently, Point Judith Capital Partners, LLC and Point Judith Administrators, LLC may be deemed to be the indirect beneficial owners, with shared voting power and investment power, of the shares owned by Point Judith Venture Fund, L.P. The business address of Point Judith Venture Fund, L.P. is 50 Park Row West, St 107, Providence, RI, 02903. Village Ventures, Inc. is a member of Point Judith Capital Partners, LLC.

(23) Thomas R. Sheperd serves as the principle and controlling shareholder of TSG Equity Partners LLC, which in turn is the general partner of TSG Equity Fund, L.P. Consequently, Thomas R. Sheperd and TSG Equity Partners LLC may be deemed to be the indirect beneficial owners, with shared voting power and investment power, of the shares owned by TSG Equity Fund, L.P. The business address of TSG Equity Fund, L.P. is 63 Great Road, Stow, MA, 01775.

(24) Berkshires Management Company, LLC is the general partner of The Berkshires Capital Investors Fund II Limited Partnership, and therefore may be deemed to be the indirect beneficial owner, with shared voting power and investment power, of the shares owned by The Berkshires Capital Investors Fund II Limited Partnership. The business address of The Berkshires Capital Investors Fund II Limited Partnership is 430 Main Street, Suite 4, Williamstown, MA 01267. Matthew C. Harris, Chief Executive Officer of Village Ventures, Inc. is a member of Berkshires Management Company, LLC and a limited partner in The Berkshires Capital Investors Fund II Limited Partnership.

(25) Kestrel Ventures, LLC (Kestrel) is the general partner of Mass Ventures Equity Fund, L.P. (MVEF) R. Gregg Stone is the sole manager and a member of Kestrel. Consequently R. Gregg Stone and Kestrel may be deemed to be the indirect beneficial owners, with shared voting power and investment power, of the shares owned by MVEF. The business address of MVEF is 1 Liberty Sq., Ste. 1200, Boston, MA, 02109.

Certain Relationships

Citigroup, Inc., the owner of Citigroup Financial Products Inc., provides directly and through its other affiliates investment banking, hedging and other financial services. Citi has participated as one of the joint book-running managers of our offering of 1.875% Convertible Senior Notes due May 1, 2013 in May 2008, our 0.375% Convertible Senior Notes due 2010 in March 2007 and a secondary offering of our Class A common stock in May 2006. In connection with the note issuances, we entered into convertible note hedges and warrants with an affiliate of Citi. In addition, from time to time, Citi or its affiliates have provided financial advisory services and commercial banking services to us, and currently is co-documentation agent and lender under our senior secured revolving credit facility.

PLAN OF DISTRIBUTION

We are registering 7,250,000 shares of our Class A common stock to permit the resale of these shares of common stock by the selling shareholders from time to time after the date of this prospectus supplement. We will not receive any of the proceeds from the sale by the selling shareholders of the shares of Class A common stock.

The selling shareholders may sell all or a portion of our Class A common stock beneficially owned by them, and offered hereby, from time to time, on the Nasdaq Global Select Market or any stock exchange, market, quotation service or trading facility on which the shares are traded or in private transactions, directly or through one or more underwriters, broker-dealers or agents. The selling shareholders are subject to certain contractual volume limitations where, generally, prior the one year anniversary of the merger s closing and except pursuant to a Marketed Secondary Offering, each selling shareholder may not sell in excess of fifty thousand (50,000) shares of our Class A common stock in any one trading day. However, certain controlling shareholder funds described in the Merger Agreement may transfer or distribute up to two hundred fifty thousand (250,000) shares of our Class A common stock in any rolling two week period to shareholders, members, limited partners or general partners and such shares of Class A common stock shall have no further contractual restrictions in the hands of such transferees or distributees. If the Class A common stock is sold through underwriters or broker-dealers, the selling shareholders will be responsible for underwriting discounts or commissions or agent s commissions. The Class A common stock may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of the sale, at varying prices related to such prevailing market prices determined at the time of sale, or at negotiated prices. The selling shareholders may use any one or more of the following methods when selling shares:

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Purchases by underwriters, brokers, dealers or agents who may receive compensation in the form of underwriting discounts, concessions or commissions from the selling shareholders and/or the purchasers of the shares for whom they may act as agent;

Ordinary brokerage transactions and transactions in which the broker-dealer solicits investors;

Block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;

Purchases by a broker-dealer as principal and resale by such broker-dealer for its account;

A securities exchange or quotation system sale that complies with the applicable rules of the exchange or quotation system;

Privately negotiated transactions;

To cover short sales made after the date that the registration statement is declared effective by the SEC;

Through the writing of options relating to such shares;

The pledge of shares as security for any loan or obligation, including pledges to brokers or dealers who may from time to time effect distributions of the shares or other interests in the shares;

Distributions of the shares to creditors, partners, members or shareholders by the selling shareholders;

Sales in other ways not involving market makers or established trading markets, including direct sales to institutions or individual purchasers;

Broker-dealers may agree with the selling shareholders to sell a specified number of such shares at a stipulated price per share;

A combination of any such methods of sale; and

Any other method permitted pursuant to applicable law.

If the selling shareholders effect such transactions by selling shares of Class A common stock to or through underwriters, broker-dealers or agents, such underwriters, broker-dealers or agents may receive commissions in the form of discounts, concessions or commissions from the selling shareholders or commissions from purchasers of the shares of Class A common stock for whom they may act as agent or to whom they may sell as principal (which discounts, concessions or commissions as to particular underwriters, broker-dealers or agents may be in excess of those customary in the types of transactions involved). In connection with sales of the Class A common stock or otherwise, the selling shareholders may enter into hedging transactions with third parties, which may in turn engage in short sales of the Class A common stock in the course of hedging the positions they assume. If so, the third parties may use shares pledged by the selling shareholders or borrowed from the selling shareholders or others to settle those sales or to close out related open borrowings of shares and may use shares received from the selling shareholders in settlement of derivatives to close out any related open borrowings of shares. The selling shareholders may also sell shares of

Class A common stock short and deliver shares of Class A common stock covered by this prospectus supplement to close out short positions. The selling shareholders may also loan shares of Class A common stock to broker-dealers that in turn may sell such shares.

The selling shareholders may also elect to sell all or a portion of their Class A common stock in open market transactions in reliance upon Rule 144 under the Securities Act, or any other available exemption from required registration under the Securities Act, provided that they meet the criteria and conform to the requirements of such exemption.

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The selling shareholders may pledge or grant a security interest in some or all of the shares of common stock owned by them and, if the selling shareholders default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of Class A common stock from time to time pursuant to this prospectus supplement or any amendment to this prospectus supplement under Rule 424(b)(3) or other applicable provision of the Securities Act, amending, if necessary, the list of selling shareholders to include the pledgee, transferee or other successors-in-interest as a selling shareholder under this prospectus supplement. The selling shareholders also may transfer and donate shares of Class A common stock in other circumstances in which case the transferees, donees, pledgees or other successors-in-interest will be the selling beneficial owners for purposes of this prospectus supplement.

The selling shareholders and any underwriter, broker-dealer, agent or third party to any derivative transaction participating in the sale of the shares of Class A common stock may be deemed to be an underwriter within the meaning of the Securities Act, and any commission paid, or any discounts or concessions allowed, to any such underwriter, broker-dealer or agent, or any profit from the sale by them while acting as principals, may be deemed to be underwriting commissions or discounts under the Securities Act. At the time a particular offering of the shares of Class A common stock is made, a prospectus supplement, if required pursuant to Rule 424(b) under the Securities Act, will be distributed which will set forth the aggregate amount of shares of Class A common stock being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling shareholders and any discounts, commissions or concessions allowed or reallowed or paid to broker-dealers. Any person deemed to be an underwriter will be subject to the prospectus delivery requirements of the Securities Act.

Under the securities laws of some states, the shares of Class A common stock may be sold in such states only through registered or licensed brokers or dealers. In addition, in some states the shares of Class A common stock may not be sold unless the shares have been registered or qualified for sale in the state or an exemption from registration or qualification is available and is complied with.

We have advised the selling shareholders that they may not use shares registered on this registration statement to cover short sales of Class A common stock made prior to the date on which the registration statement was declared effective by the SEC. The selling shareholders, and any other person participating in the distribution of the shares of Class A common stock registered pursuant to the registration statement, will be subject to applicable provisions of the Exchange Act, and the rules and regulations thereunder, including, without limitation, Regulation M of the Exchange Act. Regulation M may limit the timing of purchases and sales of any of the shares of Class A common stock by the selling shareholders and any other participating person. Regulation M may also restrict the ability of any person engaged in the distribution of the shares of Class A common stock to engage in market-making activities with respect to the shares of Class A common stock. All of the foregoing may affect the marketability of the shares of Class A common stock and the ability of any person or entity to engage in market-making activities with respect to the shares of Class A common stock.

The selling shareholders will pay all applicable underwriting discounts and selling commissions, if any. We will pay all expenses of the registration of the shares of Class A common stock pursuant to this prospectus supplement in accordance with the Merger Agreement, estimated to be $15,000 in total, including, without limitation, Commission filing fees and expenses of compliance with state securities or blue sky laws. The participating selling shareholders will pay all costs associated with a Marketed Secondary Offering (including, but not limited to, registration fees, our reasonable attorney s fees, printing expenses associated with the preparation and distribution of the requested prospectuses). We will indemnify the selling shareholders against certain liabilities, including under the Securities Act, in accordance with our obligations under the Merger Agreement. The selling shareholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares of our common stock against civil liabilities, including liabilities under the Securities Act.

Once sold under the registration statement, which includes this prospectus supplement, the accompanying prospectus and any additional prospectus supplements, if necessary, the shares of Class A common stock will be freely tradable in the hands of persons other than our affiliates.

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WHERE YOU CAN FIND MORE INFORMATION; INCORPORATION BY REFERENCE

We file annual, quarterly and special reports with the Commission. Our Commission filings are available over the Internet at the Commission s web site at http://www.sec.gov. You may also read and copy any document we file at the Commission s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for more information on the Public Reference Room and its copy charges.

We incorporate by reference into this prospectus supplement the following documents filed by us with the Commission, other than information furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K, each of which should be considered an important part of this prospectus supplement:

Commission Filing (File No. 000-30110)	**Period Covered or Date of Filing**
Annual Report on Form 10-K	Year ended December 31, 2007
Quarterly Reports on Form 10-Q	Quarter ended March 31, 2008 and Quarter ended June 30, 2008
Current Reports on Form 8-K	January 24, 2008, March 7, 2008, May 16, 2008, May 22, 2008 and August 28, 2008
Description of our Class A common stock contained in the Registration Statement on Form 8-A and any amendment or report filed for the purpose of updating such description	June 9, 1999 and January 14, 2002
All subsequent documents filed by us under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934	After the date of this prospectus supplement

You may request a copy of each of our filings at no cost, by writing or telephoning us at the following address, telephone or facsimile number:

SBA Communications Corporation

5900 Broken Sound Parkway NW

Boca Raton, FL 33487

Phone: (561) 995-7670

Fax: (561) 998-3448

Exhibits to a document will not be provided unless they are specifically incorporated by reference in that document.

The information in this prospectus supplement and the accompanying prospectus may not contain all of the information that may be important to you. You should read the entire prospectus supplement and the accompanying prospectus, as well as the documents incorporated by reference in the prospectus supplement and the accompanying prospectus, before making an investment decision.

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Prospectus

SBA Communications Corporation

Class A Common Stock, Preferred Stock, Debt Securities,

Depositary Shares and Warrants

We may from time to time offer to sell our Class A common stock, preferred stock or debt securities either separately or represented by warrants, or depositary shares, as well as units that include any of these securities or securities of other entities. The debt securities, preferred stock and warrants may be convertible or exercisable or exchangeable for our Class A common stock or preferred stock or other securities of ours or debt or equity securities of one or more other entities.

We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. These securities also may be resold by security holders. We will provide specific terms of any securities to be offered in supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest.

Our Class A common stock is listed on the Nasdaq National Market under the symbol SBAC . The last reported sale price of our Class A common stock on April 13, 2006 was $23.10 per share. We will make application to list any shares of Class A common stock sold pursuant to a supplement to this prospectus on the Nasdaq National Market. We have not determined whether we will list any of the other securities we may offer on any exchange or over-the-counter market. If we decide to seek the listing of any securities, the prospectus supplement will disclose the exchange or market.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

April 14, 2006

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About this Prospectus

This registration statement serves to transition our outstanding and effective universal shelf registration statement filed with the Commission on July 13, 2000 (filed under Registration Statement No. 333-41308) to an automatic shelf registration statement that became available to well-known seasoned issuers as of December 1, 2005. Under the new rules applicable to automatic shelf registration statements, we may, from time to time, sell any combination of securities described in this prospectus or other securities that we may subsequently add in one or more offerings. In addition, selling shareholders may use this prospectus, from time to time, to sell any combination of securities described in this prospectus or other securities that we may subsequently add in one or more offerings. This prospectus provides you with a general description of the securities we or our selling shareholders may offer. Each time we or our selling shareholders sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any applicable prospectus supplement together with additional information described below under the heading Where You Can Find More Information; Incorporation by Reference.

When used in this prospectus and any prospectus supplement, the terms SBA , we , our , and us refer to SBA Communications Corporation and it subsidiaries.

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The Company

We are a leading independent owner and operator of wireless communications towers. We currently operate in the Eastern third of the United States, where substantially all of our towers are located. Our principal business line is our site leasing business. In our site leasing business, we lease antenna space to wireless service providers on towers and other structures that we own, manage or lease from others. The towers that we own have been constructed by us at the request of a wireless service provider, built or constructed based on our own initiative or acquired. As of December 31, 2005, we owned 3,304 towers in continuing operations. Our second business line is our site development business, through which we offer wireless service providers assistance in developing and maintaining their own wireless service networks.

Our principal executive offices are located at 5900 Broken Sound Parkway NW, Boca Raton, FL 33487 and our telephone number is (561) 995-7670. We were founded in 1989 and incorporated in Florida in 1997.

Risk Factors

Investing in our securities involves risks. Potential investors are urged to read and consider the risk factors relating to an investment in SBA described in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q, each filed with the SEC and incorporated by reference in this prospectus. Before making an investment decision, you should carefully consider these risks as well as other information we include or incorporate by reference in this prospectus and any prospectus supplement. The risks and uncertainties we have described are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also affect our business operations. A prospectus supplement applicable to each type or series of securities we offer will contain a discussion of the risks applicable to an investment in us and to the particular type of securities we are offering under that prospectus supplement.

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Disclosure Regarding Forward-Looking Statements

This prospectus and the documents that are incorporated by reference into this prospectus contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements concern expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. Specifically, this prospectus and the documents incorporated by reference into this prospectus contain forward-looking statements regarding:

- our estimates regarding our liquidity, capital expenditures and sources of both, and our ability to fund operations and meet our obligations as they become due;
- our belief that we will experience continued long-term growth of our site leasing revenues due to increasing minutes of use and network coverage and capacity requirements;
- our strategy to focus our business on the site leasing business, and the consequential shift in our revenue stream and gross profits from project driven revenues to recurring revenues, predictable operating costs and minimal capital expenditures;
- our belief that focusing our site leasing activities in the Eastern third of the United States will improve our operating efficiencies, reduce overhead expenses and procure higher revenue per tower;
- our expectation of growing our cash flows by using existing tower capacity or requiring carriers to bear all or a portion of the cost of tower modifications;
- our belief that our towers have significant capacity to accommodate additional tenants and increased use of our towers can be achieved at a low incremental cost;
- our intention to selectively invest in new tower builds and/or tower acquisitions and to fund such new tower builds and/or acquisitions in part from our cash flow from operating activities;
- our intent to purchase the land that underlies our towers if available at commercially reasonable prices;
- our expectations regarding our new build program and our intent to build 80 - 100 new towers in 2006;
- our intent that substantially all of our new builds will at least have one tenant upon completion and our expectation that some will have multiple tenants;
- our belief regarding our position to capture additional site leasing business in our markets and identify and participate in site development projects across our markets;

our estimates regarding our annual debt service and cash interest requirements in 2006 and thereafter; and

our estimates regarding cash savings in debt service and amortization payments in 2006 as a result of our debt refinancing activities and our intent to continue to reduce our interest expense.

These forward-looking statements reflect our current views about future events and are subject to risks, uncertainties and assumptions. We wish to caution readers that certain important factors may have affected and could in the future affect our actual results and could cause actual results to differ significantly from those expressed in any forward-looking statement. The most important factors that could prevent us from achieving our goals, and cause the assumptions underlying forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements include, but are not limited to, the following:

our inability to sufficiently increase our revenues and maintain or decrease expenses and cash capital expenditures to permit us to fund operations and meet our obligations as they become due;

our ability to further reduce our interest expense;

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the inability of our clients to access sufficient capital or their unwillingness to expend capital to fund network expansion or enhancements;

our ability to continue to comply with covenants and the terms of our senior credit facility and to access sufficient capital to fund our operations;

our ability to secure as many site leasing tenants as planned;

our ability to expand our site leasing business and maintain or expand our site development business;

our ability to successfully build 80 - 100 new towers in 2006;

our ability to successfully implement our strategy of having at least one tenant on substantially all of our new builds upon completion;

our ability to successfully address zoning issues;

our ability to retain current lessees on our towers;

our ability to realize economies of scale from our tower portfolio; and

the continued use of towers and dependence on outsourced site development services by the wireless communications industry.

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Ratio of Earnings to Fixed Charges

For purposes of calculating the ratio of earnings to fixed charges, earnings represent net loss before income taxes, cumulative effect of changes in accounting principles, discontinued operations and dividends on preferred stock. Fixed charges consist of interest expense, the component of rental expense believed by management to be representative of the interest factor thereon, amortization of original issue discount and debt issue costs and preferred dividends. The ratio of earnings to fixed charges was .12x for 2000. We had a deficiency in earnings to fixed charges of $140.0 million for 2001, $202.0 million for 2002, $173.1 million for 2003, $143.3 million for 2004 and $92.8 million for 2005.

There were no preference dividends paid for the years ended December 31, 2000, 2001, 2002, 2003, 2004 and 2005, therefore the ratio of combined fixed charges and preference dividends to earnings is equivalent to the ratio of earnings to fixed charges.

Use of Proceeds

Unless otherwise indicated in the prospectus supplement, the net proceeds from the sale of securities sold by us under this prospectus will be used for general working capital purposes. We will not receive any proceeds from the sale of securities sold by selling shareholders under this prospectus.

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The Securities

We may from time to time offer under this prospectus, separately or together:

- shares of Class A common stock;
- shares of preferred stock, which may be represented by depositary shares as described below;
- unsecured senior, senior subordinated or subordinated debt securities; and
- warrants to purchase shares of (i) Class A common stock; (ii) preferred stock; (iii) depositary shares and (iv) debt securities.

Description of Capital Stock

Our authorized capital stock consists of 200,000,000 shares of Class A common stock, par value $.01 per share, 8,100,000 shares of Class B common stock, par value $.01 per share, and 30,000,000 shares of preferred stock, par value $.01 per share. We currently have five designated series of preferred stock consisting of 8,050,000 shares of 4% Series A Convertible Preferred Stock, par value $.01 per share, 8,050,000 shares of 4% Series B Redeemable Preferred Stock, par value $.01 per share, 4,472,272 shares of 4% Series C Convertible Preferred Stock, par value $.01 per share, 4,472,272 shares of 4% Series D Redeemable Preferred Stock, par value $.01 per share, and 100,000 shares of Series E Junior Participating Preferred Stock, par value $.01 per share. These shares of preferred stock have been designated as to series and are available for issuance from time to time in one or more series at the discretion of our Board of Directors. In addition, our Board of Directors may designate additional series of preferred stock, remove any series of preferred stock, establish or modify the number of shares to be included in each such series, and fix the designation, powers, preferences, rights, restrictions and limitations of the shares of each such series of preferred stock without any further vote or action by our shareholders. Any issuance of preferred stock could be used to discourage, delay or make more difficult a change in control.

We have two classes of authorized common stock: Class A common stock and Class B common stock. The Class A common stock has one vote per share. The Class B common stock has ten votes per share. All outstanding shares of Class A common stock are validly issued, fully paid and non-assessable. As of December 31, 2005, there were 164 record holders of the Class A common stock and 0 record holders of the Class B common stock.

As of April 7, 2006, our outstanding capital stock consisted of 85,825,888 shares of Class A common stock and no shares of Class B common stock. No other shares of any class or series were issued and outstanding as of April 7, 2006. In addition, we have reserved (1) 5,143,543 shares of Class A common stock issuable upon exercise of outstanding stock options, (2) 2,305,906 shares of Class A common stock issuable under our registration statements on Form S-4 in connection with acquisition transactions or earn-out obligations under prior acquisition transactions and (3) 653,138 shares for issuance under our 1999 Employee Stock Purchase Plan. As of April 7, 2006, we could also issue up to an additional 5,474,054 shares under our 2001 Equity Participation Plan based on our adjusted common stock outstanding as of such date.

Except as otherwise required by law or in our articles of incorporation, owners of the Class A common stock and Class B common stock will vote together as a single class on all matters, including the election of directors. Our articles of incorporation provide for a separate class vote of each class of common stock in the event of any amendment that alters the terms of the Class B common stock. Pursuant to our articles of incorporation and by-laws, our Board of Directors is classified into three classes of directors, denoted as Class I, Class II and Class III. Messrs. Carr, Hawkins and Nielsen are Class I directors, Messrs. Langer and Stoops are Class II directors, and Messrs. Bernstein and Cocroft are Class III directors.

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Class A Common Stock

Voting Rights

Each share of Class A common stock is entitled to one vote. Except as noted above, and except as provided under the Florida Business Corporation Act, the holders of shares of Class A common stock and Class B common stock vote together as a single class on all matters on which shareholders are permitted or entitled to vote.

Convertibility

There are no conversion provisions applicable to the Class A common stock.

Class B Common Stock

Voting Rights

Each share of Class B common stock is entitled to ten votes for each share on all matters presented to the shareholders. Except as provided under the Florida Business Corporation Act, the holders of the shares of Class B common stock and Class A common stock vote together as a single class on all matters on which shareholders are permitted or entitled to vote.

Convertibility

Each outstanding share of Class B common stock may, at the option of the holder thereof, at any time, be converted into one fully paid and non-assessable share of Class A common stock. Each share of outstanding Class B common stock converts into one fully paid and non-assessable share of Class A common stock immediately upon transfer to any holder other than any one or more of the following (an Eligible Class B Shareholder): (1) Steven E. Bernstein; (2) other members of his immediate family or their lineal descendants; (3) spouses of lineal descendants or lineal descendants of spouses, whether alive as of the date of the articles of incorporation or born subsequently; (4) any trusts or other estate planning vehicles for the benefit of any of the foregoing, whether existing as of the date of the articles of incorporation or subsequently created; or (5) any estate or tax planning vehicles on the part of Mr. Bernstein. If the shares of Class B common stock held by Eligible Class B Shareholders in the aggregate constitute 10% or less of the outstanding shares of our common stock, or upon the death or mental incapacity of Steven E. Bernstein, each share of Class B common stock shall immediately convert into one fully paid and non-assessable share of Class A common stock. Each share of outstanding Class B common stock which is held by any Eligible Class B Shareholder will immediately convert into one share of Class A common stock at the time that the holder is no longer an Eligible Class B Shareholder.

Provisions Applicable to both the Class A and Class B Common Stock

Dividends

Each share of Class A and Class B common stock is entitled to receive dividends if, as and when declared by the Board of Directors out of funds legally available for that purpose, subject to preferences that may apply to any preferred stock that we may issue in the future. No dividends may be declared and paid to holders of shares of one class of shares of common stock unless the Board of Directors at the same time also declares and pays to the holders of the other class of shares of common stock a per share dividend equal to the dividend declared and paid to the holders of the first class of shares of common stock.

Liquidation Rights

In the event of our dissolution or liquidation, after satisfaction of all our debts and liabilities and distributions to the holders of any preferred stock that we may issue in the future, if any, of amounts to which they are preferentially entitled, holders of one class of shares of common stock will be entitled to share ratably with holders of the other class of shares of common stock in the distribution of assets to the shareholders.

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Other Provisions

There are no cumulative, subscription or preemptive rights to subscribe for any additional securities which we may issue, and there are no redemption provisions, conversion provisions or sinking fund provisions applicable to the Class A and Class B common stock.

The rights and preferences of holders of both classes of common stock are subject to the rights of any series of preferred stock which we may issue in the future.

Registration Rights

Mr. Stoops has the right to have 1,144,863 shares of Class A common stock registered under the Securities Act. If at any time, Mr. Stoops requests that we file a registration statement on Form S-3 for these shares, we will use our best efforts to cause these shares to be registered subject to certain cut-back provisions; provided, however, that we may delay any registration for a period of up to three months for a valid business reason. We will not be required to file a registration statement on Form S-3 more frequently than twice a year. In addition, if we register the sale of any of our equity securities for cash, Mr. Stoops has the right to request that his shares be included in such registration statement, subject to certain cut-back provisions.

Preferred Stock

Our Board of Directors is authorized by our articles of incorporation to provide for the issuance of shares of preferred stock, in one or more series, to establish the number of shares to be included in each series, to fix the designation, rights, preferences, privileges and restrictions of the shares of each series and to increase or decrease the number of shares of any series of preferred stock, all without any further vote or action by our shareholders.

The prospectus supplement will specify as to each issuance of preferred stock:

- the maximum number of shares;
- the designation of the shares;
- annual dividend rate, if any, whether the dividend rate is fixed or variable, the date dividends will accrue, the dividend payment dates and whether dividends will be cumulative;
- the price and the terms and conditions for redemption, if any, including redemption at our option or at the option of the holders, including the time period for redemption, and any accumulated dividends or premiums;
- the liquidation preference, if any, and any accumulated dividends upon the liquidation, dissolution or winding up of our affairs;
- any sinking fund or similar provision, and, if so, the terms and provisions relating to the purpose and operation of the fund;
- the terms and conditions, if any, for conversion or exchange of shares into or for any other class or classes of our capital stock or any series of any other class or classes, or into or for any other series of the same class, or any other securities or assets, including the price or the rate of conversion or exchange and the method, if any, of adjustment;

the voting rights; and

any or all other preferences and relative, participating, optional or other special rights, privileges or qualifications, limitations or restrictions.

Preferred stock will be fully paid and nonassessable upon issuance. The preferred stock or any series of preferred stock may be represented, in whole or in part, by one or more global certificates, which will represent an aggregate number of shares equal to that of the preferred stock represented by the global certificate.

Each global certificate will:

be registered in the name of a depositary or a nominee of the depositary identified in the prospectus supplement;

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be deposited with such depositary or nominee or a custodian for the depositary; and

bear a legend regarding any restrictions on exchanges and registration of transfer and any other matters as may be provided for under the certificate of designations.

Rights Agreement

On January 11, 2002, our Board of Directors declared a dividend of one preferred share purchase right (a Right) for each outstanding share of Class A Common Stock and Class B Common Stock (together, the Common Stock). The dividend was paid on January 25, 2002 (the Record Date) to the shareholders of record on that date. Each Right entitles the registered holder to purchase from us one one-thousandth of a share of our Series E Junior Participating Preferred Stock, par value $.01 per share (the Preferred Stock), at a price of $70.00 per one one-thousandth of a share of Preferred Stock (as the same may be adjusted, the Purchase Price). The description and terms of the Rights are set forth in a Rights Agreement dated as of January 11, 2002 (as the same may be amended from time to time, the Rights Agreement), between us and Computershare Trust Company, N.A., a federally chartered trust company formerly known as Equiserve Trust Company, N.A., as Rights Agent (the Rights Agent).

Until the close of business on the earlier of (i) 10 days following a public announcement that a person (other than an Exempt Person (as defined below)) or group of affiliated or associated persons (an Acquiring Person) has acquired beneficial ownership of 15% or more of the shares of Common Stock then outstanding or (ii) 10 business days following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person (other than an Exempt Person) or group of 15% or more of the shares of Common Stock then outstanding (including, in the case of both clause (i) and (ii), any such date which is after the date of this Rights Agreement and prior to the issuance of the Rights) (the earlier of such dates being herein referred to as the Distribution Date), the Rights will be evidenced by the shares of Common Stock represented by certificates for Common Stock or shares of Common Stock represented by ownership statements issued with respect to uncertificated shares of Common Stock (Ownership Statements) outstanding as of the Record Date, by such Common Stock certificate or Ownership Statement together with a copy of the summary of rights disseminated in connection with the original dividend of Rights.

Exempt Person shall mean us, any of our subsidiaries (in each case including, without limitation, in its fiduciary capacity), any of our employee benefit plans or our subsidiaries employee benefit plans, or any entity or trustee holding Common Stock for or pursuant to the terms of any such plan or for the purpose of funding any such plan or funding other employee benefits for our employees or any of our subsidiaries employees.

The Rights Agreement provides that, until the Distribution Date (or earlier redemption or expiration of the Rights), the Rights will be transferable only in connection with the transfer of Common Stock. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for shares of Common Stock, or the transfer of any shares of Common Stock represented by an Ownership Statement, outstanding as of the Record Date, even without a notation incorporating the Rights Agreement by reference or a copy of the summary of rights, will also constitute the transfer of the Rights associated with the shares of Common Stock represented by such certificate or Ownership Statement. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights (Right Certificates) will be mailed to holders of record of the Common Stock as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on January 10, 2012 (the Final Expiration Date), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by us, in each case as described below.

The Purchase Price payable, and the number of shares of Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the

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event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Stock, (ii) upon the grant to holders of the Preferred Stock of certain rights or warrants to subscribe for or purchase Preferred Stock at a price, or securities convertible into Preferred Stock with a conversion price, less than the then-current market price of the Preferred Stock or (iii) upon the distribution to holders of the Preferred Stock of evidences of indebtedness or assets (excluding regular periodic cash dividends or dividends payable in Preferred Stock) or of subscription rights or warrants (other than those referred to above).

The Rights are also subject to adjustment in the event of a stock dividend on the Common Stock payable in shares of Common Stock or subdivisions, consolidations or combinations of the Common Stock occurring, in any such case, prior to the Distribution Date.

Shares of Preferred Stock purchasable upon exercise of the Rights will not be redeemable. Each share of Preferred Stock will be entitled, when, as and if declared, to a minimum preferential quarterly dividend payment of the greater of (a) $1 per share and (b) an amount equal to 1,000 times the dividend declared per share of Common Stock. In the event of our liquidation, dissolution or winding up, the holders of the Preferred Stock will be entitled to a minimum preferential liquidation payment of $1,000 per share (plus any accrued but unpaid dividends) but will be entitled to an aggregate 1,000 times the payment made per share of Common Stock. Each share of Preferred Stock will have 1,000 votes, voting together with the Common Stock. Finally, in the event of any merger, consolidation or other transaction in which shares of Common Stock are converted or exchanged, each share of Preferred Stock will be entitled to receive 1,000 times the amount received per share of Common Stock. These rights are protected by customary antidilution provisions.

Because of the nature of the Preferred Stock s dividend, liquidation and voting rights, the value of the one one-thousandth interest in a share of Preferred Stock purchasable upon exercise of each Right should approximate the value of one share of Class A Common Stock.

In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereupon become void), will thereafter have the right to receive upon exercise of a Right and payment of the Purchase Price, that number of shares of Class A Common Stock having a market value of two times the Purchase Price.

In the event that, after a person or group has become an Acquiring Person, we are acquired in a merger or other business combination transaction or 50% or more of our consolidated assets or earning power is sold, proper provision will be made so that each holder of a Right (other than Rights beneficially owned by an Acquiring Person which will have become void) will thereafter have the right to receive, upon the exercise thereof at the then-current exercise price of the Right, that number of shares of common stock of the person with whom we have engaged in the foregoing transaction (or its parent), which number of shares at the time of such transaction will have a market value of two times the Purchase Price.

At any time after any person or group becomes an Acquiring Person and prior to the acquisition by such person or group of 50% or more of the outstanding shares of Common Stock or the occurrence of an event described in the prior paragraph, our Board of Directors may exchange the Rights (other than Rights owned by such person or group which will have become void), in whole or in part, at any exchange ratio of one share of Class A Common Stock, or a fractional share of Preferred Stock (or of a share of a similar class or series of our preferred stock having similar rights, preferences and privileges) of equivalent value, per Right (subject to adjustment).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional shares of Preferred Stock will be issued (other than fractions which are integral multiples of one one-thousandth of a share of Preferred Stock, which may, at our election, be evidenced by depositary receipts) and in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Stock on the last trading day prior to the date of exercise.

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At any time prior to the time an Acquiring Person becomes such, our Board of Directors may redeem the Rights in whole, but not in part, at a price of $.01 per Right (the Redemption Price). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

For so long as the Rights are then redeemable, we may, except with respect to the Redemption Price, amend the Rights Agreement in any manner. After the Rights are no longer redeemable, we may, except with respect to the Redemption Price, amend the Rights Agreement in any manner that does not adversely affect the interests of holders of the Rights.

Until a Right is exercised or exchanged, the holder thereof, as such, will have no rights as a stockholder of our company, including, without limitation, the right to vote or to receive dividends.

Anti-takeover Effects of our Articles of Incorporation and Bylaws

Pursuant to our Articles of Incorporation, our Board of Directors is divided into three classes of directors, denoted as Class I, Class II and Class III. Messrs. Carr, Hawkins and Nielsen are Class I directors, Messrs. Langer and Stoops are Class II directors, and Messrs. Bernstein and Cocroft are Class III directors. Newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors shall be filled by a majority of the directors then in office. Our classified Board of Directors will have the result, unless directors are removed, that at least two annual meetings of shareholders will be required for a majority of shareholders to make a change in control of the Board of Directors.

Our Articles of Incorporation provide that our Board of Directors may provide further issuance of Preferred Stock, in one or more series, to establish the number of shares to be included in each series, to fix the designation, rights, preferences, privileges and restrictions of the shares of each series and to increase or decrease the number of shares of any series of Preferred Stock, all without any further vote or action by our shareholders. The existence of authorized but unissued and unreserved Preferred Stock may enable our Board of Directors to issue shares to persons friendly to current management, which could render more difficult or discourage an attempt to obtain control of our company by means of a proxy contest, tender offer, merger or otherwise, and thereby protect the continuity of our management.

Indemnification

Both our Articles of Incorporation and Bylaws provide for indemnification of our directors and officers to the fullest extent permitted by the Florida Business Corporation Act. In addition, we maintain and pay premiums on an insurance policy on behalf of our directors and officers covering losses from certain claims.

Transfer Agent

The transfer agent and registrar for our Class A common stock is Computershare Trust Company, N.A.

Description of Debt Securities

The debt securities will be our unsecured direct obligations. The debt securities may be senior or subordinated indebtedness. The debt securities will be issued under one or more indentures between us and a trustee. Any indenture will be subject to, and governed by, the Trust Indenture Act of 1939, as amended. The statements made in this prospectus relating to any indenture and the debt securities to be issued under any indenture are summaries of certain anticipated provisions of the indentures, do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the indentures and the debt securities.

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General

We have filed with the registration statement relating to the offered securities a form of indenture relating to our senior securities and a form of indenture relating to our senior subordinated securities and subordinated securities. Our senior debt securities will rank equally and ratably in right of payment with other indebtedness of ours that is not subordinated, including but not limited to our 9 3/4% Senior Discount Notes due 2011 and our 8 1/2% Senior Notes due 2012. If we issue subordinated debt securities, they will be subordinated in right of payment to the prior payment in full of senior indebtedness, as defined in the applicable prospectus supplement, and may rank equally and ratably with any other subordinated indebtedness. They may, however, also be subordinated in right of payment to senior subordinated securities. See Subordination. We may issue the debt securities without limit as to aggregate principal amount, in one or more series, in each case as established from time to time in or pursuant to authority granted by a resolution of our Board of Directors or as established in one or more supplemental indentures. We need not issue all debt securities of one series at the same time. Unless we otherwise provide, we may reopen a series, without the consent of the holders of such series, for issuances of additional securities of that series.

We anticipate that any indenture will provide that we may, but need not, designate more than one trustee under an indenture, each with respect to one or more series of debt securities. Any trustee under any indenture may resign or be removed with respect to one or more series of debt securities, and a successor trustee may be appointed to act with respect to that series. The applicable prospectus supplement will describe the specific terms relating to the series of debt securities we will offer, including, where applicable, the following:

- the title and series designation and whether they are senior securities, senior subordinated securities or subordinated securities;
- the aggregate principal amount of the securities;
- the percentage of the principal amount at which we will issue the debt securities and, if other than the principal amount of the debt securities;
- the portion of the principal amount of the debt securities payable upon declaration of acceleration of the maturity of the debt securities, or if convertible, the initial conversion price, the conversion period and any other terms governing such conversion;
- the stated maturity date;
- any fixed or variable interest rate or rates per annum;
- the date from which interest may accrue and any interest payment dates;
- any sinking fund requirements;
- any provisions for redemption, including the redemption price and any remarketing arrangements;
- whether the securities are denominated or payable in United States dollars or a foreign currency or units of two or more foreign currencies;

the events of default and covenants of such securities, to the extent, different from or in addition to those described in this prospectus;

whether we will issue the debt securities in certificated and/or book-entry form;

whether the debt securities will be in registered or bearer form and, if in registered form, the denominations if other than in even multiples of $1,000 and, if in bearer form, the denominations and terms and conditions relating thereto;

whether we will issue any of the debt securities in permanent global form and, if so, the terms and conditions, if any, upon which interests in the global security may be exchanged, in whole or in part, for the individual debt securities represented by the global security;

the applicability, if any, of the defeasance and covenant defeasance provisions described in this prospectus or any prospectus supplement;

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whether we will pay additional amounts on the securities in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem the debt securities instead of making this payment; and

the subordination provisions, if any, relating to the debt securities.

We may issue debt securities at less than the principal amount payable upon maturity (we refer to these securities as original issue discount securities). If material or applicable, we will describe in the applicable prospectus supplement special U.S. federal income tax, accounting and other considerations applicable to original issue discount securities.

Except as described under Merger, Consolidation or Sale of Assets or as may be set forth in any prospectus supplement, an indenture will not contain any other provisions that would limit our ability to incur indebtedness or that would afford holders of the debt securities protection in the event of a highly leveraged or similar transaction involving us or in the event of a change of control. You should review carefully the applicable prospectus supplement for information with respect to events of default and covenants applicable to the securities being offered.

Denominations, Interest, Registration and Transfer

Unless otherwise described in the applicable prospectus supplement, we will issue the debt securities of any series that are registered securities in denominations that are even multiples of $1,000, other than global securities, which may be of any denomination.

Unless otherwise specified in the applicable prospectus supplement, we will pay the interest on and principal of and premium, if any, on any debt securities at the corporate trust office of the trustee. At our option, however, we may make payment of interest by check mailed to the address of the person entitled to the payment as it appears in the applicable register or by wire transfer of funds to that person at an account maintained within the United States.

If we do not punctually pay or duly provide for interest on any interest payment date, the defaulted interest will be paid either:

to the person in whose name the debt security is registered at the close of business on a special record date to be fixed by the applicable trustee; or

in any other lawful manner, all as more completely described in the applicable indenture.

You may have your debt securities broken into more debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed. This is called an exchange.

You may exchange or transfer debt securities at the office of the trustee. The trustee acts as our agent for registering debt securities in the names of holders and transferring debt securities. We may change this appointment to another entity or perform it ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also perform transfers.

You will not be required to pay a service charge to transfer or exchange debt securities, but you may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The security registrar will make the transfer or exchange only if it is satisfied with your proof of ownership.

Merger, Consolidation or Sale of Assets

Under any indenture, we are generally permitted to consolidate or merge with another company. We are also permitted to sell substantially all of our assets to another company, or to buy substantially all of the assets of another company. However, we may not take any of these actions unless all the following conditions are met:

If we merge out of existence or sell our assets, the other company must be a corporation, partnership or other entity organized under the laws of a State or the District of Columbia or under federal law. The other company must agree to be legally responsible for the

debt securities.

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The merger, sale of assets or other transaction must not cause a default on the debt securities. In addition, we must not already be in default, unless the merger or other transaction would cure the default. A default for this purpose would include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

Any other condition described in the applicable prospectus supplement.

Events of Default and Related Matters

Events of Default

The term event of default means any of the following:

We do not pay the principal or any premium on a debt security on its due date.

We do not pay interest on a debt security within 30 days of its due date.

We remain in breach of any other term of the applicable indenture for 60 days after we receive a notice of default stating we are in breach. Either the trustee or holders of 25% of the principal amount of debt securities of the affected series may send the notice.

We file for bankruptcy or certain other events in bankruptcy, insolvency or reorganization occur.

Any other event of default described in the applicable prospectus supplement occurs.

Remedies If an Event of Default Occurs

If an event of default has occurred and has not been cured, the trustee or the holders of a significant portion in principal amount of the debt securities of the affected series may declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. If an event of default occurs because of certain events in bankruptcy, insolvency or reorganization, the principal amount of all the debt securities of that series will be automatically accelerated, without any action by the trustee or any holder. At any time after the trustee or the holders have accelerated any series of debt securities, but before a judgment or decree for payment of the money due has been obtained, the holders of at least a majority in principal amount of the debt securities of the affected series may, under certain circumstances, rescind and annul such acceleration.

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the applicable indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is known as an indemnity. If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the applicable indenture, subject to certain limitations.

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

You must give the trustee written notice that an event of default has occurred and remains uncured.

The holders of at least 25% in principal amount of all outstanding securities of the relevant series must make a written request that the trustee take action because of the default, and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action.

The trustee must have not taken action for 60 days after receipt of the above notice and offer of indemnity.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your security after its due date.

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We will furnish to the trustee every year a written statement of certain of our officers certifying that to their knowledge we are in compliance with the applicable indenture and the debt securities, or else specifying any default.

Modification of an Indenture

We will set forth in the applicable prospectus supplement the terms and conditions upon which we can make changes to an indenture or the debt securities. There are three types of changes we can make to the indentures and the debt securities:

Changes Requiring Unanimous Approval

First, there are changes we cannot make to your debt securities without your specific approval. Following is a list of those types of changes:

change the stated maturity of the principal or interest on a debt security;

reduce any amounts due on a debt security;

reduce the amount of principal payable upon acceleration of the maturity of a debt security following a default;

change the place or currency of payment on a debt security; and

impair your right to sue for payment.

Changes Requiring a Majority Vote

The second type of change to an indenture and the debt securities is the kind that requires a vote in favor by holders of debt securities owning a majority of the principal amount of the particular series affected. Most changes fall into this category, except for clarifying changes and certain other changes that would not adversely affect holders of the debt securities. We require the same vote to obtain a waiver of a past default. However, we cannot obtain a waiver of a payment default or any other aspect of an indenture or the debt securities listed in the first category described under Changes Requiring Unanimous Approval unless we obtain your individual consent to the waiver.

Changes Not Requiring Approval

The third type of change does not require any vote by holders of debt securities. This type is limited to clarifications and certain other changes that would not adversely affect holders of the debt securities.

Discharge, Defeasance and Covenant Defeasance

Discharge

We may discharge some obligations to holders of any series of debt securities that either have become due and payable or will become due and payable within one year, or scheduled for redemption within one year, by irrevocably depositing with the trustee, in trust, funds in the applicable currency in an amount sufficient to pay the debt securities, including any premium and interest.

Full Defeasance

We can, under particular circumstances, effect a full defeasance of your series of debt securities. By this we mean we can legally release ourselves from any payment or other obligations on the debt securities if we put in place the following arrangements to repay you:

We must deposit in trust for your benefit and the benefit of all other direct holders of the debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

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The current federal tax law must be changed or an IRS ruling must be issued permitting the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves. Under current federal tax law, the deposit and our legal release from the debt securities would be treated as though we took back your debt securities and gave you your share of the cash and notes or bonds deposited in trust. In that event, you could recognize gain or loss on the debt securities you give back to us.

We must deliver to the trustee a legal opinion confirming the tax law change described above.

If we did accomplish full defeasance, you would have to rely solely on the trust deposit for repayment on the debt securities. You could not look to us for repayment in the unlikely event of any shortfall. Conversely, the trust deposit would most likely be protected from claims of our lenders and other creditors if we ever become bankrupt or insolvent. You would also be released from any subordination provisions.

Covenant Defeasance

Under current federal tax law, we can make the same type of deposit described above and be released from some of the restrictive covenants in the debt securities. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and securities set aside in trust to repay the securities and you would be released from any subordination provisions. In order to achieve covenant defeasance, we must do the following:

We must deposit in trust for your benefit and the benefit of all other direct holders of the debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

We must deliver to the trustee a legal opinion confirming that under current federal income tax law we may make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves.

If we accomplish covenant defeasance, the following provisions of an indenture and the debt securities would no longer apply:

any covenants applicable to the series of debt securities and described in the applicable prospectus supplement;

any subordination provisions; and

certain events of default relating to breach of covenants and acceleration of the maturity of other debt set forth in any prospectus supplement.

If we accomplish covenant defeasance, you can still look to us for repayment of the debt securities if there were a shortfall in the trust deposit. If one of the remaining events of default occurs, for example, our bankruptcy, and the debt securities become immediately due and payable, there may be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

Subordination

We will set forth in the applicable prospectus supplement the terms and conditions, if any, upon which any series of senior subordinated securities or subordinated securities is subordinated to debt securities of another series or to other indebtedness of ours. The terms will include a description of:

the indebtedness ranking senior to the debt securities being offered;

the restrictions on payments to the holders of the debt securities being offered while a default with respect to the senior indebtedness is continuing;

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the restrictions, if any, on payments to the holders of the debt securities being offered following an event of default; and

provisions requiring holders of the debt securities being offered to remit some payments to holders of senior indebtedness.

Global Securities

If so set forth in the applicable prospectus supplement, we may issue the debt securities of a series in whole or in part in the form of one or more global securities that will be deposited with a depositary identified in the prospectus supplement. We may issue global securities in either registered or bearer form and in either temporary or permanent form. The specific terms of the depositary arrangement with respect to any series of debt securities will be described in the prospectus supplement.

Description of Depositary Shares

General

The description shown below and in any applicable prospectus supplement of certain provisions of any deposit agreement and of the depositary shares and depositary receipts representing depositary shares does not purport to be complete and is subject to and qualified in its entirety by reference to the forms of deposit agreement and depositary receipts relating to each applicable series of preferred stock. The deposit agreement and the depositary receipts contain the full legal text of the matters described in this section. We will file a copy of those documents with the Commission at or before the time of the offering of the applicable series of preferred stock. This summary also is subject to and qualified by reference to the description of the particular terms of your series of depositary shares described in the applicable prospectus supplement.

We may, at our option, elect to offer fractional interests in shares of preferred stock, rather than shares of preferred stock. If we exercise this option, we will appoint a depositary to issue depositary receipts representing those fractional interests. These receipts are known as depositary shares. Preferred stock of each series represented by depositary shares will be deposited under a separate deposit agreement between us and the depositary. The prospectus supplement relating to a series of depositary shares will show the name and address of the depositary. Subject to the terms of the applicable deposit agreement, each owner of depositary shares will be entitled to all of the dividend, voting, conversion, redemption, liquidation and other rights and preferences of the preferred stock represented by those depositary shares.

Upon surrender of depositary receipts by a holder of depositary shares at the office of the depositary, and upon payment of the charges provided in and subject to the terms of the deposit agreement, the holder of depositary shares is entitled to receive the shares of preferred stock underlying the surrendered depositary receipts.

Dividends and Other Distributions

A depositary will be required to distribute all cash dividends or other cash distributions received in respect of the applicable preferred stock to the record holders of depositary receipts evidencing the related depositary shares in proportion to the number of depositary receipts owned by the holders. Fractions will be rounded down to the nearest whole cent.

If the distribution is other than in cash, a depositary will be required to distribute property received by it to the record holders of depositary receipts entitled thereto, unless the depositary determines that it is not feasible to make the distribution. In that case, the depositary may, with our approval, sell the property and distribute the net proceeds from the sale to the holders.

No distributions will be made on any depositary shares that represent preferred stock converted or exchanged. The deposit agreement will also contain provisions relating to the manner in which any subscription or similar rights offered by us to holders of the preferred stock will be made available to holders of depositary shares. All distributions are subject to obligations of holders to file proofs, certificates and other information and to pay certain charges and expenses to the depositary.

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Withdrawal of Preferred Stock

You may receive the number of whole shares of your series of preferred stock and any money or other property represented by those depositary receipts after surrendering the depositary receipts at the corporate trust office of the depositary. Partial shares of preferred stock will not be issued. If the depositary shares which you surrender exceed the number of depositary shares that represent the number of whole shares of preferred stock you wish to withdraw, then the depositary will deliver to you at the same time a new depositary receipt evidencing the excess number of depositary shares. Once you have withdrawn your preferred stock, you will not be entitled to re-deposit that preferred stock under the deposit agreement in order to receive depositary shares. We do not expect that there will be any public trading market for withdrawn shares of preferred stock.

Redemption of Depositary Shares

If we redeem a series of the preferred stock underlying the depositary shares, the depositary shares will be redeemed from the proceeds received by the depositary resulting from the redemption, in whole or in part, of the series held by the depositary. The depositary will mail notice of redemption not less than 30 and not more than 60 days before the date fixed for redemption to the record holders of the depositary receipts evidencing the depositary shares we are redeeming at their addresses appearing in the depositary s books. The redemption price per depositary share will be equal to the applicable fraction of the redemption price per share payable with respect to the series of the preferred stock. Whenever we redeem shares of preferred stock held by the depositary, the depositary will redeem as of the same redemption date the number of depositary shares relating to shares of preferred stock so redeemed. If we are redeeming less than all of the depositary shares, the depositary will select the depositary shares we are redeeming by lot or pro rata as the depositary may determine.

After the date fixed for redemption, the depositary shares called for redemption will no longer be deemed outstanding. All rights of the holders of the depositary shares and the related depositary receipts will cease at that time, except the right to receive the money or other property to which the holders of depositary shares were entitled upon redemption. Receipt of the money or other property is subject to surrender to the depositary of the depositary receipts evidencing the redeemed depositary shares.

Voting of the Preferred Stock

Upon receipt of notice of any meeting at which the holders of the applicable preferred stock are entitled to vote, a depositary will be required to mail the information contained in the notice of meeting to the record holders of the applicable depositary receipts. Each record holder of depositary receipts on the record date, which will be the same date as the record date for the preferred stock, will be entitled to instruct the depositary as to the exercise of the voting rights pertaining to the amount of preferred stock represented by the holder s depositary shares. The depositary will try, as practical, to vote the shares as you instruct. We will agree to take all reasonable action that the depositary deems necessary in order to enable it to do so. If you do not instruct the depositary how to vote your shares, the depositary will abstain from voting those shares.

Liquidation Preference

Upon our liquidation, whether voluntary or involuntary, the holders of each depositary share will be entitled to the fraction of the liquidation preference accorded each share of preferred stock represented by the depositary share, as shown in the applicable prospectus supplement.

Conversion or Exchange of Preferred Stock

The depositary shares will not themselves be convertible into or exchangeable for Class A common stock, preferred stock or any of our other securities or property. Nevertheless, if so specified in the applicable prospectus supplement, the depositary receipts may be surrendered by holders to the applicable depositary with written instructions to it to instruct us to cause conversion of the preferred stock represented by the depositary shares. Similarly, if so specified in the applicable prospectus supplement, we may require you to surrender all of your depositary receipts to the applicable depositary upon our requiring the exchange of the preferred stock represented by the depositary shares into our debt securities. We will agree that, upon receipt of the instruction

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and any amounts payable in connection with the conversion or exchange, we will cause the conversion or exchange using the same procedures as those provided for delivery of preferred stock to effect the conversion or exchange. If you are converting only a part of the depositary shares, the depositary will issue you a new depositary receipt for any unconverted depositary shares.

Taxation

As owner of depositary shares, you will be treated for U.S. federal income tax purposes as if you were an owner of the series of preferred stock represented by the depositary shares. Therefore, you will be required to take into account for U.S. federal income tax purposes income and deductions to which you would be entitled if you were a holder of the underlying series of preferred stock. In addition:

- no gain or loss will be recognized for U.S. federal income tax purposes upon the withdrawal of preferred stock in exchange for depositary shares as provided in the deposit agreement;
- the tax basis of each share of preferred stock to you as exchanging owner of depositary shares will, upon exchange, be the same as the aggregate tax basis of the depositary shares exchanged for the preferred stock; and
- if you held the depositary shares as a capital asset at the time of the exchange for preferred stock, the holding period for shares of the preferred stock will include the period during which you owned the depositary shares.

Amendment and Termination of a Deposit Agreement

We and the applicable depositary are permitted to amend the provisions of the depositary receipts and the deposit agreement. However, the holders of at least a majority of the applicable depositary shares then outstanding must approve any amendment that adds or increases fees or charges or prejudices an important right of holders. Every holder of an outstanding depositary receipt at the time any amendment becomes effective, by continuing to hold the receipt, will be bound by the applicable deposit agreement as amended.

Any deposit agreement may be terminated by us upon not less than 30 days prior written notice to the applicable depositary if a majority of each series of preferred stock affected by the termination consents to the termination. When that occurs, the depositary will be required to deliver or make available to each holder of depositary receipts, upon surrender of the depositary receipts held by the holder, the number of whole or fractional shares of preferred stock as are represented by the depositary shares evidenced by the depositary receipts, together with any other property held by the depositary with respect to the depositary receipts. In addition, a deposit agreement will automatically terminate if:

- all depositary shares outstanding shall have been redeemed;
- there shall have been a final distribution in respect of the related preferred stock in connection with our liquidation and the distribution shall have been made to the holders of depositary receipts evidencing the depositary shares underlying the preferred stock; or
- each of the shares of related preferred stock shall have been converted or exchanged into securities not represented by depositary shares.

Charges of a Depositary

We will pay all transfer and other taxes and governmental charges arising solely from the existence of a deposit agreement. In addition, we will pay the fees and expenses of a depositary in connection with the initial deposit of the preferred stock and any redemption of preferred stock. However, holders of depositary receipts will pay any transfer or other governmental charges and the fees and expenses of a depositary for any duties the holders request to be performed that are outside of those expressly provided for in the applicable deposit agreement.

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Resignation and Removal of Depositary

A depositary may resign at any time by delivering to us notice of its election to do so. In addition, we may at any time remove a depositary. Any resignation or removal will take effect when we appoint a successor depositary and it accepts the appointment. We must appoint a successor depositary within 60 days after delivery of the notice of resignation or removal. A depositary must be a bank or trust company having its principal office in the United States that has a combined capital and surplus of at least $50 million.

Miscellaneous

A depositary will be required to forward to holders of depositary receipts any reports and communications from us that are received by it with respect to the related preferred stock.

Neither a depositary nor we will be liable if it is prevented from or delayed in performing its obligations under a deposit agreement by law or any circumstances beyond its control. Our obligations and those of the depositary under a deposit agreement will be limited to performing their duties in good faith and without gross negligence or willful misconduct. Neither we nor any depositary will be obligated to prosecute or defend any legal proceeding in respect of any depositary receipts, depositary shares or related preferred stock unless satisfactory indemnity is furnished. We and each depositary will be permitted to rely on written advice of counsel or accountants, on information provided by persons presenting preferred stock for deposit, by holders of depositary receipts, or by other persons believed in good faith to be competent to give the information, and on documents believed in good faith to be genuine and signed by a proper party.

If a depositary receives conflicting claims, requests or instructions from any holders of depositary receipts, on the one hand, and us, on the other hand, the depositary shall be entitled to act on the claims, requests or instructions received from us.

Description of Warrants

We have no warrants outstanding. We may issue warrants for the purchase of debt securities, Class A common stock or preferred stock. Warrants may be issued independently or together with any other securities offered by any prospectus supplement and may be attached to or separate from such securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent specified in the applicable prospectus supplement. The warrant agent will act solely as an agent of ours in connection with the warrants of such series and will not assume any obligation or relationship of agency or trust for or with any holders of the warrants. Further terms of the warrants and the applicable warrant agreements will be set forth in the applicable prospectus supplement. Copies of the form of warrant agreement and warrant will be filed as exhibits to or incorporated by reference in the registration statement of which this prospectus forms a part, and the following summary is qualified in its entirety by reference to such exhibits.

The applicable prospectus supplement will describe the terms of the warrants, including, where applicable, the following:

- the title of the warrants;
- the aggregate number of warrants;
- the price or prices at which warrants will be issued;
- the designation, terms and number of securities purchasable upon exercise of warrants;
- the designation and terms of the securities, if any, with which warrants are issued and the number of warrants issued with each security;

the date, if any, on and after which warrants and the related securities will be separately transferable;

the price at which each security purchasable upon exercise of warrants may be purchased;

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the date on which the right to exercise the warrants shall commence and the date on which that right shall expire;

the minimum or maximum amount of warrants which may be exercised at any one time;

information with respect to book-entry procedures, if any; and

any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants.

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Plan of Distribution

We may sell the securities covered by this prospectus in any of the following ways (or in any combination):

- through underwriters or dealers;
- directly to one or more purchasers, including to a limited number of institutional purchasers; or
- through agents.

We may offer and sell the securities directly to or through underwriting syndicates represented by managing underwriters, to or through underwriters without a syndicate or through dealers or agents. The prospectus supplement with respect to the offered securities will set forth the terms of the offering, including the following:

- the name or names of any underwriters, dealers or agents;
- the purchase price and the proceeds we will receive from the sale;
- any underwriting discounts, agency fees and other items constituting underwriters or agents compensation; and
- the initial public offering price and any discounts or concessions allowed, re-allowed or paid to dealers.

If we are offering shares of our Class A common stock, we may permit those selling shareholders named in any prospectus supplement to participate in the offering. If any selling shareholders are participating in an offering the prospectus supplement will also include the following:

- the name or names of the selling shareholders;
- the amount of shares to be sold by each selling shareholder and the proceeds from such sales; and
- any additional terms, including lock-up provisions, that may be placed on the participating selling shareholders in connection with their sale of securities in the offering.

If any underwriters are involved in the offer and sale, the securities will be acquired by the underwriters and may be resold by them, either at a fixed public offering price established at the time of offering or from time to time in one or more negotiated transactions or otherwise, at prices related to prevailing market prices determined at the time of sale. Unless otherwise set forth in the applicable prospectus supplement, the obligations of the underwriters to purchase the securities will be subject to conditions precedent and the underwriters will be obligated to purchase all the securities described in the prospectus supplement if any are purchased. Any initial public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

We may offer and sell the securities directly or through an agent or agents designated by us from time to time. An agent may sell securities it has purchased from us as principal to other dealers for resale to investors and other purchasers, and may reallow all or any portion of the discount received in connection with the purchase from us to the dealers. After the initial offering of the securities, the offering price (in the case of securities to be resold at a fixed offering price), the concession and the discount may be changed. Any agent participating in the distribution of

the securities may be deemed to be an underwriter, as that term is defined in the Securities Act of 1933, of the securities so offered and sold.

If any underwriters are involved in the offer and sale, they will be permitted to engage in transactions that maintain or otherwise affect the price of the securities. These transactions may include over-allotment transactions, purchases to cover short positions created by the underwriter in connection with the offering and the imposition of penalty bids. If an underwriter creates a short position in the securities in connection with the offering, i.e., if it sells more securities than set forth on the cover page of the applicable prospectus supplement,

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the underwriter may reduce that short position by purchasing the securities in the open market. In general, purchases of a security to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. As noted above, underwriters may also choose to impose penalty bids on other underwriters and/or selling group members. This means that if underwriters purchase securities on the open market to reduce their short position or to stabilize the price of the securities, they may reclaim the amount of the selling concession from those underwriters and/or selling group members who sold such securities as part of the offering.

Neither we nor any underwriter make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the securities. In addition, neither we nor any underwriter make any representation that such underwriter will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Underwriters, dealers and agents may be entitled, under agreements entered into with us, to indemnification by us against some liabilities, including liabilities under the Securities Act of 1933.

The place and time of delivery for the securities in respect of which this prospectus is delivered will be set forth in the applicable prospectus supplement if appropriate.

Unless otherwise indicated in the prospectus supplement, each series of offered securities will be a new issue of securities and, other than the Class A common stock, which is listed on the Nasdaq National Market, for which there currently is no market. Any underwriters to whom securities are sold for public offering and sale may make a market in such series of securities as permitted by applicable laws and regulations, but such underwriters will not be obligated to do so, and any such market making may be discontinued at any time without notice. Accordingly, there can be no assurance as to the development or liquidity of any market for the securities.

Underwriters, agents and dealers may engage in transactions with or perform services, including various investment banking and other services, for us and/or any of our affiliates in the ordinary course of business.

Legal Matters

Certain legal matters relating to the offering will be passed upon for us by Akerman Senterfitt, Miami, Florida.

Experts

The consolidated financial statements of SBA Communications Corporation and Subsidiaries appearing in SBA Communications Corporation s Annual Report (Form 10-K) for the year ended December 31, 2005, and SBA Communications Corporation management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 included therein, have been audited by Ernst & Young LLP, independent certified registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements and management s assessment are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of AAT Communications Corp. as of December 31, 2005 and 2004, and for each of the three years in the period ended December 31, 2005, appearing in SBA Communications Corporation s Form 8-K filed with the Securities and Exchange Commission on April 13, 2006, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

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Where You Can Find More Information; Incorporation By Reference

We file annual, quarterly and special reports with the Commission. Our Commission filings are available over the Internet at the Commission s web site at http://www.sec.gov. You may also read and copy any document we file at the Commission s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for more information on the Public Reference Room and its copy charges.

We incorporate by reference into this prospectus the following documents filed by us with the Commission, other than information furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K, each of which should be considered an important part of this prospectus supplement:

Commission Filing (File No. 000-30110)	**Period Covered or Date of Filing**
Annual Report on Form 10-K	Year ended December 31, 2005
Current Reports on Form 8-K	February 28, 2006, March 21, 2006, March 23, 2006 and April 13, 2006
Description of our Class A common stock contained in the Registration Statement on Form 8-A and any amendment or report filed for the purpose of updating such description	June 9, 1999 and January 14, 2002
All subsequent documents filed by us under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934	After the date of this prospectus

You may request a copy of each of our filings at no cost, by writing or telephoning us at the following address, telephone or facsimile number:

SBA Communications Corporation

5900 Broken Sound Parkway NW

Boca Raton, FL 33487

Phone: (561) 995-7670

Fax: (561) 998-3448

Exhibits to a document will not be provided unless they are specifically incorporated by reference in that document.

You should rely only on the information contained in this prospectus and any prospectus supplement. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus and any prospectus supplement is accurate as of any date other than the date on the front of those documents. Our business, financial condition, results of operations and prospects may have changed since that date.

The information in this prospectus and any prospectus supplement may not contain all of the information that may be important to you. You should read the entire prospectus and any prospectus supplement, as well as the documents incorporated by reference in the prospectus and any prospectus supplement, before making an investment decision.

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SBA Communications Corporation

Class A Common Stock, Preferred Stock, Debt Securities,

Depositary Shares and Warrants

Prospectus

April 14, 2006

ne;font-size:8pt;"> —

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2

Sales

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Transfers into Level 3

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—

—

Transfers out of Level 3

—

—

—

—

Balance at end of period

$

680

$

680

$

680

$

680

Amount of total losses included in earnings attributable to the change in unrealized losses related to assets still held at end of period

$

—

$	—	$	—

Transfers in and out of Level 3 are attributable to changes in the ability to observe significant inputs in determining fair value exit pricing. As noted in the table above, no transfers were made in or out of Level 3 during the nine months ended September 30, 2018 and 2017. The Company held one Level 3 security at September 30, 2018 and September 30, 2017.

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Safety Insurance Group, Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

(Dollars in thousands except per share and share data)

As of September 30, 2018 and December 31, 2017, there were approximately $31,800 and $24,130, respectively, in a real estate investment trust (“REIT”). The REIT is excluded from the fair value hierarchy because the fair value is recorded using the net asset value per share practical expedient. The net asset value per share of this REIT is derived from member ownership in the capital venture to which a proportionate share of independently appraised net assets is attributed. The fair value was determined using the trust’s net asset value obtained from its quarterly financial statements. The Company is required to submit a request 45 days before a quarter end to dispose of the security.

6. Loss and Loss Adjustment Expense Reserves

The following table sets forth a reconciliation of beginning and ending reserves for losses and loss adjustment expenses (“LAE”), as shown in the Company’s consolidated financial statements for the periods indicated.

	Nine Months Ended September 30,	
	2018	2017
Reserves for losses and LAE at beginning of year	$ 574,054	$ 560,321
Less receivable from reinsurers related to unpaid losses and LAE	(83,085)	(83,724)
Net reserves for losses and LAE at beginning of year	490,969	476,597
Incurred losses and LAE, related to:		
Current year	406,912	400,437
Prior years	(39,348)	(31,166)
Total incurred losses and LAE	367,564	369,271
Paid losses and LAE related to:		
Current year	169,161	168,078
Prior years	206,980	193,095
Total paid losses and LAE	376,141	361,173
Net reserves for losses and LAE at end of period	482,392	484,695
Plus receivable from reinsurers related to unpaid losses and LAE	100,565	92,942
Reserves for losses and LAE at end of period	$ 582,957	$ 577,637

At the end of each period, the reserves were re-estimated for all prior accident years. The Company’s prior year reserves decreased by $39,348 and $31,166 for the nine months ended September 30, 2018 and 2017, respectively, and resulted from re-estimations of prior year’s ultimate loss and LAE liabilities. The decreases in prior years reserves during the nine months ended September 30, 2018 and 2017, are composed of reductions in our retained automobile, retained homeowners and retained other reserves.

The Company's automobile lines of business reserves decreased for the nine months ended September 30, 2018 and 2017, primarily due to fewer incurred but not yet reported claims than previously estimated and better than previously estimated severity on the Company’s established bodily injury and property damage case reserves. Due to the nature of the risks that the Company underwrites and has historically underwritten, management does not believe that it has an exposure to asbestos or environmental pollution liabilities.

7. Commitments and Contingencies

On December 15, 2015, the Company filed for arbitration with a reinsurer in regards to the reinsurance recoverable resulting from the 2015 winter storm losses that are admissible under our contract. The total amount of recoverable in dispute, which was based on our total incurred loss, was $20,918 at December 31, 2017. On January 8, 2018 the Company received a final order from a panel of arbitrators in which the reinsurer would pay the Company $9,200 for settlement of all paid and outstanding losses. This amount has since been collected. The remaining unrecovered amount of $11,718 was expensed in 2017.

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Safety Insurance Group, Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

(Dollars in thousands except per share and share data)

Various claims, generally incidental to the conduct of normal business, are pending or alleged against the Company from time to time. In the opinion of management, based in part on the advice of legal counsel, the ultimate resolution of such claims will not have a material adverse effect on the Company's consolidated financial statements. However, if estimates of the ultimate resolutions of those proceedings are revised, liabilities related to those proceedings could be adjusted in the near term.

Massachusetts law requires that insurers licensed to do business in Massachusetts participate in the Massachusetts Insurers Insolvency Fund ("Insolvency Fund"). Members of the Insolvency Fund are assessed a proportionate share of the obligations and expenses of the Insolvency Fund in connection with an insolvent insurer. It is anticipated that there will be additional assessments from time to time relating to various insolvencies. Although the timing and amounts of any future assessments are not known, based upon existing knowledge, management's opinion is that such future assessments are not expected to have a material effect upon the financial position of the Company.

8. Debt

On August 10, 2018, the Company extended its Revolving Credit Agreement (the "Credit Agreement") with Citizens Bank, N.A. (formerly known as RBS Citizens, N.A. ("Citizens Bank")) to a maturity date of August 10, 2023. The Credit Agreement provides a $30,000 revolving credit facility with an accordion feature allowing for future expansion of the committed amount up to $50,000. Loans under the credit facility bear interest at the Company's option at either (i) the LIBOR rate plus 1.25% per annum or (ii) the higher of Citizens Bank prime rate or 0.5% above the federal funds rate plus 1.25% per annum. Interest only is payable prior to maturity.

The Company's obligations under the credit facility are secured by pledges of its assets and the capital stock of its operating subsidiaries. The credit facility is guaranteed by the Company's non-insurance company subsidiaries. The credit facility contains covenants including requirements to maintain minimum risk-based capital ratios and statutory surplus of Safety Insurance Company as well as limitations or restrictions on indebtedness, liens, and other matters. As of September 30, 2018, the Company was in compliance with all covenants. In addition, the credit facility includes customary events of default, including a cross-default provision permitting the lenders to accelerate the facility if the Company (i) defaults in any payment obligation under debt having a principal amount in excess of $10,000 or (ii) fails to perform any other covenant permitting acceleration of all such debt.

The Company had no amounts outstanding on its credit facility at September 30, 2018 and December 31, 2017. The credit facility commitment fee included in interest expense was computed at a rate of 0.25% per annum on the $30,000 commitment at September 30, 2018 and 2017.

The Company is a member of the FHLB-Boston. Membership in the FHLB-Boston allows the Company to borrow money at competitive interest rates provided the loan is collateralized by specific U.S Government residential mortgage backed securities. At September 30, 2018, the Company has the ability to borrow $268,374 using eligible invested assets that would be used as collateral. The Company has no amounts outstanding from the FHLB-Boston at September 30, 2018 and at December 31, 2017.

9. Income Taxes

Federal income tax expense for the nine months ended September 30, 2018 and 2017 has been computed using estimated effective tax rates. These rates are revised, if necessary, at the end of each successive interim period to reflect the current estimates of the annual effective tax rates. The effective rate in 2018 was lower than the statutory rate primarily due to effects of tax-exempt investment income.

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Safety Insurance Group, Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

(Dollars in thousands except per share and share data)

The Company believes that the positions taken on its income tax returns for open tax years will be sustained upon examination by the Internal Revenue Service ("IRS"). Therefore, the Company has not recorded any liability for uncertain tax positions under ASC 740, Income Taxes.

During the nine months ended September 30, 2018, there were no material changes to the amount of the Company's unrecognized tax benefits or to any assumptions regarding the amount of its ASC 740 liability.

The Company's U.S. federal tax returns for the years ended December 31, 2015, 2014 and 2013 respectively, were examined by the IRS. This examination related to the refund claim for the 2015 Net Operating Loss that was carried back to prior years, which triggered a review by the Joint Committee on Taxation. No adjustments were noted as part of the examination. All tax years prior to 2015 are closed.

In the Company's opinion, adequate tax liabilities have been established for all open years. However, the amount of these tax liabilities could be revised in the near term if estimates of the Company's ultimate liability are revised.

On December 22, 2017, the TCJA was enacted, which significantly amends the Internal Revenue Code of 1986. The TCJA, among other things, reduces the corporate tax rate from a statutory rate of 35% to 21%, imposes additional limitations on net operating losses and executive compensation, allows for the full expensing of certain capital expenditures and enacts other changes impacting the insurance industry. The September 30, 2018 net deferred tax asset and the December 31, 2017 net deferred tax liability have been measured at the 21% tax rate.

The TCJA modified the provisions applicable to the determination of the tax basis of unpaid loss reserves. These modifications impact the payment pattern and applicable interest rate. The TCJA instructed the Treasury to provide discount factors and other guidance necessary to determine the necessary transition adjustment. This information has not been released; accordingly, we have applied the law existing prior to the enactment of the TCJA. These provisions had no effect on the Company's net deferred tax liability or the total tax expense at December 31, 2017.

SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (which we refer to as "SAB 118") describes three scenarios associated with a company's status of accounting for income tax

reform. Under the SAB 118 guidance, we have determined that we are able to make reasonable estimates for certain effects of tax reform. We are continuing to evaluate the accounting impactions of the TCJA as we continue to assemble and analyze all the information required to prepare and analyze these effects and await additional guidance from the U.S. Treasury Department, IRS or other standard-setting bodies. Additionally, we continue to analyze other information and regulatory guidance and accordingly we may record additional provisional amounts or adjustments to provisional amounts in future periods.

10. Share Repurchase Program

On August 3, 2007, the Board of Directors approved a share repurchase program of up to $30,000 of the Company's outstanding common shares. As of September 30, 2018, the Board of Directors had cumulatively authorized increases to the existing share repurchase program of up to $150,000 of its outstanding common shares. Under the program, the Company may repurchase shares of its common stock for cash in public or private transactions, in the open market or otherwise. The timing of such repurchases and actual number of shares repurchased will depend on a variety of factors including price, market conditions and applicable regulatory and corporate requirements. The program does not require the Company to repurchase any specific number of shares and it may be modified, suspended or terminated at any time without prior notice.

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Safety Insurance Group, Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

(Dollars in thousands except per share and share data)

No share purchases were made by the Company under the program during the nine months ended September 30, 2018 and 2017. As of September 30, 2018, the Company has purchased 2,279,570 shares at a cost of $83,835.

11. Subsequent Event

The Company has evaluated subsequent events for recognition or disclosure in the consolidated financial statements filed on Form 10-Q with the SEC and no events have occurred that require recognition or disclosure.

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Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our accompanying consolidated financial statements and notes thereto, which appear elsewhere in this document. In this discussion, all dollar amounts are presented in thousands, except share and per share data.

The following discussion contains forward-looking statements. We intend statements which are not historical in nature to be, and are hereby identified as "forward-looking statements" to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In addition, the Company's senior management may make forward-looking statements orally to analysts, investors, the media and others. This safe harbor requires that we specify important factors that could cause actual results to differ materially from those contained in forward-looking statements made by or on behalf of us. We cannot promise that our expectations in such forward-looking statements will turn out to be correct. Our actual results could be materially different from and worse than our expectations. See "Forward-Looking Statements" below for specific important factors that could cause actual results to differ materially from those contained in forward-looking statements.

Executive Summary and Overview

In this discussion, "Safety" refers to Safety Insurance Group, Inc. and "our Company," "we," "us" and "our" refer to Safety Insurance Group, Inc. and its consolidated subsidiaries. Our subsidiaries consist of Safety Insurance Company ("Safety Insurance"), Safety Indemnity Insurance Company ("Safety Indemnity"), Safety Property and Casualty Insurance Company ("Safety P&C"), Safety Asset Management Corporation ("SAMC"), and Safety Management Corporation, which is SAMC's holding company.

We are a leading provider of private passenger and commercial automobile insurance in Massachusetts. In addition to private passenger automobile insurance (which represented 56.7% of our direct written premiums in 2017), we offer a portfolio of other insurance products, including commercial automobile (15.7% of 2017 direct written premiums), homeowners (22.7% of 2017 direct written premiums) and dwelling fire, umbrella and business owner policies (totaling 4.9% of 2017 direct written premiums). Operating exclusively in Massachusetts, New Hampshire, and Maine through our insurance company subsidiaries, Safety Insurance, Safety Indemnity, and Safety P&C (together referred to as the "Insurance Subsidiaries"), we have established strong relationships with independent insurance agents,

who numbered 892 in 1,107 locations throughout Massachusetts, New Hampshire and Maine during 2017. We have used these relationships and our extensive knowledge of the Massachusetts market to become second largest commercial automobile insurance carrier and the fourth largest private passenger automobile carrier in Massachusetts, capturing an approximate 15.6% and 9.3% share, respectively, of the Massachusetts commercial and private passenger automobile markets in 2017 according to statistics compiled by the Commonwealth Automobile Reinsurers ("CAR") based on automobile exposures. We are also the third largest homeowners insurance carrier in Massachusetts with a 7.3% share of the Massachusetts homeowners insurance market.

Our Insurance Subsidiaries began writing insurance in New Hampshire during 2008 and in Maine in 2016. The table below shows the amount of direct written premiums written in each state during the three and nine months ended September 30, 2018 and 2017.

	Three Months Ended September 30,		Nine Months Ended September 30,	
Direct Written Premiums	2018	2017	2018	2017
Massachusetts	$ 211,507	$ 208,159	$ 634,696	$ 621,786
New Hampshire	8,178	7,634	21,581	20,660
Maine	245	126	436	187
Total	$ 219,930	$ 215,919	$ 656,713	$ 642,633

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Recent Trends and Events

The following rate changes have been filed and approved by the insurance regulators of Massachusetts and New Hampshire in 2018 and 2017. Our Massachusetts private passenger automobile rates include a 13% commission rate for agents.

Line of Business	Effective Date	Rate Change
New Hampshire Homeowner	December 1, 2018	2.3%
Massachusetts Homeowner	November 1, 2018	2.6%
Massachusetts Private Passenger Automobile	September 1, 2018	2.3%
Massachusetts Commercial Automobile	June 1, 2018	3.7%
New Hampshire Commercial Automobile	March 1, 2018	4.6%
New Hampshire Homeowner	December 1, 2017	3.9%
New Hampshire Private Passenger Automobile	December 1, 2017	4.2%
Massachusetts Homeowner	November 1, 2017	3.8%
Massachusetts Private Passenger Automobile	July 15, 2017	3.6%
Massachusetts Commercial Automobile	April 1, 2017	3.8%
New Hampshire Commercial Automobile	March 1, 2017	6.1%

Insurance Ratios

The property and casualty insurance industry uses the combined ratio as a measure of underwriting profitability. The combined ratio is the sum of the loss ratio (losses and loss adjustment expenses incurred as a percent of net earned premiums) plus the expense ratio (underwriting and other expenses as a percent of net earned premiums, calculated on a GAAP basis). The combined ratio reflects only underwriting results and does not include income from investments or finance and other service income. Underwriting profitability is subject to significant fluctuations due to competition, catastrophic events, weather, economic and social conditions, and other factors.

Our GAAP insurance ratios are outlined in the following table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017

GAAP ratios:								
Loss ratio	59.2	%	63.3	%	63.0	%	63.9	%
Expense ratio	31.7		32.2		31.7		31.8	
Combined ratio	90.9	%	95.5	%	94.7	%	95.7	%

Share-Based Compensation

On April 2, 2018, the Company's Board of Directors adopted the Safety Insurance Group, Inc. 2018 Long-Term Incentive Plan ("the 2018 Plan"), which was subsequently approved by our shareholders at the 2018 Annual Meeting of Shareholders. The 2018 Plan enables the grant of stock awards, performance shares, cash based performance units, other stock based awards, stock options, stock appreciation rights, and stock unit awards, each of which may be granted separately or in tandem with other awards. Eligibility to participate includes officers, directors, employees and other individuals who provide bona fide services to the Company. The 2018 Plan supersedes the Company's 2002 Management Omnibus Incentive Plan ("the 2002 Incentive Plan").

The 2018 Plan establishes an initial pool of 350,000 shares of common stock available for issuance to our employees and other eligible participants. The Board of Directors and the Compensation Committee intend to issue awards under the 2018 Plan in the future.

The maximum number of shares of common stock between both the 2018 Plan and 2002 Incentive Plan with respect to which awards may be granted is 2,850,000. No further grants will be allowed under the 2002 Incentive Plan and there have been no grants issued under the 2018 Plan during the current year. At September 30, 2018, there were 350,000 shares available for future grant.

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A summary of share based awards granted under the previously existing Incentive Plan during the nine months ended September 30, 2018 is as follows:

Type of Equity Awarded	Effective Date	Number of Awards Granted	Fair Value per Share	Vesting Terms
RS - Service	February 26, 2018	34,451	$ 75.05	(1) 3 years, 30%-30%-40%
RS - Performance	February 26, 2018	31,668	$ 75.05	(1) 3 years, cliff vesting (3)
RS	February 26, 2018	5,000	$ 75.05	(1) No vesting period (2)
RS - Performance	August 1, 2018	164	$ 92.30	(1) No vesting period (4)

(1) The fair value per share of the restricted stock grant is equal to the closing price of our common stock on the grant date.
(2) Board of Director members must maintain stock ownership equal to at least four times their annual retainer. This requirement must be met within five years of becoming a director.
(3) The shares represent performance-based restricted shares award. Vesting of these shares is dependent upon the attainment of pre-established performance objectives, and any difference between shares granted and shares earned at the end of the performance period will be reported at the conclusion of the performance period.
(4) The shares represent a true-up of previously awarded performance-based restricted share awards. The updated shares were calculated based on the attainment of pre-established performance objectives.

Reinsurance

We reinsure with other insurance companies a portion of our potential liability under the policies we have underwritten, thereby protecting us against an unexpectedly large loss or a catastrophic occurrence that could produce large losses, primarily in our homeowners line of business. We are selective in choosing our reinsurers, seeking only those companies that we consider to be financially stable and adequately capitalized. In an effort to minimize exposure to the insolvency of a reinsurer, we continually evaluate and review the financial condition of our reinsurers. Swiss Re, our primary reinsurer, maintains an A.M. Best rating of "A+" (Superior). Most of our other reinsurers have an A.M. Best rating of “A+” (Superior) or “A” (Excellent).

We maintain reinsurance coverage to help lessen the effect of losses from catastrophic events, maintaining coverage during 2018 that protects us in the event of a "137-year storm" (that is, a storm of a severity expected to occur once in a 137-year period). We use various software products to measure our exposure to catastrophe losses and the probable maximum loss to us for catastrophe losses such as hurricanes. The models include estimates for our share of the catastrophe losses generated in the residual market for property insurance by the Massachusetts Property Insurance Underwriting Association ("FAIR Plan").

For 2018, we have purchased four layers of excess catastrophe reinsurance providing $615,000 of coverage for property losses in excess of $50,000 up to a maximum of $665,000. Our reinsurers’ co-participation is 50.0% of $50,000 for the 1st layer, 80.0% of $50,000 for the 2nd layer, 80.0% of $250,000 for the 3rd layer and 80% of $265,000 for the 4th layer.

We also have casualty excess of loss reinsurance for large casualty losses occurring in our automobile, homeowners, dwelling fire, business owners, and commercial package lines of business in excess of $2,000 up to a maximum of $10,000. We have property excess of loss reinsurance coverage for large property losses, with coverage in excess of $2,000 up to a maximum of $20,000, for our homeowners, business owners, and commercial package policies. In addition, we have liability excess of loss reinsurance for umbrella large losses in excess of $1,000 up to a maximum of $10,000. We also have various reinsurance agreements with Hartford Steam Boiler Inspection and Insurance Company, of which the primary contract is a quota share agreement under which we cede 100% of the premiums and losses for the equipment breakdown coverage under our business owner policies and commercial package policies.

In addition to the above mentioned reinsurance programs, we are a participant in CAR, a state-established body that runs the residual market reinsurance programs for commercial automobile insurance in Massachusetts under which premiums, expenses, losses and loss adjustment expenses on ceded business are shared by all insurers writing automobile insurance in Massachusetts. We also participate in the FAIR Plan in which premiums, expenses, losses and

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loss adjustment expenses on homeowners business that cannot be placed in the voluntary market are shared by all insurers writing homeowners insurance in Massachusetts. The FAIR Plan's exposure to catastrophe losses increased and as a result, the FAIR Plan decided to buy reinsurance to reduce their exposure to catastrophe losses. On July 1, 2018, the FAIR Plan purchased $2,000,000 of catastrophe reinsurance for property losses with retention of $100,000.

On December 15, 2015, the Company filed for arbitration with a reinsurer in regards to the reinsurance recoverable resulting from the 2015 winter storm losses that are admissible under our contract. The total amount of recoverable in dispute, which was based on our total incurred loss, was $20,918 as of December 31, 2017. On January 8, 2018 the Company received a final order from the panel of arbitrators in which the reinsurer would pay the Company $9,200 for settlement of all paid and outstanding losses. This amount has since been collected. The remaining unrecovered amount of $11,718 was expensed in 2017.

At September 30, 2018, we also had $107,713 recoverable from CAR comprising of loss adjustment expense reserves, unearned premiums and reinsurance recoverable.

Effects of Inflation

We do not believe that inflation has had a material effect on our consolidated results of operations, except insofar as inflation may affect interest rates.

Non-GAAP Measures

Management has included certain non-generally accepted accounting principles ("non-GAAP") financial measures in presenting the Company's results. Management believes that these non-GAAP measures better explain the Company's results of operations and allow for a more complete understanding of the underlying trends in the Company's business. These measures should not be viewed as a substitute for those determined in accordance with generally accepted accounting principles ("GAAP"). In addition, our definitions of these items may not be comparable to the definitions used by other companies.

Non-GAAP operating income and non-GAAP operating income per diluted share consist of our GAAP net income adjusted by the net realized gains (losses), net impairment losses on investments, changes in net unrealized gains (losses) on equity securities and taxes related thereto. The adjustment for net unrealized gains and losses on equity securities is only applicable for 2018 due to the adoption of the accounting standard update referenced in Item 1 – Financial Statements, Note 2, Recent Accounting Pronouncements, of this Form 10-Q. Net income and earnings per diluted share are the GAAP financial measures that are most directly comparable to non-GAAP operating income and non-GAAP operating income per diluted share, respectively. A reconciliation of the GAAP financial measures to these non-GAAP measures is included in the 2018 financial highlights below.

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Results of Operations

Three and Nine Months Ended September 30, 2018 Compared to Three and Nine Months Ended September 30, 2017

The following table shows certain of our selected financial results.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Direct written premiums	$ 219,930	$ 215,919	$ 656,713	$ 642,633
Net written premiums	$ 207,506	$ 204,467	$ 613,034	$ 609,153
Net earned premiums	$ 196,968	$ 195,524	$ 583,126	$ 578,059
Net investment income	11,120	9,503	31,839	28,313
Earnings from partnership investments	1,188	351	6,539	1,233
Net realized gains on investments	53	2,717	2,948	4,826
Change in net unrealized gains on equity investments	2,444	—	(3,749)	—
Finance and other service income	4,362	4,690	13,121	13,373
Total revenue	215,907	212,529	633,596	625,548
Loss and loss adjustment expenses	116,693	123,792	367,564	369,271
Underwriting, operating and related expenses	62,496	62,994	184,925	183,643
Interest expense	22	22	67	67
Total expenses	179,211	186,808	552,556	552,981
Income before income taxes	36,696	25,721	81,040	72,567
Income tax expense	7,788	7,767	16,191	21,489
Net income	$ 28,908	$ 17,954	$ 64,849	$ 51,078
Earnings per weighted average common share:				
Basic	$ 1.90	$ 1.19	$ 4.28	$ 3.38
Diluted	$ 1.88	$ 1.18	$ 4.24	$ 3.36
Cash dividends paid per common share	$ 0.80	$ 0.80	$ 2.40	$ 2.20
Reconciliation of Net Income to Non-GAAP Operating Income:				
Net income	$ 28,908	$ 17,954	$ 64,849	$ 51,078
Exclusions from net income:				
Net realized gains on investments	(53)	(2,717)	(2,948)	(4,826)
Change in net unrealized gains on equity investments	(2,444)	-	3,749	-
Net impairment losses on investments	228	256	228	256
Income tax (expense) benefit	476	861	(216)	1,600
Non-GAAP Operating income	$ 27,115	$ 16,354	$ 65,662	$ 48,108

Net income per diluted share	$ 1.88	$ 1.18	$ 4.24	$ 3.36
Exclusions from net income:				
Net realized gains on investments	-	(0.18)	(0.19)	(0.32)
Change in net unrealized gains on equity investments	(0.16)	-	0.25	-
Net impairment losses on investments	0.01	0.02	0.02	0.02
Income tax (expense) benefit	0.03	0.04	(0.03)	0.09
Non-GAAP Operating income per diluted share	$ 1.76	$ 1.06	$ 4.29	$ 3.15

Direct Written Premiums. Direct written premiums for the three months ended September 30, 2018 increased by $4,011, or 1.9%, to $219,930 from $215,919 for the comparable 2017 period. Direct written premiums for the nine months ended September 30, 2018 increased by $14,080, or 2.2%, to $656,713 from $642,633 for the comparable 2017 period. The 2018 increase occurred in our commercial passenger automobile and homeowners lines of business.

Net Written Premiums. Net written premiums for the three months ended September 30, 2018 increased by $3,039, or 1.5%, to $207,506 from $204,467 for the comparable 2017 period. Net written premiums for the nine months ended September 30, 2018 increased by $3,881, or 0.6%, to $613,034 from $609,153 for the comparable 2017 period.

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Net Earned Premiums. Net earned premiums for the three months ended September 30, 2018 increased by $1,444, or 0.7%, to $196,968 from $195,524 for the comparable 2017 period. Net earned premiums for the nine months ended September 30, 2018 increased by $5,067, or 0.9%, to $583,126 from $578,059 for the comparable 2017 period.

The effect of reinsurance on net written and net earned premiums is presented in the following table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Written Premiums				
Direct	$ 219,930	$ 215,919	$ 656,713	$ 642,633
Assumed	7,750	8,291	23,995	25,326
Ceded	(20,174)	(19,743)	(67,674)	(58,806)
Net written premiums	$ 207,506	$ 204,467	$ 613,034	$ 609,153
Earned Premiums				
Direct	$ 212,209	$ 207,597	$ 624,325	$ 610,636
Assumed	7,469	7,525	24,236	24,237
Ceded	(22,710)	(19,598)	(65,435)	(56,814)
Net earned premiums	$ 196,968	$ 195,524	$ 583,126	$ 578,059

Net Investment Income. Net investment income for the three months ended September 30, 2018 increased by $1,617, or 17.0%, to $11,120 from $9,503 for the comparable 2017 period. Net investment income for the nine months ended September 30, 2018 increased by $3,526, or 12.5%, to $31,839 from $28,313 for the comparable 2017 period. The increase is a result of fixed maturity amortization and an increase in the average invested asset balance compared to the prior year. Net effective annualized yield on the investment portfolio was 3.4% for the three months ended September 30, 2018 compared to 3.0% for the three months ended September 30, 2017. Net effective annualized yield on the investment portfolio was 3.3% for the nine months ended September 30, 2018 compared to 3.0% for the nine months ended September 30, 2017. The investment portfolio’s duration was 3.7 years at September 30, 2018 and December 31, 2017.

Earnings from Partnership Investments. Earnings from partnership investments was $1,188 for the three months ended September 30, 2018 compared to $351 for the comparable 2017 period. Earnings from partnership investments was $6,539 for the nine months ended September 30, 2018 compared to $1,233 for the comparable 2017 period. The 2018 increase was related to investment appreciation and cash proceeds received as return on capital.

Net Realized Gains on Investments. Net realized gains on investments was $53 for the three months ended September 30, 2018 compared to net realized gains of $2,717 for the comparable 2017 period. Net realized gains on investments was $2,948 for the nine months ended September 30, 2018 compared to net realized gains of $4,826 for

the comparable 2017 period.

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The gross unrealized gains and losses on investments in fixed maturity securities, including redeemable preferred stocks that have characteristics of fixed maturities, equity securities, including interests in mutual funds, and other invested assets were as follows for the periods indicated:

	As of September 30, 2018				
			Gross Unrealized Losses (3)		
	Cost or Amortized Cost	Gross Unrealized Gains	Non-OTTI Unrealized Losses	OTTI Unrealized Losses (4)	Estimated Fair Value
U.S. Treasury securities	$ 1,807	$ —	$ (53)	$ —	$ 1,754
Obligations of states and political subdivisions	266,755	4,929	(2,113)	—	269,571
Residential mortgage-backed securities (1)	299,172	1,158	(8,861)	—	291,469
Commercial mortgage-backed securities	49,816	9	(1,271)	—	48,554
Other asset-backed securities	54,815	83	(356)	—	54,542
Corporate and other securities	470,451	2,950	(8,158)	—	465,243
Subtotal, fixed maturity securities	1,142,816	9,129	(20,812)	—	1,131,133
Equity securities (2)	140,796	20,176	(2,538)	—	158,434
Other invested assets (5)	25,961	—	—	—	25,961
Totals	$ 1,309,573	$ 29,305	$ (23,350)	$ —	$ 1,315,528

(1) Residential mortgage-backed securities consists primarily of obligations of U.S. Government agencies including collateralized mortgage obligations issued, guaranteed and/or insured by the following issuers: Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA) and the Federal Home Loan Bank (FHLB).
(2) Equity securities include interests in mutual funds held to fund the Company's executive deferred compensation plan.
(3) Our investment portfolio included 638 securities in an unrealized loss position at September 30, 2018.
(4) Amounts in this column represent other-than-temporary impairments ("OTTI") recognized in accumulated other comprehensive income.
(5) Other invested assets are accounted for under the equity method which approximated fair value.

The composition of our fixed income security portfolio by Moody's rating was as follows:

	As of September 30, 2018	
	Estimated Fair Value	Percent
U.S. Treasury securities and obligations of U.S. Government agencies	$ 293,224	25.9 %
Aaa/Aa	291,401	25.8
A	214,727	19.0

Baa	163,043	14.4
Ba	59,128	5.2
B	82,047	7.3
Caa/Ca	8,363	0.7
Not rated	19,200	1.7
Total	$ 1,131,133	100.0 %

Ratings are generally assigned upon the issuance of the securities and are subject to revision on the basis of ongoing evaluations. Ratings in the table are as of the date indicated.

As of September 30, 2018, our portfolio of fixed maturity investments was comprised principally of investment grade corporate fixed maturity securities, U.S. government and agency securities, and asset-backed securities. The portion of our non-investment grade portfolio of fixed maturity investments is primarily comprised of variable rate secured and senior bank loans and high yield bonds.

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The following table illustrates the gross unrealized losses included in our investment portfolio and the fair value of those securities, aggregated by investment category. The table also illustrates the length of time that they have been in a continuous unrealized loss position as of September 30, 2018.

	As of September 30, 2018					
	Less than 12 Months		12 Months or More		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
U.S. Treasury securities	$ 1,458	$ 48	$ 296	$ 5	$ 1,754	$ 53
Obligations of states and political subdivisions	65,952	1,009	13,444	1,104	79,396	2,113
Residential mortgage-backed securities	170,106	3,711	101,233	5,150	271,339	8,861
Commercial mortgage-backed securities	34,080	686	7,699	585	41,779	1,271
Other asset-backed securities	20,640	157	20,642	199	41,282	356
Corporate and other securities	233,430	5,585	46,155	2,573	279,585	8,158
Subtotal, fixed maturity securities	525,666	11,196	189,469	9,616	715,135	20,812
Equity securities	58,781	2,266	2,010	272	60,791	2,538
Total temporarily impaired securities	$ 584,447	$ 13,462	$ 191,479	$ 9,888	$ 775,926	$ 23,350

The unrealized losses in the Company’s fixed income and equity portfolio as of September 30, 2018 were reviewed for potential other-than-temporary asset impairments. The Company held three debt securities at September 30, 2018 and two debt securities at September 30, 2017 with a material (20% or greater) unrealized loss for four or more consecutive quarters that additionally had certain qualitative factors that led to an impairment assessment. The Company recognized $228 and $256 of OTTI losses during the three and nine months ended September 30, 2018 and 2017, which consisted entirely of credit losses related to fixed maturity securities.

Specific qualitative analysis was also performed for securities appearing on our “Watch List”. Qualitative analysis considered such factors as the financial condition and the near term prospects of the issuer, whether the debtor is current on its contractually obligated interest and principal payments, changes to the rating of the security by a rating agency and the historical volatility of the fair value of the security.

The majority of these unrealized losses recorded on the investment portfolio at September 30, 2018 resulted from fluctuations in market interest rates and other temporary market conditions as opposed to fundamental changes in the credit quality of the issuers of such securities. Given our current level of liquidity, the fact that we do not intend to sell these securities, and that it is more likely than not that we will not be required to sell these securities prior to recovery of the cost basis of these securities, these decreases in values are viewed as being temporary.

For more information regarding fair value measurements of our investment portfolio, refer to Item 1-Financial Statements, Note 5, Investments, of this Form 10-Q.

Net Impairment Losses on Investments. The Company recognized $228 and $256 of net impairment losses on investments for the three and nine months ended September 30, 2018 and 2017, respectively.

Finance and Other Service Income. Finance and other service income include revenues from premium installment charges, which we recognize when earned, and other miscellaneous income and fees. Finance and other service income for the three months ended September 30, 2018 decreased by $328, or 7.0%, to $4,362 from $4,690 for the comparable 2017 period. Finance and other service income for the nine months ended September 30, 2018 decreased by $252, or 1.9%, to $13,121 from $13,373 for the comparable 2017 period.

Losses and Loss Adjustment Expenses. Losses and loss adjustment expenses incurred for the three months ended September 30, 2018 decreased by $7,099, or 5.7%, to $116,693 from $123,792 for the comparable 2017 period. Losses and loss adjustment expenses incurred for the nine months ended September 30, 2018 decreased by $1,707, or 0.5%, to $367,564 from $369,271 for the comparable 2017 period.

Our GAAP loss ratio for the three months ended September 30, 2018 decreased to 59.2% from 63.3% for the comparable 2017 period. Our GAAP loss ratio for the nine months ended September 30, 2018 decreased to 63.0% from 63.9% for the comparable 2017 period. Our GAAP loss ratio excluding loss adjustment expenses for the three months

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ended September 30, 2018 was 51.4% compared to 56.2% for the comparable 2017 period. Our GAAP loss ratio excluding loss adjustment expenses for the nine months ended September 30, 2018 was 55.2% compared to 56.1% for the comparable 2017 period. Total prior year favorable development included in the pre-tax results for the three months ended September 30, 2018 was $13,048 compared to $10,759 for the comparable 2017 period. Total prior year favorable development included in the pre-tax results for the nine months ended September 30, 2018 was $39,348 compared to $31,166 for the comparable 2017 period.

Underwriting, Operating and Related Expenses. Underwriting, operating and related expenses for the three months ended September 30, 2018 decreased by $498, or 0.8%, to $62,496 from $62,994 for the comparable 2017 period. Underwriting, operating and related expenses for the nine months ended September 30, 2018 increased by $1,282, or 0.7%, to $184,925 from $183,643 for the comparable 2017 period. Our GAAP expense ratio for the three months ended September 30, 2018 decreased to 31.7% from 32.2% for the comparable 2017 period. Our GAAP expense ratio for the nine months ended September 30, 2018 decreased to 31.7% from 31.8% for the comparable 2017 period.

Interest Expense. Interest expense was $22 for the three months ended September 30, 2018 and 2017. Interest expense was $67 for the nine months ended September 30, 2018 and 2017. The credit facility commitment fee included in interest expense was $56 for the nine months ended September 30, 2018 and 2017.

Income Tax Expense. Our effective tax rate was 21.2% and 30.2% for the three months ended September 30, 2018 and 2017, respectively. Our effective tax rate was 20.0% and 29.6% for the nine months ended September 30, 2018 and 2017. The TCJA which became effective on December 22, 2017, reduced the corporate statutory tax rate from 35% to 21%. The effective tax rates for the three and nine months ended September 30, 2018 and 2017, were lower than the statutory rates primarily due to the effects of tax-exempt investment income.

Net Income. Net income for the three months ended September 30, 2018 was $28,908 compared to net income of $17,954 for the comparable 2017 period. Net income for the nine months ended September 30, 2018 was $64,849 compared to net income of $51,078 for the comparable 2017 period.

Non-GAAP Operating Income. Non-GAAP operating income as defined above was $27,115 for the three months ended September 30, 2018 compared to $16,354 for the comparable 2017 period. Non-GAAP operating income was $65,662 for the nine months ended September 30, 2018 compared to $48,108 for the comparable 2017 period. The increase in Non-GAAP operating income was primarily the result of increases in net earned premiums, net investment income, earnings from partnership investments and benefits from lower statutory federal income tax rates.

Liquidity and Capital Resources

As a holding company, Safety's assets consist primarily of the stock of our direct and indirect subsidiaries. Our principal source of funds to meet our obligations and pay dividends to shareholders, therefore, is dividends and other permitted payments from our subsidiaries, principally Safety Insurance. Safety is the borrower under our credit facility.

Safety Insurance's sources of funds primarily include premiums received, investment income, and proceeds from sales and redemptions of investments. Safety Insurance's principal uses of cash are the payment of claims, operating expenses and taxes, the purchase of investments, and the payment of dividends to Safety.

Net cash provided by operating activities was $90,397 and $50,085 during the nine months ended September 30, 2018 and 2017, respectively. Our operations typically generate positive cash flows from operations as most premiums are received in advance of the time when claim and benefit payments are required. Positive operating cash flows are expected to continue in the future to meet our liquidity requirements.

Net cash used for investing activities was $44,121 and $4,836 during the nine months ended September 30, 2018 and 2017, respectively. Fixed maturities, equity securities, and other invested assets purchased were $301,023 for

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the nine months ended September 30, 2018 compared to $168,383 for the comparable prior year period. Proceeds from maturities, redemptions, calls and sales, of securities were $267,415 during the nine months ended September 30, 2018 compared to $168,209 for the comparable prior year period.

Net cash used for financing activities was $36,667 and $33,367 during the nine months ended September 30, 2018 and 2017, respectively. Net cash used for financing activities is comprised of dividend payments to shareholders.

The Insurance Subsidiaries maintain a high degree of liquidity within their respective investment portfolios in fixed maturity and equity securities. We do not anticipate the need to sell these securities to meet the Insurance Subsidiaries cash requirements. We expect the Insurance Subsidiaries to generate sufficient operating cash to meet all short-term and long-term cash requirements. However, there can be no assurance that unforeseen business needs or other items will not occur causing us to have to sell securities before their values fully recover; thereby causing us to recognize additional impairment charges in that time period.

Credit Facility

For information regarding our Credit Facility, please refer to Item 1- Financial Statements, Note 8, Debt, of this Form 10-Q.

Recent Accounting Pronouncements

For information regarding Recent Accounting Pronouncements, please refer to Item 1- Financial Statements, Note 2, Recent Accounting Pronouncements, of this Form 10-Q.

Regulatory Matters

Our Insurance Subsidiaries are subject to various regulatory restrictions that limit the maximum amount of dividends available to be paid to their parent without prior approval of the Commissioner. The Massachusetts statute limits the dividends an insurer may pay in any twelve-month period, without the prior permission of the Commissioner, to the greater of (i) 10% of the insurer’s surplus as of the preceding December 31 or (ii) the insurer’s net income for the twelve-month period ending the preceding December 31, in each case determined in accordance with statutory accounting practices. Our insurance company subsidiaries may not declare an “extraordinary dividend” (defined as any dividend or distribution that, together with other distributions made within the preceding twelve months, exceeds the

limits established by Massachusetts statute) until thirty days after the Commissioner has received notice of the intended dividend and has not objected. As historically administered by the Commissioner, this provision requires the Commissioner's prior approval of an extraordinary dividend. Under Massachusetts law, an insurer may pay cash dividends only from its unassigned funds, also known as earned surplus, and the insurer's remaining surplus must be both reasonable in relation to its outstanding liabilities and adequate to its financial needs. At year-end December 31, 2017, the statutory surplus of Safety Insurance was $617,577, and its statutory net income for 2017 was $57,982. As a result, a maximum of $61,758 is available in 2018 for such dividends without prior approval of the Commissioner. As result of this Massachusetts statute, the Insurance Subsidiaries had restricted net assets in the amount of $555,819 at December 31, 2017. During the nine months ended September 30, 2018, Safety Insurance paid dividends to Safety of $34,266.

The maximum dividend permitted by law is not indicative of an insurer's actual ability to pay dividends, which may be constrained by business and regulatory considerations, such as the impact of dividends on surplus, which could affect an insurer's ratings or competitive position, the amount of premiums that can be written and the ability to pay future dividends.

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Since the initial public offering of its common stock in November 2002, the Company has paid regular quarterly dividends to shareholders of its common stock. Quarterly dividends paid during 2018 were as follows:

Declaration Date	Record Date	Payment Date	Dividend per Common Share	Total Dividends Paid and Accrued
February 15, 2018	March 1, 2018	March 15, 2018	$ 0.80	$ 12,326
May 2, 2018	June 1, 2018	June 15, 2018	$ 0.80	$ 12,295
August 1, 2018	September 4, 2018	September 14, 2018	$ 0.80	$ 12,312

On October 31, 2018, our Board approved and declared a dividend of $0.80 per share which will be paid on December 14, 2018 to shareholders of record on December 3, 2018. We plan to continue to declare and pay quarterly cash dividends in 2018, depending on our financial position and the regularity of our cash flows.

On August 3, 2007, the Board of Directors approved a share repurchase program of up to $30,000 of the Company's outstanding common shares. As of September 30, 2018, the Board of Directors had cumulatively authorized increases to the existing share repurchase program of up to $150,000 of its outstanding common shares. Under the program, the Company may repurchase shares of its common stock for cash in public or private transactions, in the open market or otherwise. The timing of such repurchases and actual number of shares repurchased will depend on a variety of factors including price, market conditions and applicable regulatory and corporate requirements. The program does not require us to repurchase any specific number of shares and may be modified, suspended or terminated at any time without prior notice. As of September 30, 2018 and December 31, 2017, the Company had purchased 2,279,570 shares of common stock at a cost of $83,835.

Management believes that the current level of cash flow from operations provides us with sufficient liquidity to meet our operating needs over the next 12 months. We expect to be able to continue to meet our operating needs after the next 12 months from internally generated funds. Since our ability to meet our obligations in the long term (beyond such twelve-month period) is dependent upon such factors as market changes, insurance regulatory changes and economic conditions, no assurance can be given that the available net cash flow will be sufficient to meet our operating needs. We expect that we would need to borrow or issue capital stock if we needed additional funds, for example, to pay for an acquisition or a significant expansion of our operations. There can be no assurance that sufficient funds for any of the foregoing purposes would be available to us at such time.

Risk-Based Capital Requirements

The NAIC has adopted a formula and model law to implement risk-based capital requirements for most property and casualty insurance companies, which are designed to determine minimum capital requirements and to raise the level of protection that statutory surplus provides for policyholder obligations. Under Massachusetts law, insurers having less total adjusted capital than that required by the risk-based capital calculation will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy. The risk-based capital law provides for four levels of regulatory action. The extent of regulatory intervention and action increases as the level of total adjusted capital to risk-based capital falls. As of December 31, 2017, the Insurance Subsidiaries had total adjusted capital of $617,577, which is in excess of amounts requiring company or regulatory action at any prescribed risk-based capital action level. Minimum statutory capital and surplus, or company action level risk-based capital, was $171,988 at December 31, 2017.

Off-Balance Sheet Arrangements

We have no material obligations under a guarantee contract meeting the characteristics identified in ASC 460, Guarantees. We have no material retained or contingent interests in assets transferred to an unconsolidated entity. We have no material obligations, including contingent obligations, under contracts that would be accounted for as derivative instruments. We have no obligations, including contingent obligations, arising out of a variable interest in an unconsolidated entity held by, and material to, us, where such entity provides financing, liquidity, market risk or credit

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risk support to, or engages in leasing, hedging or research and development services with us. We have no direct investments in real estate and no holdings of mortgages secured by commercial real estate. Accordingly, we have no material off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Loss and Loss Adjustment Expense Reserves

Significant periods of time can elapse between the occurrence of an insured loss, the reporting to us of that loss and our final payment of that loss. To recognize liabilities for unpaid losses, we establish reserves as balance sheet liabilities. Our reserves represent estimates of amounts needed to pay reported and estimated losses incurred but not yet reported ("IBNR") and the expenses of investigating and paying those losses, or loss adjustment expenses. Every quarter, we review our previously established reserves and adjust them, if necessary.

When a claim is reported, claims personnel establish a "case reserve" for the estimated amount of the ultimate payment. The amount of the reserve is primarily based upon an evaluation of the type of claim involved, the circumstances surrounding each claim and the policy provisions relating to the loss. The estimate reflects the informed judgment of such personnel based on general insurance reserving practices and on the experience and knowledge of the claims person. During the loss adjustment period, these estimates are revised as deemed necessary by our claims department based on subsequent developments and periodic reviews of the cases. When a claim is closed with or without a payment, the difference between the case reserve and the settlement amount creates a reserve deficiency if the payment exceeds the case reserve or a reserve redundancy if the payment is less than the case reserve.

In accordance with industry practice, we also maintain reserves for IBNR. IBNR reserves are determined in accordance with commonly accepted actuarial reserving techniques on the basis of our historical information and experience. We review and make adjustments to incurred but not yet reported reserves quarterly. In addition, IBNR reserves can also be expressed as the total loss reserves required less the case reserves on reported claims.

When reviewing reserves, we analyze historical data and estimate the impact of various loss development factors, such as our historical loss experience and that of the industry, trends in claims frequency and severity, our mix of business, our claims processing procedures, legislative enactments, judicial decisions, legal developments in imposition of damages, and changes and trends in general economic conditions, including the effects of inflation. A change in any of these factors from the assumption implicit in our estimate can cause our actual loss experience to be better or worse than our reserves, and the difference can be material. There is no precise method, however, for evaluating the impact of any specific factor on the adequacy of reserves, because the eventual development of reserves is affected by many factors.

In estimating all our loss reserves, we follow the guidance prescribed by Accounting Standards Codification ("ASC") 944, Financial Services – Insurance.

Management determines our loss and LAE reserves estimate based upon the analysis of our actuaries. A reasonable estimate is derived by selecting a point estimate within a range of indications as calculated by our actuaries using generally accepted actuarial techniques. The key assumption in most actuarial analysis is that past patterns of frequency and severity will repeat in the future, unless a significant change in the factors described above takes place. Our key factors and resulting assumptions are the ultimate frequency and severity of claims, based upon the most recent ten years of claims reported to the Company, and the data CAR reports to us to calculate our share of the residual market, as of the date of the applicable balance sheet. For each accident year and each coverage within a line of business our actuaries calculate the ultimate losses incurred. Our total reserves are the difference between the ultimate losses incurred and the cumulative loss and loss adjustment payments made to date. Our IBNR reserves are calculated as the difference between our total reserves and the outstanding case reserves at the end of the accounting period. To determine ultimate losses, our actuaries calculate a range of indications and select a point estimation using such actuarial techniques as:

· Paid Loss Indications: This method projects ultimate loss estimates based upon extrapolations of historic paid loss trends. This method tends to be used on short tail lines such as automobile physical damage.

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- Incurred Loss Indications: This method projects ultimate loss estimates based upon extrapolations of historic incurred loss trends. This method tends to be used on long tail lines of business such as automobile liability and homeowner's liability.
- Bornhuetter-Ferguson Indications: This method projects ultimate loss estimates based upon extrapolations of an expected amount of IBNR, which is added to current incurred losses or paid losses. This method tends to be used on small, immature, or volatile lines of business, such as our BOP and umbrella lines of business.
- Bodily Injury Code Indications: This method projects ultimate loss estimates for our private passenger and commercial automobile bodily injury coverage based upon extrapolations of the historic number of accidents and the historic number of bodily injury claims per accident. Projected ultimate bodily injury claims are then segregated into expected claims by type of injury (e.g. soft tissue injury vs. hard tissue injury) based on past experience. An ultimate severity, or average paid loss amounts, is estimated based upon extrapolating historic trends. Projected ultimate loss estimates using this method are the aggregate of estimated losses by injury type.

Such techniques assume that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for predicting our ultimate losses, total reserves, and resulting IBNR reserves. It is possible that the final outcome may fall above or below these amounts as a result of a number of factors, including immature data, sparse data, or significant growth in a line of business. Using these methodologies our actuaries established a range of reasonably possible estimations for net reserves of approximately $429,336 to $504,235 as of September 30, 2018. In general, the low and high values of the ranges represent reasonable minimum and maximum values of the indications based on the techniques described above. Our selected point estimate of net loss and LAE reserves based upon the analysis of our actuaries was $482,392 as of September 30, 2018.

The following table presents the point estimation of the recorded reserves and the range of estimations by line of business for net loss and LAE reserves as of September 30, 2018.

	As of September 30, 2018		
Line of Business	Low	Recorded	High
Private passenger automobile	$ 204,848	$ 227,156	$ 236,481
Commercial automobile	84,436	93,944	96,704
Homeowners	76,055	85,149	89,262
All other	63,997	76,143	81,788
Total	$ 429,336	$ 482,392	$ 504,235

	As of December 31, 2017		
Line of Business	Low	Recorded	High
Private passenger automobile	$ 215,048	$ 244,057	$ 246,950
Commercial automobile	82,929	90,083	93,377
Homeowners	81,395	88,954	92,894
All other	61,546	67,875	76,945
Total	$ 440,918	$ 490,969	$ 510,166

The following table presents our total net reserves and the corresponding case reserves and IBNR reserves for each line of business as of September 30, 2018.

	As of September 30, 2018		
Line of Business	Case	IBNR	Total
Private passenger automobile	$ 254,675	$ (27,878)	$ 226,797
CAR assumed private passenger auto	13	346	359
Commercial automobile	53,252	8,539	61,791
CAR assumed commercial automobile	16,950	15,203	32,153
Homeowners	67,495	8,389	75,884
FAIR Plan assumed homeowners	4,005	5,260	9,265
All other	45,336	30,807	76,143
Total net reserves for losses and LAE	$ 441,726	$ 40,666	$ 482,392

At September 30, 2018, our total IBNR reserves for our private passenger automobile line of business was comprised of ($48,823) related to estimated ultimate decreases in the case reserves, including anticipated recoveries (i.e. salvage and subrogation), and $20,945 related to our estimation for not yet reported losses.

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Our IBNR reserves consist of our estimate of the total loss reserves required less our case reserves. The IBNR reserves for CAR assumed commercial automobile business are 47.3% of our total reserves for CAR assumed commercial automobile business as of September 30, 2018, due to the reporting delays in the information we receive from CAR, as described further in the section on Residual Market Loss and Loss Adjustment Expense Reserves. Our IBNR reserves for FAIR Plan assumed homeowners are 56.8% of our total reserves for FAIR Plan assumed homeowners at September 30, 2018, due to similar reporting delays in the information we receive from FAIR Plan.

The following table presents information by line of business for our total net reserves and the corresponding retained (i.e. direct less ceded) reserves and assumed reserves as of September 30, 2018.

	As of September 30, 2018		
Line of Business	Retained	Assumed	Net
Private passenger automobile	$ 226,797		
CAR assumed private passenger automobile		$ 359	
Net private passenger automobile			$ 227,156
Commercial automobile	61,791		
CAR assumed commercial automobile		32,153	
Net commercial automobile			93,944
Homeowners	75,884		
FAIR Plan assumed homeowners		9,265	
Net homeowners			85,149
All other	76,143	—	76,143
Total net reserves for losses and LAE	$ 440,615	$ 41,777	$ 482,392

Residual Market Loss and Loss Adjustment Expense Reserves

We are a participant in CAR, the FAIR Plan and other various residual markets and assume a portion of losses and LAE on business ceded by the industry participants to the residual markets. We estimate reserves for assumed losses and LAE that have not yet been reported to us by the residual markets. Our estimations are based upon the same factors we use for our own reserves, plus additional factors due to the nature of and the information we receive.

Residual market deficits, consists of premium ceded to the various residual markets less losses and LAE, and is allocated among insurance companies based on a various formulas (the “Participation Ratio”) that takes into consideration a company’s voluntary market share.

Because of the lag in the various residual market estimations, and in order to try to validate to the extent possible the information provided, we must try to estimate the effects of the actions of our competitors in order to establish our Participation Ratio.

Although we rely to a significant extent in setting our reserves on the information the various residual markets provide, we are cautious in our use of that information, because of the delays in receiving data from the various residual markets. As a result, we have to estimate our Participation Ratio and these reserves are subject to significant judgments and estimates.

Sensitivity Analysis

Establishment of appropriate reserves is an inherently uncertain process. There can be no certainty that currently established reserves based on our key assumptions regarding frequency and severity in our lines of business, or our assumptions regarding our share of the CAR loss will prove adequate in light of subsequent actual experience. To the extent that reserves are inadequate and are strengthened, the amount of such increase is treated as a charge to earnings in the period that the deficiency is recognized. To the extent that reserves are redundant and are released, the amount of the release is a credit to earnings in the period the redundancy is recognized. For the nine months ended September 30, 2018, a 1 percentage-point change in the loss and LAE ratio would result in a change in reserves of $5,829. Each 1 percentage-point change in the loss and loss expense ratio would have had a $4,605 effect on net income, or $0.30 per diluted share.

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Our assumptions consider that past experience, adjusted for the effects of current developments and anticipated trends, are an appropriate basis for establishing our reserves. Our individual key assumptions could each have a reasonable possible range of plus or minus 5 percentage-points for each estimation, although there is no guarantee that our assumptions will not have more than a 5 percentage point variation. The following sensitivity tables present information for each of our primary lines of business on the effect each 1 percentage-point change in each of our key assumptions on unpaid frequency and severity could have on our retained (i.e., direct minus ceded) loss and LAE reserves and net income for the nine months ended September 30, 2018. In evaluating the information in the table, it should be noted that a 1 percentage-point change in a single assumption would change estimated reserves by 1 percentage-point. A 1 percentage-point change in both our key assumptions would change estimated reserves within a range of plus or minus 2 percentage-points.

	-1 Percent Change in Frequency	No Change in Frequency	+1 Percent Change in Frequency
Private passenger automobile retained loss and LAE reserves			
-1 Percent Change in Severity			
Estimated decrease in reserves	$ (4,536)	$ (2,268)	$ —
Estimated increase in net income	3,583	1,792	—
No Change in Severity			
Estimated (decrease) increase in reserves	(2,268)	—	2,268
Estimated increase (decrease) in net income	1,792	—	(1,792)
+1 Percent Change in Severity			
Estimated increase in reserves	—	2,268	4,536
Estimated decrease in net income	—	(1,792)	(3,583)
Commercial automobile retained loss and LAE reserves			
-1 Percent Change in Severity			
Estimated decrease in reserves	(1,236)	(618)	—
Estimated increase in net income	976	488	—
No Change in Severity			
Estimated (decrease) increase in reserves	(618)	—	618
Estimated increase (decrease) in net income	488	—	(488)
+1 Percent Change in Severity			
Estimated increase in reserves	—	618	1,236
Estimated decrease in net income	—	(488)	(976)
Homeowners retained loss and LAE reserves			
-1 Percent Change in Severity			
Estimated decrease in reserves	(1,518)	(759)	—
Estimated increase in net income	1,199	599	—
No Change in Severity			
Estimated (decrease) increase in reserves	(759)	—	759
Estimated increase (decrease) in net income	599	—	(599)
+1 Percent Change in Severity			

Estimated increase in reserves	—	759	1,518
Estimated decrease in net income	—	(599)	(1,199)
All other retained loss and LAE reserves			
-1 Percent Change in Severity			
Estimated decrease in reserves	(1,523)	(761)	—
Estimated increase in net income	1,203	602	—
No Change in Severity			
Estimated (decrease) increase in reserves	(761)	—	761
Estimated increase (decrease) in net income	602	—	(602)
+1 Percent Change in Severity			
Estimated increase in reserves	—	761	1,523
Estimated decrease in net income	—	(602)	(1,203)

Our estimated share of CAR loss and LAE reserves is based on assumptions about our Participation Ratio, the size of CAR, and the resulting deficit (similar assumptions apply with respect to the FAIR Plan). Our assumptions consider that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate

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basis for establishing our CAR reserves. Each of our assumptions could have a reasonably possible range of plus or minus 5 percentage-points for each estimation.

The following sensitivity table presents information of the effect each 1 percentage-point change in our assumptions on our share of reserves for CAR and other residual markets could have on our assumed loss and LAE reserves and net income for the nine months ended September 30, 2018. In evaluating the information in the table, it should be noted that a 1 percentage-point change in our assumptions would change estimated reserves by 1 percentage-point.

	-1 Percent Change in Estimation	+1 Percent Change in Estimation
CAR assumed private passenger automobile		
Estimated (decrease) increase in reserves	$ (4)	$ 4
Estimated increase (decrease) in net income	3	(3)
CAR assumed commercial automobile		
Estimated (decrease) increase in reserves	(322)	322
Estimated increase (decrease) in net income	254	(254)
FAIR Plan assumed homeowners		
Estimated (decrease) increase in reserves	(93)	93
Estimated increase (decrease) in net income	73	(73)

Reserve Development Summary

The changes we have recorded in our reserves in the past illustrate the uncertainty of estimating reserves. Our prior year reserves decreased by $39,348 and $31,166 during the nine months ended September 30, 2018 and 2017, respectively.

The following table presents a comparison of prior year development of our net reserves for losses and LAE for the nine months ended September 30, 2018 and 2017. Each accident year represents all claims for an annual accounting period in which loss events occurred, regardless of when the losses are actually reported, booked or paid. Our financial statements reflect the aggregate results of the current and all prior accident years.

	Nine Months Ended September 30,	
Accident Year	2018	2017
2008 & prior	$ (1,882)	$ (648)
2009	(860)	(533)
2010	(2,339)	(811)
2011	(2,430)	(2,334)
2012	(3,037)	(3,638)
2013	(3,730)	(5,284)
2014	(6,150)	(9,042)
2015	(3,478)	(3,562)
2016	(9,594)	(5,314)
2017	(5,848)	—
All prior years	$ (39,348)	$ (31,166)

The decreases in prior years' reserves during the nine months ended September 30, 2018 and 2017 resulted from re-estimations of prior year ultimate loss and LAE liabilities. The 2018 decrease is composed of reductions of $22,363 in our retained private passenger automobile reserves, $3,644 in our retained commercial automobile reserves, $8,700 in our retained homeowners reserves and $4,047 in our retained other lines reserves. The 2017 decrease is composed of reductions of $17,293 in our retained private passenger automobile reserves, $3,592 in our retained commercial automobile reserves, $6,513 in our retained homeowners reserves and $3,697 in our retained other lines reserves.

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The following table presents information by line of business for prior year development of our net reserves for losses and LAE for the nine months ended September 30, 2018.

Accident Year	Private Passenger Automobile	Commercial Automobile	Homeowners	All Other	Total
2008 & prior	$ (692)	$ (258)	$ (212)	$ (720)	$ (1,882)
2009	(368)	(54)	(144)	(294)	(860)
2010	(1,448)	(238)	(559)	(94)	(2,339)
2011	(1,578)	(87)	(550)	(215)	(2,430)
2012	(2,023)	(264)	(749)	(1)	(3,037)
2013	(1,636)	(309)	(1,463)	(322)	(3,730)
2014	(1,454)	(1,166)	(2,032)	(1,498)	(6,150)
2015	(3,560)	611	(571)	42	(3,478)
2016	(7,784)	(254)	(1,486)	(70)	(9,594)
2017	(1,820)	(1,110)	(2,043)	(875)	(5,848)
All prior years	$ (22,363)	$ (3,129)	$ (9,809)	$ (4,047)	$ (39,348)

To further clarify the effects of changes in our reserve estimates for CAR and other residual markets, the next two tables break out the information in the table above by source of the business (i.e., non-residual market vs. residual market).

The following table presents information by line of business for prior year development of retained reserves for losses and LAE for the nine months ended September 30, 2018 that is, all our reserves except for business ceded or assumed from CAR and other residual markets.

Accident Year	Retained Private Passenger Automobile	Retained Commercial Automobile	Retained Homeowners	Retained All Other	Total
2008 & prior	$ (692)	$ (258)	$ (212)	$ (720)	$ (1,882)
2009	(368)	(54)	(144)	(294)	(860)
2010	(1,448)	(223)	(559)	(94)	(2,324)
2011	(1,578)	(116)	(550)	(215)	(2,459)
2012	(2,023)	(251)	(729)	(1)	(3,004)
2013	(1,636)	(346)	(1,428)	(322)	(3,732)
2014	(1,454)	(1,146)	(1,914)	(1,498)	(6,012)
2015	(3,560)	652	(333)	42	(3,199)

2016	(7,784)	(911)	(960)	(70)	(9,725)
2017	(1,820)	(991)	(1,871)	(875)	(5,557)
All prior years	$ (22,363)	$ (3,644)	$ (8,700)	$ (4,047)	$ (38,754)

The following table presents information by line of business for prior year development of reserves assumed from residual markets for losses and LAE for the nine months ended September 30, 2018.

Accident Year	CAR Assumed Private Passenger Automobile	CAR Assumed Commercial Automobile	FAIR Plan Homeowners	Total
2008 & prior	$ —	$ —	$ —	$ —
2009	—	—	—	—
2010	—	(15)	—	(15)
2011	—	29	—	29
2012	—	(13)	(20)	(33)
2013	—	37	(35)	2
2014	—	(20)	(118)	(138)
2015	—	(41)	(238)	(279)
2016	—	657	(526)	131
2017	—	(119)	(172)	(291)
All prior years	$ —	$ 515	$ (1,109)	$ (594)

Our private passenger automobile line of business prior year reserves decreased by $22,363 for the nine months ended September 30, 2018. The decrease was primarily due to improved private passenger results of $21,303 for the accident years 2010 through 2017. The improved private passenger results were primarily due to fewer IBNR claims

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than previously estimated and better than previously estimated severity on our established bodily injury and property damage case reserves.

Our commercial automobile line of business prior year reserves decreased by $3,129 for the nine months ended September 30, 2018. The decrease was primarily due to improved retained commercial results of $2,137 for the accident years 2014 and 2017.

Our retained homeowners and our retained other lines of business prior year reserves decreased by $8,700 and $4,047 for the nine months ended September 30, 2018 due primarily to fewer IBNR claims than previously estimated.

For further information, see “Results of Operations: Losses and Loss Adjustment Expenses.”

Other-Than-Temporary Impairments.

We use a systematic methodology to evaluate declines in fair values below cost or amortized cost of our investments. This methodology ensures that we evaluate available evidence concerning any declines in a disciplined manner.

In our determination of whether a decline in fair value below amortized cost is an OTTI, we consider and evaluate several factors and circumstances including the issuer’s overall financial condition, the issuer’s credit and financial strength ratings, a weakening of the general market conditions in the industry or geographic region in which the issuer operates, a prolonged period (typically twelve months or longer) in which the fair value of an issuer’s securities remains below our amortized cost, and any other factors that may raise doubt about the issuer’s ability to continue as a going concern.

ASC 320, Investments — Debt and Equity Securities requires entities to separate an OTTI of a debt security into two components when there are credit related losses associated with the impaired debt security for which the Company asserts that it does not have the intent to sell the security, and it is more likely than not that it will not be required to sell the security before recovery of its cost basis. Under ASC 320, the amount of the OTTI related to a credit loss is recognized in earnings, and the amount of the OTTI related to other factors is recorded as a component of other comprehensive income. In instances where no credit loss exists but it is more likely than not that the Company will have to sell the debt security prior to the anticipated recovery, the decline in market value below amortized cost is recognized as an OTTI in earnings. In periods after the recognition of an OTTI on debt securities, the Company accounts for such securities as if they had been purchased on the measurement date of the OTTI at an amortized cost basis equal to the previous amortized cost basis less the OTTI recognized in earnings. For debt securities for which

OTTI was recognized in earnings, the difference between the new amortized cost basis and the cash flows expected to be collected will be accreted or amortized into net investment income.

For further information, see “Results of Operations: Net Impairment Losses on Investments.”

Forward-Looking Statements

Forward-looking statements might include one or more of the following, among others:

- Projections of revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items;
- Descriptions of plans or objectives of management for future operations, products or services;
- Forecasts of future economic performance, liquidity, need for funding and income;
  - Descriptions of assumptions underlying or relating to any of the foregoing; and
- Future performance of credit markets.

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “estimate,” “aim,” “projects,” or w similar meaning and expressions that indicate future events and trends, or future or conditional

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verbs such as “will,” “would,” “should,” “could,” or “may.” All statements that address expectations or projections about the future, including statements about the Company’s strategy for growth, product development, market position, expenditures and financial results, are forward-looking statements.

Forward-looking statements are not guarantees of future performance. By their nature, forward-looking statements are subject to risks and uncertainties. There are a number of factors, many of which are beyond our control, that could cause actual future conditions, events, results or trends to differ significantly and/or materially from historical results or those projected in the forward-looking statements. These factors include but are not limited to the competitive nature of our industry and the possible adverse effects of such competition. Although a number of national insurers that are much larger than we are do not currently compete in a material way in the Massachusetts private passenger automobile market, if one or more of these companies decided to aggressively enter the market it could have a material adverse effect on us. Other significant factors include conditions for business operations and restrictive regulations in Massachusetts, the possibility of losses due to claims resulting from severe weather, the possibility that the Commissioner may approve future Rule changes that change the operation of the residual market, the possibility that existing insurance-related laws and regulations will become further restrictive in the future, our possible need for and availability of additional financing, and our dependence on strategic relationships, among others, and other risks and factors identified from time to time in our reports filed with the SEC. Refer to Part I, Item 1A — Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2017.

Some other factors, such as market, operational, liquidity, interest rate, equity and other risks, are described elsewhere in this Quarterly Report on Form 10-Q. Factors relating to the regulation and supervision of our Company are also described or incorporated in this report. There are other factors besides those described or incorporated in this report that could cause actual conditions, events or results to differ from those in the forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We do not undertake any obligation to update publicly or revise any forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made.

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Item 3. Quantitative and Qualitative Information about Market Risk (Dollars in thousands)

Market Risk. Market risk is the risk that we will incur losses due to adverse changes in market rates and prices. We have exposure to market risk through our investment activities and our financing activities. Our primary market risk exposure is to changes in interest rates. We use both fixed and variable rate debt as sources of financing. We have not entered, and do not plan to enter, into any derivative financial instruments for trading or speculative purposes.

Interest Rate Risk. Interest rate risk is the risk that we will incur economic losses due to adverse changes in interest rates. Our exposure to interest rate changes primarily results from our significant holdings of fixed rate investments and from our financing activities. Our fixed maturity investments include U.S. and foreign government bonds, securities issued by government agencies, obligations of state and local governments and governmental authorities, corporate bonds and asset-backed securities, most of which are exposed to changes in prevailing interest rates.

We manage our exposure to risks associated with interest rate fluctuations through active review of our investment portfolio by our management and Board and consultation with third-party financial advisors. As a general matter, we do not attempt to match the durations of our assets with the durations of our liabilities, and the majority of our liabilities are “short tail.” Our goal is to maximize the total after-tax return on all of our investments. An important strategy that we employ to achieve this goal is to try to hold enough in cash and short-term investments in order to avoid liquidating longer-term investments to pay claims.

Based upon the results of interest rate sensitivity analysis, the following table shows the interest rate risk of our investments in fixed maturities, measured in terms of fair value (which is equal to the carrying value for all our fixed maturity securities).

	-100 Basis Point Change	No Change	+100 Basis Point Change
As of September 30, 2018			
Estimated fair value	$ 1,170,947	$ 1,131,133	$ 1,088,329
Estimated increase (decrease) in fair value	$ 39,814	$ —	$ (42,804)

With respect to floating rate debt, we are exposed to the effects of changes in prevailing interest rates. At September 30, 2018, we had no debt outstanding under our credit facility. Assuming the full utilization of our current available credit facility, a 2.0% increase in the prevailing interest rate on our variable rate debt would result in interest expense increasing approximately $600 for 2018, assuming that all of such debt is outstanding for the entire year.

In addition, in the current market environment, our investments can also contain liquidity risks.

Equity Risk. Equity risk is the risk that we will incur economic losses due to adverse changes in equity prices. Our exposure to changes in equity prices results from our holdings of common stock and mutual funds held to fund the executive deferred compensation plan. We continuously evaluate market conditions and we expect in the future to purchase additional equity securities. We principally manage equity price risk through industry and issuer diversification and asset allocation techniques.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures [as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)] as of the end of the period covered by this report. Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures are adequate and effective and ensure that all information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and that information required to

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be disclosed in such reports is accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II. OTHER INFORMATION

Item 1. Legal Proceedings - Please see “Item 1 — Financial Statements - Note 7, Commitments and Contingencies.”

Item 1A. Risk Factors

There have been no subsequent material changes from the risk factors previously disclosed in the Company’s 2017 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds (Dollars in thousands)

On August 3, 2007, the Board of Directors approved a share repurchase program of up to $30,000 of the Company’s outstanding common shares. As of September 30, 2018, the Board of Directors had cumulatively authorized increases to the existing share repurchase program of up to $150,000 of its outstanding common shares. Under the program, the Company may repurchase shares of its common stock for cash in public or private transactions, in the open market or otherwise. The timing of such repurchases and actual number of shares repurchased will depend on a variety of factors including price, market conditions and applicable regulatory and corporate requirements. The program does not require the Company to repurchase any specific number of shares and it may be modified, suspended or terminated at any time without prior notice. No share repurchases were made by the Company during the nine months ended September 30, 2018.

Item 3. Defaults upon Senior Securities - None.

Item 4. Mine Safety Disclosures — None.

Item 5. Other Information - None.

Item 6. Exhibits - The exhibits are contained herein as listed in the Exhibit Index.

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SAFETY INSURANCE GROUP, INC.

EXHIBIT INDEX

Exhibit Number	Description
10.1	2018 Long-Term Incentive Plan (1)
11.0	Statement re Computation of Per Share Earnings (2)
31.1	CEO Certification Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes Oxley Act of 2002(3)
31.2	CFO Certification Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes Oxley Act of 2002(3)
32.1	CEO Certification Pursuant to U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002(3)
32.2	CFO Certification Pursuant to U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002(3)
101.INS	XBRL Instance Document(3)
101.SCH	XBRL Taxonomy Extension Schema(3)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase(3)
101.DEF	XBRL Taxonomy Extension Definition Linkbase(3)
101.LAB	XBRL Taxonomy Extension Label Linkbase(3)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase(3)

(1) Incorporated herein by reference to the Registrant's Definitive Proxy Statement filed on April 11, 2018.
(2) Not included herein as the information is included as part of this Form 10-Q, Item 1 - Financial Statements, Note 3, earnings per Weighted Average Common Share.
(3) Included herein.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

November 2, 2018 SAFETY INSURANCE GROUP, INC. (Registrant)

By: /s/ WILLIAM J. BEGLEY, JR.
William J. Begley, Jr.
Vice President, Chief Financial Officer, Secretary and Principal Accounting Officer