MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Saga Communications First Quarter 2010 Results. [Operator Instructions] As a reminder, today's conference is being recorded. Now I'd like to turn the conference over to President and CEO, Ed Christian.

Edward K. Christian, President, Chief Executive Officer, and Chairman

Thank you, Nick, and as usual thank you all for joining us today. We will start with the summary and the SEC specifics with Sam Bush.

Samuel D. Bush, Senior Vice President, Treasurer, and Chief Financial Officer

Thanks, Ed. Before beginning I would like to emphasize that this call will contain forward-looking statements about our future performance and results of operations that involve risks and uncertainties that are described in the risk factors section of our most recent Form 10-K. Actual results may differ materially from those expressed in this conference call.

This call will also contain a discussion of certain non-GAAP financial measures within the meaning of Item 10 of Reg S-K. Reconciliation for all the non-GAAP financial measures to the most directly comparable GAAP measure is attached in the selected financial data table. We use these non-GAAP measures to assess our financial performance for the purpose of evaluating stations and markets as well as determining incentive compensation in addition to analyzing overall operating performance.

You have our first quarter numbers from the Press Release and supporting schedules. We have only reported historical results, since there is no material difference in the same station and pro forma numbers. Here are a few additional pieces of data that I think you'll find interesting. Our substantial free cash flow increase of 140%, or 1.3 million, was due to a 1.9 million increase in net revenue combined with a 1.4 million reduction in station operating expense. National accounted for approximately 14% of gross revenue for the quarter, compared to 12% last year. Our Networks net revenues were 992,000 for the quarter, compared to 823,000 last year. This year we had 132,000 of political revenue compared to no political revenue for the networks during the first quarter of last year.

Station operating income excluding depreciation and amortization for the networks was 123,000 for the quarter, compared to 2,000 last year. For reporting purposes, as always, the networks are reported in our Radio segment. Political revenue for all segments for the quarter was 241,000, compared to 38,000 for the same period last year. It can be broken out as follows: Radio was 210,000, TV was 31,000 this year, compared to 33,000 and 5,000 respectively for the same period last year. As far as pacings go, April preliminarily appears to have ended with a 5 to 6% gain in gross revenue, while May and June are pacing up low single digits with the expectation of finishing the months mid-single digits.

Interactive continued to be a growth area as we recorded a 35% increase to 842,000 in revenue this quarter, compared to 623,000 for the same period last year. This represents approximately 3% of our net revenue for the quarter. We firmly believe that this number will continue to increase, becoming roughly 5% or so of our net revenue over the next year or so. Additionally the number of unique visitors to our websites increased 40% in the past year. Ed will add some color to this activity and in particular comment on one of our newest websites, Clarksvillenow.com, in a few minutes.

Station operating expense decreased an additional one million for the quarter. As reported, this is a reduction of 5.8%. Our ongoing expense reduction will begin to level out throughout the rest of the year as a lot of the expense initiatives that we undertook were completed in the first quarter of last year. A bit of it will continue to show itself in the second quarter, but the reductions won't continue at the level experienced in the first quarter. The only anticipated expense increases in 2010 will be the expense associated with increased sales compensation due to increased revenue and some additional marketing dollars as is deemed appropriate for specific markets.

As reported in the Press Release, capital expenditures in the first quarter were 845,000, compared to 1.1 million during the first quarter of 2009. We are still estimating total capital expenditures in 2010 to be 4.5 to $5 million.

As we pointed out in the Press Release, Saga has a balance sheet to be proud of. We had 16.4 million in cash on hand as of March 31, 2010. As of March 31, 2010, our trailing 12-month leverage ratio, calculated as a multiple of EBITDA, was 3.7 times. This compares to a ratio of 4.3 times at the end of 2009. Net in cash against outstanding debt to ratio would be 3.2 times. We reduced debt by 14.3 million during 2009 and expect to reduce debt by at least another 13 to 15 million this year. You can find more details on this in our prior SEC filings.

Two other quick items for 2010. We expect interest expense for the year to be between 5.7 and 6.2 million. Our anticipated total tax rate going forward will be 41%. We anticipate deferred taxes for 2010 to be between 4.3 and 4.8 million. Current taxes will vary based on the income in each quarter.

Finally, we had a 3.6 million in other income for the year. This was primarily due to a 3.5 million we received relative to altering our KAFE FM license in Bellingham, Washington, which allowed another broadcaster to improve their signal covering Seattle, Washington. This alteration did not impact our ability to operate in Bellingham. In fact, Bellingham's station operating income was up a little over 18% for the first quarter.

Once again this quarter, we asked for your questions to be submitted via e-mail. Ed and I will respond to those questions that we feel we can appropriately respond to later in the call.

Ed, back to you.

Edward K. Christian, President, Chief Executive Officer, and Chairman

You know, you still have that Indiana auditor, Washington.

Samuel D. Bush, Senior Vice President, Treasurer, and Chief Financial Officer

I do. I know. You've tried to break me of that for 13 years now.

Edward K. Christian, President, Chief Executive Officer, and Chairman

I know. You can't take Indiana out of the boy.

You know, I heard a great line today. And it's, "people think I'm smarter this year than last year." And I have to give credit to that line to Stu Olds, who is the President of Katz Communications. And I was talking to Stu earlier today, and just as an aside, I'll share a little bit with you about what his view is on the national market – national spot sales for radio.

And Katz is the largest, behemoth provider of representation to radio stations in the United States. And Stu said except for the little "owwie" in April, that the second quarter is facing well, and first quarter was good, and the second quarter as well. And then we swing into political. And I think Stu had a very kind of prescient thing, he said the way the government is going right now, political can become a regular category, perhaps on a yearly basis. And that's an interesting observation, and one I think we should all just kind of keep in mind and file away for later times.

Anyway, now let's get back to this whole thing. Let's talk about Saga. Well, quarter one kind of speaks for itself, and quarter 2 is tracking right along with our feeling that the sector and that is 2010, will be plus 4 to 6%. We don't see anything to really modify that thinking on that.

Couple this with – actually the precision market-by-market restructuring that we did in 2009, and we even continue with the value of the programs in operations today. I can say that I feel much better about this call then for the same date last year. I don't think I'm any smarter but I think we've learned a lot about some operational efficiencies that we can keep in place and also know which ones we have to grow back over time. There's no question as a company we have high spots and low spots.

I can't quote ratings as we don't subscribe to Arbitron, but I haven't heard any negatives. What we've been concentrating on and really putting a lot of emphasis on is qualitative sales. All right, what's qualitative sales? It's what a station represents to which community, what value is there for sale. It's the old traditional way. It's the way that buying started selling decades ago in this business.

If my station, or now stations, don't have you, Mr. Advertiser – don't give you Mr. Advertiser results, don't provide results, then just kick me out. I know that I do and I'm willing to work with you to design a program that will increase your sales. That's essentially it. Qualitative is taking the nuggets in the [inaudible] of stations and the listeners, and presenting them in a cogent manner to a targeted accounts that we know they can receive benefit from advertising on the radio. It's a simple philosophy. It's served us well. And we kind of drifted off that for a while.

Now with that said, I want to make specific mention, I'm not downgrading Arbitron, is I am hopeful that PPM will continue its work to be accredited by the media rating council. There's a few markets where it's accredited currently. I know that Arbitron is working on this being added under the microscope. They're working on it daily to improve it, and we're watching as closely to watch the evolution of MRC accreditation in the markets where we operate, in the major markets, because the diary is still the preferred methodology for Arbitron in the markets that they feel can't financial support people [inaudible].

Our high spot has been essentially that. We've done a good job with our stations and our markets in the first quarter, and I'm buoyed by what I'm seeing in the second quarter. What's our low spot? Well, KNO8 is Columbus, Ohio, and the market which really saw revenue evaporate. And now this has always been a good market. It was a targeted market for us because it has the state capitol; it has a major university with 30,000 plus students; it has a number of corporate headquarters; it has diverse manufacturing. But what we saw in the market over the last couple years has been astonishing, and it really has played some havoc with our stations.

We saw a very healthy market in 2008 of $85 million in radio advertising decrease to $69 million in 1989, so it evaporated. And frankly our stations didn't keep pace and are lagging. Even though the market is off 5% today we're still very – watching the Columbus market with laser-like focus, and we've implemented a lot of basics to correct this aberration in the company. That's probably the low spot, and I think that it's only fair that I share that with you.

We kind of review where we are, and then we can go on. We talk about the revenue and operations, they're up; the station is generally healthy, check. Radio networks are performing, yep.

TV station is performing to our expectations, okay. Our rates are firming, yes. We're seeing that, and as rates are firming then the orders are getting larger. That's happening.

There are people that are walking from business, which is to me spectacular, that are people are saying, no, I can't clear at that rate. So we're beginning to see this trend, this reversal that's like these ears are grinding down and we're finally, along with other broadcasters, getting the message that you can say no, that you just can't walk to thru a piece of business and replace it, because there is pressure on the inventory now. It's a really significant thing for us to know.

Global economy, stabilized? Maybe. No blow back to the U.S.? It's too soon to tell. Are consumers happy? Well, they're not buoyant – not dancing in the streets – not that they're better and they're spending. And we've seen that in store sales and we've seen that talking with our advertisers. And ones we've set on the shelf during 2009 are beginning to come back in 2010. Are they out there embracing advertising, no? But I think the tentative stats show that they recognize that to grow their business and their brands they have to advertise, and radio is the efficient medium that it always has been.

And interactive – and Sam mentioned that – and let me tell you a little story about this. The rollout of a website that we did, and it's tangential to our radio station, and it's a stand-alone by itself. A number of months ago, our market manager, Kitty Gamble, in Clarksville, Tennessee, called and said, "You know, I really want to do something different. I really want to go out." And I said, "Okay you want to be the prototype on this?" And she said, "Yeah, I'm in a town of over – of 200,000 people plus there's an additional 25,000 military at Fort Campbell, and I want to rollout a website focused on news." And I said, "Okay. Go ahead, and let me see what you can do?"

So we came up with Clarksvillenow.com – and I asked her to go look at it. And what's interesting is because we had a launch party just a few weeks ago at the – not community center – the conference center in Clarksville, right on the Cumberland River and had a wonderful launch party. The Mayor and the Commander of the base were there and cut the ribbon to launch the website. And 10 days later the conference center is under water, as it were. But in the meantime we've had huge traffic on the website, and I hate to say that the flood was a perfect way to launch our Clarksvillenow as a news-centric website.

I would ask you to take a look at it, because the number of unique visitors we've had there are - unique visitors are about 50,000 so far, just in the first week that we launched it. It's been really, really – it's 100% local community news website for Clarksville and Fort Campbell, and they did just an absolutely exemplary job of doing it. And again, 40% of the population clicks in as a unique visitor to the website. You can see the power of our radio stations. I think that's the important thing we have to really emphasize here is the power of our radio stations in that market drove one out of every four people to the website in the first short period of time that it launched. This is the power of radio using interactive as a back step, and I think it's very, really important to take a look at that.

What else do we have here? I've talked about the interactive.

Oh, let me just share a couple of things here, if I can find it from Jeff Vettrus, our Head of Interactive. He was quoting actually an article from Jerry Del Colliano, who every now and then there is a diamond in his wealth of words in his blog, and what Jerry's talking about is interactive media, and it's something that we really subscribe to, is that all content must be unique, and what you present must be compelling, that is, what will you start your day with, and free content must be addictive to succeed. That's our goal on our digital side of it. Maybe I'm spending a lot of time on it right now, but I think it's really good for us, because our margins on interactive last year were 45%. I'm not just spewing on this because our prime business really is still broadcasting, but it's an interesting thing for us. We project probably 6 to 8% growth this year, and part of that is because our interactive is off in Columbus, so we have to compensate for that.

Margins, 26% in Q1, that's versus 17%, I think, last year. I probably see a growth on that to 30s this year. Yeah, we'll get back into that level. Now that's my projections, not an absolute, and I have to do that as an SEC qualification statement here so that...

Samuel D. Bush, Senior Vice President, Treasurer, and Chief Financial Officer

That's good, Ed.

QUESTION AND ANSWER SECTION

<A – Edward Christian>: Thank you. A couple of questions that we have here, let me find our question list here. And Sam is...

<A – Samuel Bush>: While you're looking for that, Ed, I've got a couple that people ask about the numbers, just some additional enhancement to the numbers? One of the questions we got was how did radio revenue compare or, not radio, radio and TV revenue, I'll address it all together – compare relative to January, February and March? And it was a steady increase as far as the growth goes. January, we were up a little over 2% for the month. February, we were up a little over 6% for the month. And March, we were up in low double-digits in the 11% range for the month. And then, in my comments, I already talked about April, May and June, so I think you have a better feel where we are there.

The other question relative to revenue numbers, in general, was how are we doing nationally and locally, and how did national compare to local? National was up significantly. Obviously, it's a much smaller number, so not that it's easy to get an increase in national percentage wise, but we were up almost a little over 18% in national for the quarter. And local was up a little under 4% for the quarter. But again, local is such a big piece of our business, it's a little harder to get those percentages up.

<A – Edward Christian>: Yeah, it always troubles me when we do that because the numbers don't really speak where we're going.

<A – Samuel Bush>: And there was another question on the revenue from Tim Schlock, Marci Ryvicker, that had to do with were we seeing differences in the size of our markets. And basically, there was not a material difference in the size of our markets. I know some other broadcasters have reported larger markets growing faster than smaller markets, but the net effect are that larger markets are actually decelerating here in Q2.

Some of our markets, both large and small, performed better than others, as I already talked about Columbus a little bit, but there's nothing in our numbers to draw comparisons from, relative to size.

<A – Edward Christian>: Okay. A couple of questions for me. Is M&A starting to revive yet in radio, as de-leveraging continues, as credit thaws a bit, and saw revenue rebounds, or is it too soon? Is M&A starting to revive yet in radio? No. I found it interesting to watch these groups that are running around saying we have x millions, billions of dollars for acquisitions, when indeed, all that really is out there in terms of availability now is the flotsam and jetsam, because nobody is selling into the market based on 2009 cash flow.

So we can all say that we have lots of money to go buy, but if there is nobody who is a willing seller at bargain basement prices, because of the belief in this industry that things are going to improve, nobody is looking at it and yelling uncle unless it is damaged goods – I say that politely, because I'm sure there's some very effective transactions that can be made that I'm not aware of. But, from what we're seeing, and I put that very, very honestly like that, the M&A market is not reviving.

You know, ask yourself, if you had something right now, and you saw the changes that were occurring in 2010, and you knew the carnage that existed in 2009, and you believe as we do that things are improving and we're getting back to basics and back to normal in the growth, as again coming back to where it was. Look, we got hurt, but do you sell into that market? Not unless you absolutely got your back to the wall. Reorganize or restructure or do other things which will buy time. So that's what I think is happening in the M&A market right there.

Sam answered the question on national versus local in Q1. May and June are historically two big revenue months for the radio industry. As I told you, we're pacing ahead for May. We're pacing ahead for June, and then as Stu Olds partially pointed out we have political coming up, and this should be a very good year for both our television stations and our radio stations, and certainly our networks, we do well in all of them.

<A – Samuel Bush>: Actually talking about political, just real quick, an interesting point in our TV stations in Joplin, Missouri, where we typically get quite a bit of political and we're expecting to get quite a bit. They were – I was talking to Danny Thomas there this morning and he was pointing that TV has gotten very little political so far, but radio has been getting significant political already, which is a little bit of a change as well. So it'll be interesting to see how that carries forward this year.

<A – Edward Christian>: Yeah. And what we're seeing also as far as the networks go is a lot of issue advertising that's beginning to come in, and that certainly bodes well, because that's radio and TV certainly are welcoming issue, advertising isn't.

I think that the [inaudible] in Q1 – about the same. Everything is coming back. Can I tell you that there's any breakout categories? Can we sit here and talk about like we used to – any new revenue categories developing? I think we're just working it hard in all the areas, trying to build a new book of business, and that's showing here. And that's showing – automotive is coming back, but can I tell you that the dealer groups or the dealers themselves are rushing back in? No. And it's coming. And we get the tailwind of water, and that's again a good sign on it.

Is business getting placed any earlier in Q2 than last year? No. Business still is a last minute approach to revenue, and yes, the rates are firming, and I did mention that on there too. I think that's about it. Sam, have you got anything there?

<A – Samuel Bush>: I've got one final one that had to do with retransmission consent revenue for our TV stations. And the question was really did that provide significant growth for our TV revenue in Q1? And the answer to that is no. TV is up based on significant increases in both local and national revenue. And we've reported previously on what our retransmission consent money was, and there's been no significant change from that.

<A – Edward Christian>: One other question in that sphere, what are your thoughts on the Radio Royalty Bill? I presume we're talking – well there's two bills. The Radio Royalty is the performers, which is, I think, is having some very difficult times because it's breaking a decades' old paradigm of a radio that's used for the artist. As I've said many times, this is really a music-company way to achieve revenue for themselves because of their failed model and sort of album hits have dropped off. They're suddenly looking at new revenue points. Radio respects and honors creativity, and we have always paid composers, authors and publishers substantive amounts of royalties historically year-after-year-after-year for 70 years, and that doesn't change and that will not change. Performers are another issue. In paying music companies royalties is an antimutt to us. That is not in our DNA to do so. And it's just wrong.

Under the guise of a performer's royalty this is what is happening, and under the leadership of Gordon Smith who has done just a tremendous job as the new president of the National Association of Broadcasters. I can't tell you how thrilled I am. Yesterday the NAB announced that CBS and FOX have returned to the membership pool after a multi-year absence and thanks to the leadership innate to Gordon Smith on that. I put a plug in for that because I'm really – and he really understands our royalty issues here for performers.

As far as the pending licenses for ASCAP and BMI, stay tuned as the radio music license community is in rate court as we speak with ASCAP. BMI was filed last week. We are expecting some news on that very shortly, which we believe will be very good news for the radio industry, but that's to be announced. So stay tuned on that one. But don't confuse a few wishes. Please remember that radio has always honored their responsibility to the creative part of the business to composers and authors and publishers whose work lives forever in the words and music. And that is sacrasent in what we do.

The other one is not right, and if you quietly talk to some of the artists they will tell you the reason the industry is giving gold records and the reason that the artists – the performers are so giddy about radio is because it's made their careers, and to provide another source of revenue to record companies is just not right. I'm sorry that's a little personal. I use this as my soapbox here.

Edward K. Christian, President, Chief Executive Officer, and Chairman

Anyway, so thanks for joining us. Our goals are to still run great radio stations that are profitable. I'll pay down our debt just like our banks request that we do so that we can have the lowest leverage in the public sector. That's our goal, and we will achieve that. And then return to being targeted opportunists, I ask you to keep that word in mind because that' really what we are, is targeted opportunists. And that strategy has made us what we are today. And we're about three minutes early in getting out of where we expected to be at 2:30.

So again, thank you. Nick, if you're there, you can get the replay information that would be it for today.

Operator: Thank you. [Operator Instructions] And that does conclude our conference for today. Thank you very much for your participation. You may now disconnect.

Edward K. Christian, President, Chief Executive Officer, and Chairman

Thank you very much for your help.