MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Second Quarter 2010 Results Conference Call. At the request of our host, all lines are in a listen-only mode. [Operator Instructions] And also today's conference call is being recorded. At this time I will turn the conference call over to your host, President and CEO, Mr. Ed Christian. Please go ahead, sir.

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

Thank you, Tony, and welcome to our Saga conference call. Sam just told me that today is also Marci Ryvicker son's birthday. We would normally sing happy birthday, except we are not licensed, and it's a public performance, and we would have to pay royalty fees if we did so. So suffice it to say happy birthday to Marci's son today. With that said, we'll turn it over to Sam. I'll be back with some salient comments, poignant thoughts, whatever we have for today. Sam?

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

Thanks, Ed. Before beginning I'd 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 factor 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 second quarter numbers from the press release and supporting schedules. Once again, we have only reported historical results, since there is no material difference in the same station and pro forma numbers. National accounted for approximately 14% of gross revenue for the quarter, compared to 14.4% last year. Our Networks net revenues were 1.2 million for the quarter compared to 1.3 million last year. This year we had 124,000 of Political revenue compared to 50,000 for the networks during the second quarter last year.

Station operating income, excluding depreciation and amortization for the networks was 352,000 for the quarter, compared to 404,000 last year. The networks are reported in our Radio segment. Political revenue for all segments for the quarter was 450,000, compared to 160,000 for the same period last year. It can be broken out as follows. Radio was 432,000 and TV was 18,000 this year, compared to 153,000 and 7,000 respectively for the same period last year. And I already gave you the network numbers in previous comments.

As far as pacings go, July preliminary appears to have ended with a 6 to 7% gain in gross revenue while August and September are pacing up mid to high-single digits with the expectation of finishing the month mid-single digits.

As of now, Political is not a significant portion of our forward pacing. Station operating expense was slightly lower this quarter, although it was somewhat impacted by increasing advertising and promotional expense in a number Saga markets. Ed will talk a bit more about this in a few minutes. As we have indicated before, our ongoing expense reduction will continue 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. Ongoing expenses are expected to be approximately flat with last year, other than we do expect to strategically spend some additional dollars on advertising and promotions, as well as to incur additional sales compensation expense as a result of our revenue growth.

As reported in the press release, capital expenditures in the second quarter were 1.3 million compared to 1.5 million during the first quarter of 2009. We are still estimating total capital expenditures in 2010 to be 4.5 million to 5 million. We had 18.1 million in cash on hand as of June 30, 2010. As of June 30, 2010, our trailing 12-month leverage ratio calculated as a multiple of EBITDA was 3.5 times. This compares to a ratio of 4.3 times at the end of 2009. Netting our cash and certificate of deposit balances against outstanding debt, the ratio would be 2.9 times. Subsequent to the end of the quarter, we reduced debt by an additional 4 million bringing our total debt reduction in 2010 to 11.5 million.

As a reminder, we reduced debt by 14.4 million during 2009. We expect to reduce debt by at least another 5 million to 7 million this year. The quarter itself was a bit sporadic relative to how the revenue ran. April, our net revenue was up a little over 6%. May our net revenue was up a little over 5%, almost 5.5%. And in June it just flattened out. And Ed will talk a little bit more about that in a minute as well. But the quarter started well and fell off somewhat. And again, so far for the third quarter we're not seeing any fall-off in the numbers as I have previously indicated.

Two other quick items for 2010. We expect interest expense for the year to be between 5.7 million 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 million and 4.8 million. Keep in mind when you are comparing this year to last year that basically our entire tax provision last year was deferred taxes with no current portion. This makes a comparison of certain of our reported numbers, including free cash flow a bit odd year to year. Current taxes will vary this year based on the income in each quarter. We recorded 3.4 million in other income to date this year. As a reminder, this was primarily due to the 3.4 million we received relative to altering our KAFE FM license in Bellingham, Washington. Please see our previous conference calls and SEC filings for more details on this transaction. Bottom line is it was a nice addition to our cash position over and above our normal operations. Once again, this quarter we ask for your questions to be submitted via e-mail prior to the call and I will respond to those questions that we feel we can appropriately respond to later in the call. Ed, to you?

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

Thank you, Sam. And as Sam just told you, April and May were single-digits, which as we anticipated, mid-single digits -- mid-to-upper-single digits. But June really hit us kind of like the proverbial Texas Blue Norther. Whoa, it just kind of came of out nowhere in a very short period of time. It's interesting because we saw that we weren't alone with this. Again, trends if you can ever look at it, usually don't just hit one company but are specific to the industry. June wasn't down. It was flat. And I got to be candid. I find that unacceptable. To even say flat with 2009 is very painful. But that happened. There wasn't a lot of advanced warning. There were no bells and soundings. We just saw it. And the business stopped during the month. Also it came back in July. August, September, October all pacing very respectfully for us.

So other than June, which was the bad news, what is the good news? Well as I told you, our pacings are up and our inventory is tightening. And that's pretty good news. There's a lot of negativity about the economy, which isn't helping us. There's no question about it. We're responsive to what the public hears; what the consumer does. It's always been that way. But once again I like to remind people that in the markets that we operate, we usually have more tactical control on our clients and their spending habits and their ability to spend than if -- and we are not as dependant on national advertising, which is or is not. There are no such things as proposals literally anymore in national advertising. Avails come up and are completed within 24 hours and it is strictly transactional. And it can go away very quickly too.

We're a little bit more insulated than larger markets. And they can be hurt heavier with the national advertising dissipating or stopping. On margins, 35% versus 33% last year for the quarter. I'm pleased with that. That's very good. And we should talk about a couple of things that did occur on the Station side. One, we launched Big Buck FM Country in Milwaukee. And there was start-up expenses related to that in advertising, marketing and promotion. We took a station that was doing smooth jazz -- unfortunately smooth jazz has in a lot of markets discovered ignominy in PPM markets and it is no longer favorable. It's interesting how the winds can change on that, just on the format by changing methodology. People didn't change, methodology changed.

In fact, there's a little side bar here. I was reading a study the other day and I was talking to Steve Goldstein about this. And new findings are now telling people that if you're in a People Meter market, you run your commercials at 15 and 45. But if you are in an Arbitron Diary market you run them at 20 and 50. So mark at 35, as commercials are 15 and 45 if you want to gin the People Meter. Mark at 36 if you want to affect the Diary, which runs at 20 and 50. So I'm trying to figure this out why people are so different in this whole situation. But be that as it may.

Anyway, so we launched Big Buck Country, which I think will do what it is planned for us to do. And that is it will be a mid-to-lower pack performer. It's designed to be additive with the rest of our really spectacular cluster in Milwaukee.

In Columbus, again, a smooth jazz casualty with WJZA. We launched several weeks ago Rewind FM, which is showing very early, good momentum for us in that market. I think we'll do well. There will also be expenses incurred on the launch of that. Anytime you launch a new station you just don't launch it in a vacuum, but you try to find ways to market it and promote it, as target marketed and as inexpensively as possible to get the maximum buck on that.

Our expenses are holding their own with the exception, if you really look at it, manager's bonuses which is a good thing for managers. And our sales commissions, of course, go up, due to increased higher revenue.

One other thing, we fired up a new translator in Ithaca. We put our very successful news talk AM station, WHCU on FM also, so that should help us a little bit.

And I think that's pretty much what I have. And I think it's going to be somewhat of a short call, but we have some questions here.

QUESTION AND ANSWER SECTION

<A – Edward Christian>: And from Marci Ryvicker. TV was surprisingly light versus your peers. What are you seeing that is there? Well, with three TV markets and very small TV markets, we really don't have what I look at as peers. Because any of the TV companies that are reporting don't operate in the smaller markets like we do. We've always kind of viewed ours as radio with pictures in terms of the approach and the way we operate it, so it's hard to say what our peers are doing because they're in a different playground. It's kind of like comparing us to a company that operates only in the top 10 markets. We have different ways of doing things. So we don't look at that. We think our TVs are doing well. We have one that's in a very tough economic market, which is in Mississippi, but our Joplin stations and our Victoria, Texas stations are doing fine and up.

<A – Samuel Bush>: Yeah, that being said, Ed, just to give you a brief picture of what the forward pacings are for July, August, and September as we've broken out, we talked about them a little bit a minute ago. But radio was up roughly 6% in July, 8% in August, 7% in September on a forward pacing. TV was about 14% in July, 11.5 in August and around 10% in September. So TV is pacing slightly ahead of radio, which would be expected in today's environment.

<A – Edward Christian>: Yeah, and especially those are small numbers to us. I mean that's the difficulty in any comparison item. Any change in honor spending giving to the fragile economy? I've been seeing cancellations? Yes. We are seeing a slowdown on the car stores reacting to some of this, whether it is cancellations or suspension or rescheduling, we're watching and monitoring every pulse with it. Yes, I have noticed that in the last couple weeks on the managers' reports. Those I think Sam answered here.

Any comments on performance royalties? Curious, as to your opinion on Senator Smith's and Steve Newberry's proposal? Okay. That's a fair question. I understand completely what a small group on the NAB executive committee did. I don't understand quite why it was done in a vacuum and I don't understand why the urgency. Now here's what is probably troubling me and I look at this again from years working on the Radio Music License Committee with ASCAP and BMI and with Songwriters. But a few members of Congress right now, what the NAB is actually sanctioning or about to embrace a few members of the Congress to go forward and create a monopoly with which our industry will have to deal. I think it's bad for performance, quite candidly. Songwriters do have a choice, as I said, between ASCAP and BMI, and even if you've got through with SESEC. Under the legislation that's being discussed, there can be no competition, no direct licensing by performers.

So if a performer wanted to come to us and – if Don Henley from the Eagles came to us and said look, "I'll license your stations to perform our work." You can't do that under this legislation. And nobody's really talking about that. Nobody can start up a competitor under the way the legislation is. Nobody can go in and say, "Look, I'll tell you what, my performers at the royalty company is only going to pay 20% to the record labels, rather than 50 and we're going to pay 80% to the performers, so come and be with me." We are doing this. And I think John Barger who is the Vice Chair on the Radio Music License Committee put it so eloquently when he said, Congress is mandating that there will always be one taco stand. And I think we have to look at that and kind of wonder why everything is going on. There's a lot of unanswered questions on that.

The other big thing that they're talking about in this is FM radio and cell phones. Frankly, it's too bad for AM stations who work hard in vineyards and labor there to provide news and weather and traffic information and emergency information. And they won't be included. As long as we're on this, just another cogent thought or a point of ponder, I don't think any NAB board member has seen this technology in action. If the chips are already in phones, which a number of manufacturers have them, they just haven't been activated here. If the chips are in phones, why doesn't somebody activate one and show us exactly what it would be like? And the question I also had is, will Lynn Claudy, who is really good at NAB technology, will he help design minimum standards for this if it goes forward? Or will we be cursed with cell phones that work as well as hotel room AM radios? Nobody is answering these questions.

And I think we're running forward and saying as long as we're including technology in this, what is the technology? What does it do? What does it sound like? By the way, where will cell phones be used as radios? Certainly, not at home. Not in your car. Not in your office if you stream. And what will they sound like? These are very basic questions. So, there are so many open issues on this that haven't been addressed. When our trade and lobbying association is recommending a sea change for our industry, we really need to think things through and make sure that we get it right, because we only have one chance on this, if we're proceeding on that course. That's kind of my opinion on that.

And the format changes in Ohio we talked about . And by the way, although your visibility is extremely limited, well, not mine but visibility in general. I think my visibility is as good as anybody's. Although visibility, yes, thank you, Marci, is extremely limited, what is your gut on how revenue will pace next year for radio? I think it's going to be 4%. I mean, if anybody is holding me to a number, I'm going to look at that and say that that probably is the number that I feel comfortable with discussing and in modeling. And again, it is so dependent on the economy, and you're right, if there is a double-dip, which most people are saying there isn't, if consumers tighten up again. But if things continue on the way they are right now you will see growth continue on in the industry, in radio, in television and also in our networks. And I think that's about it.

<A – Samuel Bush>: And there's one final question...

<A – Edward Christian>: Oh. What'd I miss?

<A – Samuel Bush>: It's about, did the recent ruling on ASCAP and BMI fees have any impact on your expenses in Q2?

<A – Edward Christian>: Oh. I'm sorry. The BMI reduction didn't go in until July. The ASCAP was part of it, but it was de minimus.

<A – Samuel Bush>: There was no material change in our numbers based on that ruling, and quite frankly, we're still in the process of evaluating what the impact will be going forward, I can't tell you right offhand. It will be a positive impact but we're not sure what it'll be going forward.

<A – Edward Christian>: Remember, remember, these are interim rates.

<A – Samuel Bush>: Yes.

<A – Edward Christian>: And we will not be going to trial until November of 2011 with ASCAP first, that is the yearly date we have. That could be changed one way or the other, but certainly it won't be, shouldn't be later than that. And then the final rate will be set, and those rates will then be retroactive to January of 2010. So what we're dealing with now is $80 million in interim rate reductions that could be more, could be less, could be a clawback at the end.

We're only dealing with the interim time right now, and we have no surety, but we feel we have a very compelling and strong case as a radio industry as to why rates should come down from a high that is so far off of normalcy, from the historic normalcy. But with that said, I think anybody who looks at savings has to remember that this is an interim rate and it's not a definitive rate, these are moneys we certainly believe that we will keep and then add more to it, but there's always an asterisk – see footnote – any time that you're dealing in a legislative arena on this. So I think that answers that question.

<A – Samuel Bush>: Very good. I think that's it.

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

Tony, if you're there and you can do the summary wrap-up for us, we'd appreciate it.

Operator: Thank you. And ladies and gentlemen, this conference will be available for replay after 4:00 a.m., or sorry 4:00 p.m. Eastern Time today through August 20, 2010 at midnight. You may access the AT&T teleconference system at any time by dialing 320-365-3844 using the access code of 165196. Again the telephone number is 320-365-3844 using the access code of 165196. This does conclude your conference for today. We do thank you for your participation and using AT&T's Executive Teleconference. You may now disconnect.