MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, welcome to the Saga Communication's Third Quarter 2009 Earnings Release. For the conference all our participants are in a listen-only mode. [Operator Instructions] As a reminder, today's call is being recorded. I'll now turn the conference over to President and Chief Executive Officer of Saga Communication's Mr. Ed Christian. Please go ahead.

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

Thank you, John and for those of you with questions, if you sent them in, Sam has them here, and we will address those in a few minutes. Thanks for joining us and as usual with the preamble with Sam, some updates and then he will get back to me in a few minutes.

Samuel D. Bush, Senior Vice President 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 factor section of our most recent Form 10-K.

Actual results may differ materially from those expressed in this 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 non-GAAP disclosure tables. 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 third quarter numbers from the press release and supporting schedules. I just want to spend a few minutes giving you a few additional pieces of data that I think you'll find interesting. National accounted for approximately 14.5% of gross revenue for the quarter, compared to 14.2% last year. Our networks net revenues were 1.1 million for the quarter, compared to 1 million last year. Station operating income, excluding depreciation and amortization for the networks was 222,000 for the quarter compared to 127,000 last year. For reporting purposes as usual, networks are reported in our radio segment.

Political revenue for the quarter was 239,000 compared to 1.9 million for the same period last year. It can be broken out as follows: radio was 229,000 this year versus 1.1 million last year, TV was 4,000 this year versus 671,000 last year and the networks had 6,000 in political this year versus 163,000 last year. Without political revenue, our net revenue for the quarter would have been down 10.2% and 13.6% for the year. So we would have been down 10.2% for the quarter and 13.6% for the year, if you extract political revenue for the same periods.

From the perspective of how net revenue for the quarter laid out month-to-month, July and August were fairly similar for us with net revenue being down mid-teens, while September showed a strong improvement with net revenue being down in the high single-digits. Those numbers do not take into consideration the political factor of 08 versus 09.

Adjusting for political, the improvement from July and August to September would have even been better. As far as pacings October was down low 20s; however, when the comparison is adjusted for the significant amount of political we received last year, it would have been almost flat with last year.

November and December are currently pacing down high single to low double-digits, but in reality with the way business is breaking today it is still too soon to tell where we will end up. Interactive continued to be a growth area as we recorded an 84% increase to 902,000 in revenue this quarter compared to 489,000 for the same period last year.

Station operating expense decreased 11% or a little over 3 million for the quarter. Year-to-date through the third quarter station operating expense decreased 10.7% or almost 8.5 million. We expect to see the benefits of the cost reduction initiatives to yield a reduction of approximately 11 million for the total year this year. As reported in the press release, capital expenditures in the third quarter were 663,000 compared to 1.6 million during the third quarter of 2009 – 2008, excuse me.

Year-to-date capital expenditures were 3.2 million a reduction of 1.9 million compared to our 5.1 million for the same period last year. We are estimating total capital expenditures in 2009 to be four to 4.2 million as compared to 7.1 million in 2008. The company has maintained one of the best balance sheets and a very solid one, I might add, even given the current economic volatility. As of June 30, 2009 we had 16.7 million in cash on hand with 130.6 million of debt outstanding, our 12 months trailing EBITDA to bank debt outstanding leverage ratio calculation was 4.6 times. If you calculate our 12 month trailing EBITDA bank debt leverage ratio, net of the cash on hand, our leverage would be a little over four times. Subsequent to the end of the quarter we also paid down an additional 5 million of bank debt, so our bank debt outstanding is now 125.6 million.

Two other quick items, for 2009, we expect interest expense for the year to between 5 and 5.5 million. Interest expense for the quarter was down a little over 500,000, primarily due to a reduction in LIBOR rates upon on which our interest rate is based.

Our anticipated total tax rate going forward will be 44.6%. We anticipate differed taxes for the year between 4.8 and 5.2 million. Current taxes were vary based on the income each quarter. Finally just a reminder that last year we had 282,000 gained on asset exchange during the quarter due to the Nextel equipment swap as compared to nothing reported for that category this year.

Once again this quarter, as Ed suggested, we asked for your questions to be submitted via email. Ed and I'll respond to those questions here in just a few minutes. Ed back to you.

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

Thank you, Sam. Well, actually it's a nice day in Michigan. I had the windows open a minute ago. I heard from some of our stations out east it's like 70 degrees and sunny out there. And two stations in Detroit started playing Christmas music over the weekend in the hope of spiking the PPM with some occasional listening. I might tell you about that, the TV Music Licensing Committee has filed against SESAC and its licensing process. The Radio Music License Committee believes a trip to rate card is necessary to reset music license fees with both BMI and ASCAP and that performers' rights are more appropriately called the recording industry's survival tax on radio appears dead again for this year.

As Sam said, we're down, but not as bad as others. Q4 looks better and our leverage is lowering. We're managing our expenses, we're keeping our CapEx down, and that's it for me.

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

Overall, very good. We did get a few questions.

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

I mean, really, when you get down to it, is we could wax philosophic on a lot of things and I could tell you how much auto was off and our other product categories, discuss the markets. It's always been kind of is interesting, if you look over the other announcements from everybody else. We all kind of are in the same swath. There isn't a lot of change between some companies in their results and our results. Sometimes we do maybe a little better job of managing our balance sheet, but that's the high point here. Questions if you have Sam.

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

I think that leads you, you said something about auto just a minute ago. And one of the questions that always comes in is how are your top five categories doing? And I know a number of the broadcasters do talk about that, but in reality foresaw the tracking categories across the board is not something that we spend a lot of time with. We found that there are different, significant differences in the categories and how they behave between markets, and that general information really doesn't tell the story.

Thus, we typically don't give general numbers in this area. I would say that one of the other questions we had was how we did with cash-for-clunkers and the net effect is we did see some dollars from it. It's still a question of how sustainable those dollars are. Although we are seeing some good stories with auto advertisers, not so much on the national level yet, but on the local level where folks that haven't been in the market for quite some time or were in the market for advertising in a small way, are actually beginning to come back. But again, that's a very, very tenuous at this point in time.

Ed, one of the questions that came in was for you to look into your crystal ball. One of the Detroit auto makers, manufacturers came out with their announcement saying that they were going to put Wi-Fi WiMax in several of their upcoming car models here in I think model year 2011 or 2012. I am not sure which. But the question is, what do you think of this? And how does this impact local radio given that radio is very much an in car listening, in a lot of cases.

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

Well, it's very simple. Lets rewind history to you could be reading that two companies have announced that they going to have satellite radio service in cars and terrorize the radio industry. And where we see where that has gotten them. I think that the issue there is all we need to do is look at subscription decrease in rates that the one satellite company, remaining satellite companies, look at the debt that they have. And look at the fact that Wi-Fi in cars is proposing, the triple or quadruple monthly fee for this and maybe if you have kids in the back seat that are actually want to play some real time games, that's fine.

But it's not something that I think that we have to worry about. Clearly it's a subscription model. Clearly we've seen what's happened to that. We've seen the erosion and that it is not an advertising threat in model. And to me, they can put Wi-Fi in. The system itself is not built out except for a couple of major cities, and for it to be a seamless nationwide process, it's not like satellite, it's experimental at best. And I think that that's something we'll wait and see, but I believe it will be very much like you now the effect will be similar to satellite radio. That there'll be some initial techno buffs that will embrace this, and then it will be business as usual.

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

The next set of question that I'm going to combine a couple of from them here. The first part I'll talk about and then throw the second part over to Ed; and that has to do with the cost-cutting measures that, we as long as well as our peers in the market have taken to heart over the last year or so.

And the first part of the question is how sustainable are the cost cuts? And I would say from Saga's perspective that the cuts that we have done are certainly sustainable in the short to intermediate term. Technology has certainly helped, but more importantly, our people are doing a great job in working through these very difficult times. And everybody is pitching in and doing more than they've ever had to do before, but doing it as well or better than we could have anticipated.

At some point, we'll need to bring some of these costs back, but certainly not until we see a sustainable turn in the economy in general and more specifically, in our top-line revenues. The second part of the question Ed really is although the economic circumstances warranted extreme cost cutting, do you think that the radio industry in particular has gone too far? And how is this going to impact the future?

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

Well, I think you insert a word in there, and that's 'extreme' and I don't think that's necessarily applicable to us.

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

I would agree, not applicable to us.

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

We were certainly surgical in terms of what we did. But, and you talked about the sustainability of it. There is no question that in any industry that has been hit by this, there is a lot of pressure on the workforce. There is a lot of demands and a lot of very tired people. And usually it's a three-legged stool where the business is first reduced down their workforce. And the first sign you see of recovery is when you start adding back part-time employees and then you really know that you are in good shape when you start adding back FTEs. And we haven't seen that yet. We're still at the point in time where we're asking and hoping for our people to have the buy-in to do things properly.

With that said, we are not relying on technology to replace them. This is not, as I would use the term, the collective borg. This is really still individual stations with individual people serving your communities. and I think that there is a point where some companies, and I can only focus on ours, but some companies have a different view of this than we do. And I think that there is a point in time where you can take it to an irreducible minimum and then long-term do damage to the enterprise. And I think that's a very fine line that once you cross over – it's hard to regain the momentum of localism – once you've decided, once you've abdicated that position in the marketplace. And that's something that we're – that's ever foremost in our thought process.

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

The final couple of questions again are somewhat related, although a little bit different. But I'm going to throw them both out to you, Ed, at the same time because one has to do with what visibility are we seeing in 2010, as well as a question about, and it's one we typically always get, and it has to do with where rate card integrity is or rate card discipline or where we're seeing rates compared to the past and obviously, that says a lot about what's going on in 2010 or what will go on in 2010.

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

Well, I think there's a couple of things. And I was watching on CNBC. They re-ran their A Day in the Life of American Airlines. A day and a week of American Airlines, or whatever it was. And you see the big room with all the computers in there and the specialists were constantly setting rates all the time.

And if you think of the Airline Industry you can go online and get a rate, and then go back an hour later when there is a different rate for the same flight, same market, same everything. So it's a constant readjustment. Basically its all supply and demand. The more demand there is for our inventory and the tighter the inventory gets, the more that the rates are going to increase.

And we have had the issue that what we are seeing is that we still had the same number of accounts, the average sale is down and that's hopefully that can correct itself to rates. And you know, you talked about rate cards and I don't know how to answer that because I think the per se rate card that I used to carry around years ago when I was selling, anybody who has been in broadcast sales remembers when you had these really nice printed rate cards with the logo on it and the grids and the 12, 24 and 36 times a week and 60s, 30s and 10s rates and all that. I don't think that really exists now. I think you are really looking at pricing on a package basis, on a daily basis. Which is much more inventory control.

And I'd like to think it's firming; I believe it's firming strictly because of the volume of business is increasing. So, that would lead me to do that. But you can do analysis seven ways to Sunday. And it all depends on how you weight your inventory and to what your inventory utilization is.

With that said, my view on 2010, is very simple. That the industry has to grow. I mean it certainly can't go back from a basis of 2009. I mean that's not acceptable for anybody here, when 2009 I think is the low point that we've seen with our industry. If we do, and 2010 proves to be the same thing, we'll be having much different phone calls in the future. I believe it's firming. Ask me in another 30 or 45 or the first of the year, when we get more visibility. Unfortunately it really is cloudy. You never know going in until you see it what historically we've seen that we add about we actually reduced our down about 5 or 6 points in the course of the month, and that's been holding and we did the research on that, kind of, I think it's about 5% isn't it?

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

Yeah its roughly 5% going into the month, coming out of month relative to where our forward basings are going.

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

And it used to be that you would have your month booked by the 10th of the month so that you could move onto the next month. And now we're seeing that's actually going out to 18 or 20 or even at the end sometime people are trying to bring in a month. So the situation has changed, and we've had to alter our thinking. And we've had to, frankly, alter the way we sell or do business in terms of the old paradigm – the old method of sales is still intact but its had to be embellished and rubbed and changed due for the occasion.

I think 2010 is going to be up. The question is how much. It certainly can't go backwards, because we're coming into some very, very soft comps. I think our cost readjustment, well actually -- we still have another four, five months until we really see the full effects of it, on a trailing basis, that's about right?

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

That's about right.

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

Yeah, so that should be in there in – and I don't anticipate more adjustments in 2010. So now it becomes more focused on the revenue side.

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

And one of the other comments or one of the other questions that it factors into what we're seeing visibility-wise for 2010 was, any thoughts on political next year? and I was --.

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

Next year?

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

Yeah, and all indications are that broadcasting should anticipate a record breaking political year for a non-Presidential election year. We're anticipating actually a pretty good year because we have Radio, TV and Networks in markets that appear to have fairly hotly contested races. For instance, there's already money going into our New England, Massachusetts market based on replacing Ted Kennedy, and his position up there. We've got races hotly contested in Missouri and a few other places. So the net effect is we expect that political will help the top-line growth next year and help in its own way to stabilize rates and sustainability of rates going forward.

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

And I think it is the, the final thing I just want to bring out in the, and this has been something that we touched but not named per se, and that is that hopefully in 2010 the capital markets begin to open back up and that we begin to see return to this because really that's impacted value because there is no volume or velocity in terms of the pricing model on the station's sale or the buying or selling of broadcast properties.

And that really is conditioned upon the math, model of the banks. And like anything, I think the banks have over tightened on the credit markets with the point in time that this is really hurting the industry. And though albeit they, and I use the omnibus they, will tell you that they are better now than they were few a months ago, we still have a ways to go to restrain the economic viability. And frankly it is driven by the credit markets because the more there is, the more firm we can get on pricing of properties the more we can show value for what we have.

And that's the thing that's been hurting. Not the industry itself, but the industry has certainly taken its, its knocks, it's this question as to what is value that we have yet to establish. But we know in our hearts what value is, strictly because nothing has been sold. Which means that there is such a spread between the bid and ask, and nobody's putting any inventory out there. But it really, and the capital markets opening up in the future for the radio industry and the television industry, will be very helpful and I think that you are going to see that, more in 2010. Your comments on that?

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

No I think that's exactly right, and I think one of the things that I pointed out prior in this call and also previously in this call. But also in the press release itself, is that Saga has maintained one of the best balance sheets in the business. And when you look on a net cash basis when we can talk about being levered even in today's times at just slightly over 4 times our trailing 12 months EBITDA speaks well for the philosophy that Ed has had with this company since the very beginning and the way it's been managed from the very beginning. I think that speaks well to our future and obviously to where we take a leading position in the broadcast industry.

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

A godsend. John that should be it. I have yet nothing else here.

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

John, would you just give the replay information and wrap it up.

Operator: Certainly. Ladies and gentlemen this conference is available for replay. It starts today at 4pm ET and will last until November 16 at midnight. You may access the replay at any time by dialing 320-365-3844 and answering the access code 115331 and have again 320-365-3844 and the access code, 115331. That does conclude your conference for today. Thank you for your participation. You may now disconnect.

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

Thanks John.

Operator: You are welcome. Have a good day.