MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Fourth Quarter and Year-End 2009 Results Conference Call. At this time all participants are in a listen-only mode. [Operator Instructions]. As a reminder, today's conference is being recorded.

I'd now like to turn the conference over to President and CEO, Mr. Ed Christian. Please go ahead.

Edward K. Christian, President and Chief Executive Officer

Thank you, Teresa and welcome to our conference call. As usual Sam Bush will do the very quick preamble and then get into some good numbers and then I'll be right back after that. So, Sam it's up to you.

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 the 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 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 fourth quarter numbers from the press release and supporting schedules. Here are few additional pieces of data that I think you'll find interesting. First, we are very proud of the fact that even during the year we just experienced, we managed to increase our free cash flow by 320,000. The decrease we had in net revenue was offset by significant operating expense savings at both the station level as well as at the corporate level. Combined, the station and corporate expense savings was approximately 13.2 million or approximately 11.4%. We also experienced savings and interest expense of 2.2 million. Primarily we benefited from a reduction in interest expense for the year due to a reduction in the LIBOR rates upon which our interest rate is based. A further benefit to our free cash flow was the reduction in CapEx from 7.1 million in 2008 to four million in 2009, a reduction of 3.1 million.

Finally, we did have an income tax benefit of 1.2 million. I'll talk a bit more about some of these throughout the rest of my comments. National revenue accounted for approximately 18% of net revenue for the quarter compared to 16% last year. For the year, national was flat with last year at approximately 16% of net revenue. Our networks' net revenues were 1.2 million for the quarter, compared to 1.6 million last year. 740,000 of last year's net revenue was due to political while only 56,000 of this year's was. For the year the networks' net revenues were 4.4 million compared to 4.6 million last year. One million of last year's net revenue was due to political in comparison to 112,000 this year. Station operating income excluding deprecation and amortization for the networks was 374,000 for the quarter compared to 615,000 last year. For the year it was flat with last year at 1 million. For reporting purposes as always the networks are in our radio segment.

Political revenue for all segments for the quarter was 360,000 compared to 4 million for the same period last year. For the year, total political of 797,000 compared to 6.9 million last year. It can be broken out as follows, radio was 314,000 and 735,000 this year for the quarter and the year respectively versus 2.6 million and 4.5 million for the same periods last year. TV was 46,000 and 62,000 for the quarter and year respectively this year versus 1.4 million and 2.5 million for the same periods last year. Without political revenue our net revenue would have been flat for the quarter and down 10.8% for the year when compared with the same periods for last year. One of the questions we received was about our 2006 political revenue. In 2006 radio political was 1.8 million, TV was 1.7 million and the networks were 494,000.

From the perspective of how net revenue for the quarter laid out month-to-month, October was down 19.3%, but this included quite a bit of political revenue. November was down 5.7% and December was an increase of 1.1%. As far as pacings, January preliminarily appears to have ended with 1.1% gain in net revenue while gross revenue for February and March are pacing up 4 to 5%. Ed will talk a little bit more about this in just a few minutes. Interactive continued to be a growth area as we recorded a 94% increase to 980,000 in revenue this quarter compared to 506,000 for the same period last year and 3.4 million for the year compared to 1.8 million last year.

Station operating expense decreased a little over 10% for the quarter and about 10.6% for the year. The decrease for the year was a little over 11.1 million. You won't see a big change in our expenses in 2010 other than that resulting from increased sales compensation due to increased revenue. In fact, preliminary January 2010 expenses show them to still be somewhat below the 2009 expense numbers. This is due to the fact that even though our expense reductions began in the fourth quarter of 2008, they really accelerated in March 2009 with our 5% across the board pay cut.

As reported in the press release, capital expenditures in the fourth quarter were 800,000 compared to 2 million during the fourth quarter of 2008. Year-to-date capital expenditures were 4 million, again this was a reduction of 3.1 million for the – compared to our 7.1 million for the same period last year. We are 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 12.9 million in cash on hand as of December 31, 2009. As of December 31, 2009, our trailing 12-month leverage ratio calculated as a multiple of our EBITDA was 4.3 times. Netting cash against outstanding debt, the ratio would have been 3.9 times. Subsequent to the end of the year, we reduced our bank debt as a part of amending our existing credit facility to 115 million. The amendment favorably modifies our leverage, interest rate coverage and fixed charge coverage covenant, as well as establishing a more appropriate debt repayment structure given our leverage. We will have a slight increase in our interest rate applicable margin as well as having an excess cash flow sweep provision. You can find more details on this in our previous SEC filings.

Two other quick items for 2010. We expect interest expense for the year to be between 6 and 6.5 million. Our anticipated tax rate going forward will be 42%. We anticipate deferred taxes for 2010 to be between 4.7 and 5.7 million. Current taxes will vary based on the income in each quarter. Finally, we had 210,000 in other expenses for the year compared to 76,000 last year. This was primarily due to loss on disposal of fixed assets. We also completed the Nextel asset exchange in our Joplin market this quarter resulting in a gain of 495,000. Again, you can find more detail about this exchange in our previous filings, if you are so inclined.

Once again this quarter, we asked your questions to be submitted via e-mail prior to the call, 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 and Chief Executive Officer

Thank you, Sam. Actually pacing for February and March is over five, which is good?

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

Yes.

Edward K. Christian, President and Chief Executive Officer

Good. Okay. You said four to five...

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

I am being conservative.

Edward K. Christian, President and Chief Executive Officer

I know. That's, that's...

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

It's in the nature.

Edward K. Christian, President and Chief Executive Officer

Well, it's always – and I'm very conservative too which will get to you in terms of our [inaudible]. What can I tell you about 2009, other than that I am extremely grateful that it's over, that's good for openers. And I was [inaudible] commented it was [inaudible].

I think we did a very good job of operating our company and in finding our voice and finding our way. And if you look at the reductions we had, those really didn't kick in until starting in March, April and May of last year, because, we view this very surgically in terms of how we're approaching it on a market-by-market basis rather than using just a broad swap in terms of how we did it. And we really evaluated station-by-station and market-by-market to determine how we could efficiently operate without impuning the integrity of the properties in the marketplace. So, in truth there were several millions of dollars of savings, which weren't reflected in those numbers if you had an annual run rate, so that showed even better than that.

I can't say that we did as great on the revenue side, but I think we certainly were in – marching in a lockstep with the industry so it wasn't that we were out of favor or running worse than what it was. [inaudible] for many, many years, really kind of amazes me when we look around and we hear what other companies were doing in here, how they announced, how that there is such a commonality across platforms and across market size. But there really is a trend that permeates all in terms of the ebb and flow of revenue and I think it's very interesting to watch and we're not that different, I think, it is finding companies reporting up the first quarter and I think that that's an indication of that.

My own feelings were 2010 is that once again we're being conservative on our CapEx and doing those things are necessary. We are still – in fact we just put a new transmitter on high-def online. Two names to go [inaudible] any investments in technology there. We have other transmitters that we will be ordering shortly for replacement and generators, we just approved a new generator yesterday for one of our markets, because one of this average exceeded the time limit that we have for the normal lifespan of generators. And I think if you have to do that, and no matter what in broadcast and you're going to find millions of dollars a year. Otherwise you run the risk of just really jeopardizing your product, because where precious little value to our community, and especially this year with such adverse weather and I'm not going to go into all of the stories about what our stations did during these times with snow and ice and that. But I'm proud of them and every now and then we did [inaudible] was powering some markets. And through whatever that we suddenly didn't have a second SPL or we couldn't find the redundancies out of it. That's part of the fact. So I think our CapEx is reasonable. I think our revenue projections again are reasonable this year. It's a little difficult to go out and project which is why we try to be more on the conservative side.

We are seeing changes. We are seeing some things happen. National was up, of course national had no way to go. There are some disturbing things that are happening in the national market, which we can talk about in terms of the pricing and the continued pressure on the national inventory. Sam told you about 15% of our company is dependant upon national revenue. So, 85% we still generate on our own without constraint. It is the national dollars that are subject to being a little bit out of our control. Is that sort of a one-time? It either is or is not. But the rate pressure continues on. It has not abated. I think you're seeing it changing a little bit because stations where the industry got ahead of themselves and found themselves kind of in a sold out position in February that they didn't anticipate. There was really a lot of pressure on the inventory in January where people had sold out in anticipation of a soft first quarter that really didn't occur. So, again, we see our cost containment continuing on through 2010. We see the same with our CapEx.

We see our revenues increasing. The only answer I could tell you is that I am not an economist and I do have my concerns about certain other issues that could impact broadcasting. Right now, we are feeling favorable about it. We are feeling that the economy is becoming a little bit stronger. We are feeling the consumer confidence while there are reports just the other day that shows that it is not as strong. We're finding and talking with our markets. We are finding that there is a belief from our clients that things are improving, which is offered to us. And we are seeing some automotive comeback particularly on the Ford brands and also Toyota with some emergency spending to try and recapture [inaudible] on that.

In balance, I can't tell you that that there are a lot of problems out there, just a lot of things that we are more attentive to and more tuned to in our industry right now. We're not trying to reinvent it. We're trying to do the fundamentals because we know that fundamentals always would work. We are still working on [inaudible] about 3.5% of our revenue. We think that that can even increase a little bit more this year in terms of our interactive initiative.

All of the fundamentals are working for us. All of the things we were doing right. There was nothing that I would tell you other than accept God that occurred well – I mean, Samuel says we had a situation just the other day in Manchester, New Hampshire, where we are in a fifth floor of an old mill building that has been totally re-gapped. And a kind of almost a hurricane strength winds went through there and ripped part of the roof off of the building, which then fell into the sprinkler system pipe and a three-inch pipe ran open so it was able to be shut down putting about 50,000 gallons worth of water into the building with our floor being the first floor and then seeping under. Those are – those are things. But with that said, I think we were none off the year at all in WCID. We were off the year on our AM station in one of our other FM stations as well. But we never lost the ability to service the community and there is a side bar on this when we considered over 250,000 people without power and none of those were able to watch television. And WCID is a number one radio station in New Hampshire. It's times like this that you are glad that you have the generator. Since you are glad that you have the backup facilities. Since you are glad to do this because this is the time when everybody turns to what's going on? When is my power coming back, what's the situation with the down trees and the tree lines, the power lines. So, we are pleased with that, but those are the type of things we've to look forward to, or not, what the case might be.

Other than that, I really don't have a lot other to talk about in my comments. Let's get to some questions. So, here we get through, Sam.

QUESTION AND ANSWER SECTION

<A – Samuel Bush>: Yes. I think a lot of the questions we've actually already answered. Ed, one of the questions was about political, which I answered in 2006 numbers in my comments. But, with what we're seeing this year do we think that 2010 politically will be more like '08 or more like '06?

<A – Edward Christian>: I think we're going to have a great year politically. I think what the Supreme Court did it bodes well in terms of money coming into media. So, I'm very pleased. Thank you to Supreme Court. Okay, it's well.

<A – Samuel Bush>: Well and the Supreme Court and then the other reason is obviously is the Massachusetts' Republican win, speaks well if the Republicans going after other Democrats across the country. But we will see.

<A – Edward Christian>: You've always say Republicans going after Democrats...

<A – Samuel Bush>: Yes.

<A – Edward Christian>: And Democrats going after Republicans. But the fact is it's open up to a pool of money available to the mediators role.

<A – Samuel Bush>: Tremendous. One of the other questions and we actually had this from a couple of folks was about pricing and pricing integrity. And you've talked a little about revenues, which were really untouched on pricing integrity, and I know it varies market-by-market.

<A – Edward Christian>: Here – well, remember, there was such elasticity in terms of pricing in this business and there was no model. It's ever been – nobody can ever look at a formula in broadcasting and say, here is how we place, here is what it is, service. There has never been a book written on this. There was no place you can go to research for ideal pricing. Again, in markets where we have a relationship, we have much more pricing power in terms of the person is able to measure what we are doing and can then assess value on radio advertising, where it is turned out to be very difficult in national business. And that has exacerbated and I'm not bringing this up. That's really exacerbated a little bit, because, if you really look at what's happened, you have one company now that represents virtually every radio station in the United States, One Nation FM, and though they will say within that that they have three or four different divisions depending within that. And certain of their offices where they have cut back to one person representing all the stations, and it's Katz, KMG or Katz Media Group whatever it is.

So, sitting in the smaller offices. There was one person in there who then represents every radio station in the market. And the sort of pricing power theoretically should increase. I haven't seen that yet. And at the same time, you have this other convergent with national media buying shops. They've decided that they're going to try and become the collective board and share rate information across platforms so that they can use this as a club to evaluate and then hold in front of various radio groups, yes, here is your rate that we anticipate for 2010. If you put all your stations in and reduce your rate, we'll give you more money. So, that is troublesome. The only thing I can say on that is that several years ago we were having questions that occurred to us about are we concerned about Google coming in and deciding that they will use their mighty weight to take over and control radio ad spending by certain commercials and then hiring 150 towers and doing all that, and we certainly know what happened to that experiment. So, I am watching this, but I do have some concerns about the strength of the national buying power that they are trying to impose upon us, and also the depth of the representation and how they are going across platforms. That we don't have to worry about as much because, again, we're still rating 6% depending upon our own local revenues, which are moving our points going forward and again that all [inaudible] supply and demand. And on a couple of markets we listed in February, we got a little bit ahead of ourselves and we had to make some exceptions in pricing. But for the most part, we were in control of it. Okay.

<A – Samuel Bush>: A subset to that question.

<A – Edward Christian>: I rambled.

<A – Samuel Bush>: A subset to that question was it is – are we getting the feeling that television rates are firming not so much relative to our television stations, but has that been trickling down to radio? And then also, and I haven't heard this question in a while, but are you gaining share of ad revenue from newspapers?

<A – Edward Christian>: Well, I think it's a hard question because newspapers are shedding so much revenue, and where is it going? That's – well, I don't know the answer to that. I don't even know if that's really been researched. We certainly are benefiting from – and I hate to say that because it's part of media, but I certainly think that we're benefiting with our expense but that kind of cruel to say that. While they are trying to reinvent themselves and find new things, our business has not been as hard as theirs. Because I said, once before, I'm thankful that I'm not a newspaper publisher, but we're done but we're not as bad as somebody else. So, well, I'm striving through that, right?

<A – Samuel Bush>: Yes.

<A – Edward Christian>: That's where we are. I mentioned it once before.

<A – Samuel Bush>: All right. And then the – I think pretty much the other questions we've covered. We do get the question about categories and so forth and historically we've just not answered questions about categories because we look at it market-by-market as opposed to globally relative to what auto is, telecom is and so on and so forth. I think it's safe to say we've seen improvement in almost every category. Certainly there are some categories better than others market-to-market. But overall, just the economic improvement in general has helped us across the board.

<A – Edward Christian>: And that's still – that's fragile and I'm not saying that in a negative fashion, but I think it's – If you look at April or May, it's still too early to call. So, to go on out and say, we are – hey, [inaudible] everybody. What I will tell you is we've got an incredible group of people and that makes us a little bit different in terms of what we do. And if you have incredible staffs and incredible people, then you have to – then you know that this company – if you take care of the enterprise, the enterprise will take care of you and that's what we're doing. We have great people and I want to thank them all for 2009. This was really – I've said it to them time and time again. It's because of everything that they did that we were able to get through this and their understanding and working as a company is very helpful. That's what I'm happy. Have you got anything else, Sam?

<A – Samuel Bush>: No. I think we're in – we're in good – pretty good shape. So...

<A – Edward Christian>: As always stand – Sam and I stand available to answer any calls. It's going to get on an individual basis. And other than that Teresa if you're listening here, you could just wrap this up for us. I appreciate it.

Operator: Certainly. Ladies and gentlemen, that does conclude your conference for today. Thank your for your participation and for using AT&T Executive Teleconference Service. You may now disconnect.