MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Saga Communications fourth quarter and year-end results. At this time, all phone lines are in a listen-only mode. [Operator Instructions] As a reminder, today's conference is being recorded.

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

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

Thank you [ph] Nick. Thank you, all, and good afternoon and welcome to our earnings call. Also on the call is Sam Bush, our Chief Financial Officer. And as is our practice and as the devil is in the details, I'll turn this over to Sam right now. Now, Sam, this is a spiritual reference, this devil has nothing to do with you...

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

I understand.

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

...or any of the details. I have to put my disclaimer in there as we start off.

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

I understand. 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 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 fourth quarter and year-end numbers from the press release and supporting schedules. Once again, we've only reported historical results, since there's no material difference in the same station and pro forma numbers.

National accounted for approximately 15.5% of gross revenue for the quarter, compared to 16.7% for the same period last year and 14.4% of gross revenue for the year compared to 14.2% for all of 2009. Our networks' net revenues were $1.3 million for the quarter compared to $1.2 million for the same period last year. This year, we had $316,000 of political revenue for the quarter compared to $56,000 last year. For the year, the networks net revenues were $4.5 million compared to $4.4 million in 2009. Political revenue was $814,000 in 2010 compared to $112,000 in 2009.

Operating income excluding depreciation and amortization for the networks was $456,000 for the quarter and $1 million for the year this year compared to $374,000 for the quarter and $1 million for the year-end 2009. The networks are reported in our Radio segment.

Political revenue for all segments for the quarter was $2.4 million compared to $360,000 for the same period last year. It can be broken out as follows: radio, which includes the networks, $1.8 million, compared to $314,000 in '09; TV, $577,000, compared to $46,000 for '09. For the year radio did $3.2 million in 2010 compared to $735,000 in 2009; TV did $978,000 in 2010 compared to $62,000 in 2009. As far as revenue in 2011, January through March combined appears to be up a little over 3% with April currently pacing a bit better.

As reported in the press release, capital expenditures in the fourth quarter were $1.1 million compared to $800,000 during the fourth quarter of 2009. For the year, capital expenditures were $4.4 million compared to $4 million in 2009. We are estimating total capital expenditures in 2011 to be approximately $5 million.

We have $13.2 million in cash and short-term CDs as of December 31, 2010. We reduced our debt by $25 million during the year in addition to the $14.4 million reduction in 2009. As of December 31, 2010, our trailing 12 month leverage ratio calculated as a multiple of EBITDA, was 2.6 times. We expect to have a new long-term credit facility in place by late second quarter of this year.

Two other quick items for 2011, we expect interest expense for the year to be between $4.5 million and $5 million. Our anticipated total tax rate going forward will be 41%. We now anticipate deferred taxes for 2011 to be between $4.8 million and $5.3 million. Keep in mind when you're 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 based on the income in each quarter.

As a reminder, the other income that was reported early in the year was primarily due to the $3.5 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.

And once again, we ask for your questions ahead of time, so Ed and I will be going through those at the end of Ed's comments. Ed, back to you.

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

I'm just thinking that this is sure a nicer call than the end of year 2009.

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

Much better.

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

It's always a comforting feeling. Thank you, Sam. And actually a very special thanks to all of the Saga employees, who made the quarter and the year possible. We don't have any proprietary technology, no proprietary technology platform, but we just try to do things by empowering our people to watch not only our expenses but continue to create new and ever powerful ways to exploit our inventory. I think we did it. I think we did that quite well in 2010. You know in the cold light of day it really just comes down to a couple of things: one is compelling radio that attracts listeners or viewers in radio or TV, and you probably relate that with well-crafted advertising copy that works for the client and the client is happy, he returns, we make money and profit and our shareholders kind of smile at us.

We are a nominal GDP company, and that's the way it's been, sometimes it grows a little bit more but we know that we do grow with the exception of what occurred a couple of years ago, and that wasn't just limited to our sector of the economy. But if broadcasting is done properly, it generates a lot of cash. And the fact that we're able to pay down $25 million of debt last year alone kind of says a lot for what we can do and what we have been doing.

A lot of it comes from the radio and the TV sector obviously, we don't ignore the other. We need to explain our platforms, interactive streaming, whatever it might be. But our core values are broadcasting. So a lot of talk is going on recently with a lot of other broadcast companies as to all of their interactive initiatives and everything else like that. And I just caution everybody not to get carried away is that we are an Internet play, or this is what we are. We certainly embrace the new technology.

And we are doing a pretty good job. And in January, 4% of our radio revenues that came from interactive, that's the radio component parts. It's growing, but we still need to remember that 96% came from radio and TV. And it came from making the advertisers happy, because if we didn't, that 96% could be significantly less.

Now I'm not denying our need to be invasive in terms of interactive. And we really do a good job in that. And I ask you all to check out our websites and particularly our, I won't say second tier but our linked way websites such as Clarksvillenow.com which shows our growth in those other areas. I'm really proud of what we do, I'm proud of our people, I'm proud of what we've accomplished. It's really the people component and not the technological structure that makes a company. And during the times when things were tough, we really rallied pretty well to get through that.

Through it, Q1 shows that it's about where we expected about plus three in that range, some ups, some downs, some sideways. Our Q2 looks encouraging but you wake up in the morning and you see gas at X, you see the Dow off at this, you see the Japanese economy in problems, we see supply chains in peril. It makes it difficult to forecast. And I'm not telling you about anything which you don't know, but that really is what it is. So my marching orders to everybody are really get up every day and do what you've done historically in terms of doing great radio, doing great TV, running great state radio networks. And at the same time making sure that we never forget that our job is to satisfy our clients and our advertisers.

And we talk about the market size and where our platforms are. Yes, in the major markets it is transactional and you've heard me speak about that before. And there is not the passion and there is not the commitment because it becomes what you got, how much do you want, what're you going to pay, how much do you want for a spot. And that thinking really has taken a lot of the luster off in terms of the major markets.

I had the opportunity to speak to a group a couple of months ago and we talked about the fact that eventually we can even think about the fact that the national representative firms, are they really providing the necessary service that we want to try and find out, what goes on in terms of crafting the buys, in terms of how it's structured, will it get to the point of Watson just sitting there right now and interacting with agency computers? If they can do it on Jeopardy!, they certainly can do it in terms of advertising structure program with parameters on buying in there.

That's what I like kind of with the markets where we are. We've made a point in getting into those markets where we can still have that treasured relationship value, where we can have the one-on-one relationship with the clients and present ideas to them, thoughts and concepts that we can translate into an advertising message to make your business better. That's what we're all about. We're not a technology play. We're not the Borg, we're just a simple broadcast company and we make no apologies for it. That's what Saga has always been for 25 years and that's what we plan on continuing to do.

We have some interesting questions today, and I think we should probably get to that Sam unless you can think that I am missing something here.

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

No, I think that's good.

QUESTION AND ANSWER SECTION

<A – Edward K. Christian>: Okay. Let's start with the ever present [ph] Jim Boyle. Assuredly all the advertising came back strong in 2010 and it seems to continue in Q1. Can you quantify how that leading advertising category did in 2009-2010 Q1 bookings?

I think we could talk about local car stores, because national automotive per se has shied away from radio. Certainly their presence it's part of the television fabric, but not so much in radio. And I've always admitted to you that it's because a creative directors love to shoot TV commercials on the west coast rather than writing radio copy. There is a thing to that. But we've seen our car stores come back and recently they're still there, but I've noticed a little bit more tentative. It's like there's a wad of gas driving the engine part of the expression in the end of 2010. And as we get into '11, they're still there and there is still optimism, but I've noticed recently in talking with our managers that there is just a little bit of hesitancy like, okay, we're going to shorten the timeframe up between now where we commit and where we are. So we're up nicely in '10, we're up in '11, but again there is still there's kind of trembling that we're seeing out there and I shall believe by everything.

I believe that we are resilient industry, we're inexpensive compared to a lot of other things to use as a marketing vehicle, pardon the expression for vehicle. But I think that's, and I really can't look at a crystal ball for what the rest of the year is. We can just give you our best efforts on it.

There's a pending large transaction in radio presently that would combine over 500 stations in one centralized platform. Yet over the last few years, large radio groups have substantially slimmed down their portfolios. Is the radio industry today still a people intensive business?

Yes, absolutely. Well, it depends on the company. I guess I have to frame that. It depends on the company. All hasn't changed significantly enough so the trend should logically reverse.

Could Saga effectively run 200 radio stations? Sure, we could. But we're not doing it by gulping. We're doing it by sipping and that's always been our mantra and that is we strategically acquire bit by bit. Our culture could be having the fabric torn asunder by an acquisition that we couldn't assimilate into it because it all deals with people sensitivities. Could we run 200, do we want to? Not necessarily, if we found opportunities would we, yes. But this is a company that has always taken baby steps to get under control what we can manage and then move others, not to say the other philosophies are wrong, it's just a difference in style and that's really what we get down to.

Why should Groupon with its sales force using mostly telemarketing to call prospects, grab so much local advertising and radio seemingly hasn't jumped into the deal of the day frenzy much at all. It's interesting and I'm not going to comment about the success of Groupon and whether it's a phenomenon or whether it's sustainable or anything else.

But what we've found from talking to some of our managers where Groupon is coming in is that when they talk to the clients who use Groupon, It is something that they get an initial buzz on and then they suddenly realize that if these are not repeat value added long-term customers, that these are people who will grab the deal of the day and move on. And so there is a difference and we need to focus on that difference.

If we were just selling one item and that's it and running and having our sale of the day, perhaps it would be a – but ours has always been a long model of building and enhancing the fabric of companies and I think that's the difference that we have in there. Whether theirs is a sustainable model – there are always people looking for deals. Whether ours is sustainable, I believe that it is because there are always companies who are looking to build a long-term build business platform and establish relationships and have the continuing business flow rather than just spikes, steroidal spikes based on couponing.

You see any challenges building your advertising rebound in 2002? I just talked about them. I'm as confused as anybody as to which way oil, the markets, or anything else is going. Day to day, there could be another quote seismic shock to the system and I'm not talking about you know 9.0 in the scale of Japan, but there could be another seismic shock. All we do is every day, we do what we do. [ph] Bill Conners, Ben and Brown Capital can anyone take this one right here?

<A – Samuel D. Bush>: Yeah, Bill, as several other people did ask about what's the current status of our bank facility and so forth. Our existing bank facility goes through July of 2012 and while it's premature to announce anything, we are in very specific discussions with a number of banks, a very good bank group, and we are getting very, very good bank interest in providing a new capital facility to Saga, very good and in fact you will see from partially because of our paying down our debt, but partially because of our estimations for where interest expense is going with our new debt facility that we're working to put into place that are estimates for interest expense for next year is down from where we have been in the past significantly. And we do expect to generate a significant interest rate savings on our new bank facility.

The facility will also allow us a lot more flexibility back to where we were several years ago before the downturn and we had, like everybody, needed to concentrate just on paying down debt. We'll have the flexibility to consider stock buybacks, consider dividends, consider acquisitions, consider all sorts of things. And we, as we always have done in the past, will be sure we're set up in a way that effectively we can write a check for something if we want to do it and make the decision to do it.

So, again a little premature to announce anything specifically, but you will in the next few weeks to certainly a month or a little longer be hearing that we do have a new facility in place. And you'll find it very satisfactory from a shareholder standpoint.

<A – Edward K. Christian>: I think if I can just add on a couple of things. We learned some very interesting things during, I hate to use the term bake off, call it a casting call, where we talked to banks where in our group banks that are looking forward and coming into our group. And it's an interesting time to do this. As an overall view I will tell you that what banks are lending at is 3.5 times EBITDA, asking to take it down from there, that's a ceiling. We fall below that so we're good. Our rates are that we're seeing right now are very attractive. The terms are very attractive. The group that is assembling, which we hope to be able to just waiting for confirmation right now actually back from discussions we got presented a really, very nice package that meets our needs. And I guess it's because we are somewhat attractive at the ball. One of the questions that Sam asked was, a couple of banks, what do you do with the groups that have much higher leverage and how does that work in refinancing? And they said, well, you really, I think it's an account we just keep in the portfolio, is that right Sam?

<A – Samuel D. Bush>: It's pretty much, pretty much the opinion as a whole other choice in what they were doing and they try and structure a deal that makes sense for the company, but obviously make sense for the bank as well, but there really weren't a lot of other places for them to go at this point.

<A – Edward K. Christian>: The other question that Bill Connors asked is please relate how the new covenants in the facility will allow Saga to pay dividends, the share repurchase and the potential timing of these. And that's a good question because it's touched on by a couple of people here. And that is so okay Ed what do you do with the cash. And that's a very, very good question. We've taken a determination to provide a safe and sound structure for our company, not that it ever was not been that way, but we've had the opportunity to put ourselves back in that level where we have always operated in our level of comfortability. Paying down too much debt is not a good thing in business. You always need a level of debt, which you don't, it's not the old things where you go around and say, hey I'm debt free, that's not, especially in the public arena providing the best thing.

We have the ability or will have the ability, we believe, to give dividends if we want to, a one-time dividend if we choose to, to do a stock re-buyback if we choose to, to do an acquisition if we choose to or pay down debt if we choose to. We will have all of those things. Did I miss anything, Sam?

<A – Samuel D. Bush>: No, right, we will have as I said, we'll have the ability to look at dividends, look at stock buybacks and ultimately everything will be on the table as we also look at acquisitions and determine what's the best use of capital going forward. But we will have the alternatives and the flexibility to be able to look at all those things. And again, as far as timing goes, don't know if we can comment on that right now. But as we go along certainly those will be things that you will be hearing more from us about.

<A – Edward K. Christian>: Thank you. Acquisitions are a little trickier. We certainly plan on doing that. Again, they are market specific. They fit the parameters and it's kind of the inverse thing rather than going out and trying to bring in a whole mess of stations and aggregate them at once as I said and then say well this one doesn't fit or let's move this one out. We try to be very focused on what we do. Admittedly, in the last year we have not been in that mode. I think that we wanted to wait until the new credit facility was in place. This is exactly what we could or could not do and with that coming and we have all the options on the table. And we are not ignoring or dismissing any of them. None of them are a bad idea. It's what is the best structure, what is the best use of our cash, what do we do that doesn't compromise the company, adds stability, long-term growth, keeps certain level of cash on hand and then manages the company. We are cognizant of our responsibility to do that.

[ph] Frank Sacks asks a real quick question. You think auto will ever be what it once was to radio?

Gosh, that determines what it once was if you are talking about the intensity of the car stores. I think that you are going to start seeing it coming back more and more and more. But it's going to be kind of a reverse ski slope and not a market increase. I think that as the dealers become more and more cognizant of radio when they think about where they were beforehand, radio was an easy and quick solution. Television isn't easy and quick solution to fix the problems.

[ph] Jim Zimmerman of Old Capital. [indiscernible] paid almost 10 times EBITDA for [indiscernible] we're seeing differently.

Saga trades at very large discount to that multiple, absolutely. Is there any particular reason why smaller radio in broadcasting properties to trade in broadcasting properties to trade at a large discount to larger market properties?

That's a good question. Cash is cash. I've always said whether I make a dollar in Champaign, Illinois or a dollar in New York, the bank doesn't turn me away when I deposit the cash. Nobody says, I'm sorry, sir, we can't accept the deposit because it doesn't come from a large market. It takes as much as energy and time sometimes to run a smaller market as it does to a larger market. The problems are similar. The scale is different. But if you have enough of these that are producing cash and are all this way. There has always been a historic discount of a couple of clicks. Much of it has been in format specificity, with certain formats garner a higher multiple than other formats. Is that realistic? It depends again upon the market, it depends upon the cluster, it depends upon the competitive position in the market. These are all factors. And I don't think you really can paint with a broad brush and say this is the multiple for the industry, because I can show you markets where we can get a disproportionate multiple because of our position in the markets, or exclusivity in the markets. I won't say exclusivity, it's a bad word to use. But because of our dominant preeminent position in the marketplace. I really think that, but there is a range, admittedly. But I think that you have to say that to cut it in stone and say this is the trading multiple, these are guidelines. It's like the asterisk that you see from your broker, these are only assumptions to be presumed and thought upon. They are not necessarily concrete ideas.

And do I think we are undervalued? Yeah, but that's because we don't have the muchness, as I said there is just too much muchness and we don't have that muchness probably by design. And we live with this knowing that we are not recorded quite of the preeminent value of certain other companies.

What will be the key drivers to improve revenue and EBITDA in 2011? That are, again watching our costs, I think I said this on the last call that we did some pretty good containment of our expenses in 2010, some of them are not sustainable. We look forward to quickly reestablishing the cuts that we ask our employees to take and believe that there is an action plan pending on that right now.

We believe that our CapEx is in a normative range and value of $5 million, that's probably and if you look at other companies, that certainly on the side of being competent and good stewards of our – of maintaining our equipment. And again it's the maintenance of driving our revenues, as we can and we're working on that and expanding everything we do.

I think, we are going to be fine in 2011, as long as there isn't anything that I don't see out there or nobody has recognized or can foresee. Again, we answered that, if your evaluation continues to remain depressed, do you think you might find attractive acquisitions as an alternative use of cash? We hope so. What am I missing Sam?

<A – Samuel D. Bush>: No. I think those, for that one, there is a couple more questions from [ph] Doug Holmes, who is an individual investor, that I don't believe I ever spoke with. But he had really talked about the same types of questions that we had before relative to our leverage and what other participants in the market announcing new deals that will be six or seven times levered goes. I think you already answered that. We talked a little bit about our plan to refinance our current credit facility and that's moving very well, and we will have more of an announcement on that soon.

And then, a little bit about pacings. And again, he talks about radio and TV. We historically have not broken out radio and TV separately in our pacing, so we've reported where we were for the first quarter and you've talked a little bit about April.

Tim Schlock and Marci Ryvicker from Wachovia. I think we have covered a lot of their questions already. We gave political in my comments earlier. They asked for your comments on Citadel Cumulus deal, which for the most part, I think, you've commented a little about anyway. As far as expenses go, Ed did indicate that expenses will be going up a little bit in 2011 because we are going to restore at least a portion of what we ask our employees to get back in the way of salary decreases here at the appropriate time later this year. So I think we will see some expense increases. We are also spending more in advertising and promotion dollars in – on a case by case basis that Ed is controlling very closely.

<A – Edward K. Christian>: A lot of it comes down to – and I think because of the big announcement this last week, and the top radio companies, and we really do have to think at Saga s little differently and I was reminded of that a few months ago when I was in Springfield, Mass and I was with Gary Zenobi, our market manager, and we were driving up, going to do budgets, up in New Hampshire. And if you look at our map, we have a really delightful swath of real estate from Springfield to Northampton to Greenfield to Brattleboro. Make a right turn and you go to Keene. And we stopped at Yankee Candle Company just because Gary had never been there. And Yankee is, as you know, a huge behemoth candle manufacturing company. I mean just – when you go to their store, you really don't see their plants, which are hidden away in Northampton. But they just crank them out. And it was started by a man named Mike Kittredge, who eventually sold it to Forstmann Little, who then eventually took it public, the usual, I am sure everybody is aware of the scenario on that. And it exists that way today. And Yankee Candle is – Mike Kittredge's non-compete finally ran out and I didn't notice, but he and – with his son bought – started a candle company called Kringle Candle in Bernardston, Mass which is right near the border between

Massachusetts and Vermont. And they make candles the old fashioned way. And he doesn't compete with Yankee, because Yankee has a different business plan and everything else, but they make their candles in a traditional way with traditional wicks and traditional things like this or handcrafted and it's a matter of style.

And as Mike Kittredge III, his son, is running a candle company out there. They're trying to make it into a destination event as more of a handcrafted thing. I'm not suggesting we're boutique or anything else like that. But as Mike Kittredge started this company, and he got larger and larger and larger and he took the buyout and then the public took it.

We're using similar values in that he has with the Kringle Candle in establishing share by quality, by design, by reputation, and I think that kind of says it all.

I want to thank everybody for joining us on our call today. Perhaps I rambled a little bit too much, but that is my style, I believe. Isn't it, Sam?

<A – Samuel D. Bush>: I think that was very good and it very well makes the point that you're intending to make.

<A – Edward K. Christian>: By the way, if you ever smell a Kringle Candle versus another one, they're really very aromatic. You can go to their website and learn all about candle making. Or if you happen to be in that area of New England, you can listen to any of our stations, all the way up the Connecticut river and then hang a right and go to Keene and you'll find it a delightful experience over in that part of the country.

Sam and I are around, if there are calls coming in and if anybody wants to speak to us, we'd be glad to do so. And we thank you all for those who are, perhaps some of our employees, who's snuck in to listen to the call. Thank you for everything you've done. And to our investors, thank you for your confidence in what we have done and what we will continue to do as Saga. Nick, I think that's it. If you got anything to say, you can.

Operator: Thank you. With that, ladies and gentlemen, that does conclude our conference for today. We thank you for your participation, and for using AT&T executive teleconference. You may now disconnect.

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

Thanks, Nick.