
MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Third Quarter 2011 Results. Now at this time all participants are in a listen-only-mode and will remain so throughout the conference. [Operator Instructions]

As a reminder, today's call is being recorded, your hosting speaker, Ed Christian. Please go ahead sir.

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

Thank you very much, I will be brief and introduce Sam with his -- we're trying to keep our the qualification remarks minimal and we'll do that. And then some once you get numbers and I'll be back in just a moment.

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

And as always, 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 SK. Reconciliation for all the non-GAAP financial measures to the most directly comparable GAAP measure is attached in the selected financial data table.

Even with the continued economic volatility, the 6 million in free cash flow that we posted for the third quarter was approximately equal to what we posted for the same period last year. Year-to-date through the third quarter, free cash flow was up 10.6% from the same period last year. Net revenue for the third quarter was down 1%, however, net of political revenue was up approximately 1% for the quarter, as well as 2% year-to-date.

For the first nine months of the year, we had 757,000 in gross political revenue, compared to 1.8 million for the same period last year. For the third quarter, we had 421,000 in 2011 and 1.1 million in 2010.

Radio including the networks had 382,000 this quarter of gross political revenue, compared to 747,000 for the same period last year. TV's gross political was 39,000 during the quarter this year, compared to 352,000 last year. We did 2.4 million in total political revenue during the fourth quarter last year.

National accounted for approximately 16% of gross revenue for the quarter, compared to 14% last year. Our networks net revenues were flat with last year at 1 million for the quarter even though last year we had 242,000 of gross political revenue, compared to 93,000 of political for the networks during the third quarter of this year.

From an operating standpoint, we reported station operating expense was flat with last year during the third quarter and for the year we are up less than 1%. Overall, we continue to monitor expenses diligently and expect overall station operating expenses to be up less than 2% for the year and probably closer to the 1% number. We are seeing some increase in corporate G&A for both the quarter and the year primarily attributable to increased spending in our interactive and IT departments as we continue to advance our technical capabilities and provide support at the

corporate level to our markets interactive growth. For the year, we expect corporate G&A to be between 7.5 million and 7.7 million.

On the flip side, we are seeing a nice reduction in our interest expense for both the quarter and the year. This is primarily due to the continued reduction in the level of our outstanding debt, a meaningful reduction in the interest rate we are paying and a reduction in the amortization of our bank fees. There are a couple of unusual numbers, unusual items to keep in mind when comparing this year's year-to-date numbers to last year's.

We reported in the first quarter of 2010 as other income of \$3.6 million one-time payment for a frequency coordination of one of our FMs. Also this year in the second quarter we completed a new senior debt facility which resulted in the write-off of \$1.3 million in previously unamortized bank fees.

Additionally, with this unamortized bank fee write-off from our previous credit facility, we have significantly reduced the amount of bank fees on our books to be amortized over the term of the current credit facility resulting in an approximately \$70,000 per month decrease in our ongoing interest expense being reported.

As reported in the press release, capital expenditures in the third quarter were \$1.6 million compared to \$1.1 million last year. Tax law and we indicated this in the second quarter as well, tax law now allows us to take a bonus depreciation deduction in 2011 on qualifying purchases which results in the items total cost being expensed in 2011 from a tax perspective.

Due to the availability of this potential tax benefit, we are planning to spend a little more on capital items this year and now estimate total capital expenditures in 2011 to be \$5.5 million to \$6 million.

Keep in mind that we did \$2.4 million in political revenue during the fourth quarter of 2010, we are currently pacing down mid single digits for the fourth quarter of this year. If you exclude the political revenue from our pacing numbers we would be up low single digits for the quarter.

Two other quick items for 2011, we expect interest expense for the year to be between \$3.5 million and \$4 million. Our anticipated total tax rate going forward is 41% and we anticipate deferred taxes for 2011 between \$5.3 million and \$5.8 million, current taxes will continue to vary based on income in each quarter.

Ed, to you?

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

Thanks, Sam. Well, for those of you who have listened to other broadcasting companies' calls and you know that we're actually calling in another meeting at the Flat Earth Society right now. I think we're kind of an unwilling member, but we're listening and observing and we do have our letter of resignation prepared for immediate submission.

This is part of the industry, we're flat. It's a little consolation to us that our peers are flat. I mean, it's not something we go around [indiscernible] it's a fabulous think. So I don't excuse, it's the reality and nature of our business. The bad news is that 2011 is turning to a totally unexciting year, especially we're out to what we call -- '12 to be a great year. There's always in this industry an attrition of accounts and something else that I'd like everybody kind of focused on for a second. No matter what happens good years for bad years, a business losses 10%, 15% is what we think of their accounts each year. These are businesses that go out of business, businesses that change your marketing plan. So they just stay even, you have to create new business, new accounts, new

revenue equal to that amount of money of attrition. We did that again this year and actually added a little bit more than that. It's been modest, but it has been a positive trend.

Now, the good news really is that our industry, Radio can change sales directions on a time. If you think about it doesn't happen in a lot of industries, we don't have any production lead time, we don't have any redrilling, we can change the way we're going. And here is what we've noticed. The growth category for us right now is interestingly enough service and there is no secret that for instance appliance sales are just [indiscernible] you read the thing that whirlpool closing their plant, reducing capacity everything.

And so our appliance dealers have cut back because they are just not selling product. At the meantime where we're noticing increase is repair services, companies that go in and repair or not replace, but repair. So this is becoming kind of an interesting company for us because these are companies kind of hung around in the background before when people would say forget it, I'm just going to put in wash or new drier or whatever it might be.

Now I'm going to repair this so these companies go up, they're not buying for share and they're looking at ways and radio is a quick message if you get it out there and turn in television this work the same way.

That's a category for us, its interesting and something that we are able to turn in and refocus on pretty fast in our industry. At the same time, as we go along the concept of new business we just several weeks ago went into a new business initiative for the company. It's a long story, but each market essentially competes with each other, we think that this will generate several million dollars of new business, that is our company.

And the governments by the way of this initiative is to intensify the day to day selling activity to new local accounts and turn them into long term accounts. We're not in for a flash sale that generates quick money for 60 or 90 days, but the whole purpose of the business initiative is to generate long-term dollars in that quick transactional dollars that will not reappear. And that -- and the quick transitional dollar is our rate package, [indiscernible] you run it through and you're going, this is our relationship though.

So we had stuff and we're an old media that hasn't suffered or is it our audience, that's a good news. We have new skills and products for sale and these are in addition to our conventional radio and TV advertising. To give you an idea our interactive revenue for the year to give you an idea, our interactive revenue for the year is up by 14.5%, 18.5% for the quarter, still a very small share of our business, but a chilling growth in advisor interest.

So that's not all bad news. I do disagree with several other comments that about radio and TV that it is in danger, challenged, yes, and danger, no. Even in tight times there is no history where we shut off radio or TV stations because of our poor capacity. We've been asked how is Saga doing? Some really good margins for us, some not so.

I think the news you've been hearing from everybody else. For instance, our stations in Columbus are up 17% for the quarter 11% for the year, the market in Columbus is only up 4%. And Des Moines were up 13% for the quarter and 11% for the year against the market that's up 6%. Charlottesville, Virginia up 13% for the quarter on the same for the year-to-date we don't have market information there. Marksville, Tennessee is up 12% for the quarter, 15% for the year, and we do essentially make the radio market for [indiscernible].

The market we're experiencing some revenue shortfalls is Milwaukee, we've implemented strategic plans and research and we have addressed this. It's going to take us a few more quarters to effectuate the turn. It's not an instantaneous where we get it back. We believe we've addressed issues and continue to work to resolve anything in that field.

There is also revenue softness in New England. But that is situational. It is area related it is not softness caused by Saga, but the softness in the markets do impact our stations out there. Sam has said in his comments we did have a big political comps for Q4, we do anticipate it's slightly down quarter. With that in mind, we continue to be able to driven down our expenses, continue to pay down our debt. In this quarter alone I think about \$30 million that we paid down in this last quarter. And our EBITA is just slightly north of two times.

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

Correct.

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

And so that's pretty good stuff there. So the message is, yes, we're flat. The good news is we -- our company continues to generate cash and we are managing our cash and we have ways to go in the future, whether it's through acquisition, whether it's through -- it's convenient pay down of debt, whether it's dividends or it's always [indiscernible] dividends. We believe that every business has to have a level of debt that would be prudent for us to not bury some debt because that's the way that you work, but at the same time we don't want to compromise the integrity of our company.

It was an unexciting quarter, but it demanded a lot of work on the part of everybody. There is one effort and to take and staying flat, we just say that, that's really is what the case is. We have a couple of questions and then we'll let you go. Sam, you'll start on that.

QUESTION AND ANSWER SECTION

<A – Samuel D. Bush>: Yeah, we got one question about how our months fared in quarter three, particularly because of the broadcasters have talked about August and the strength of the industry in August and so forth. As we said all year the months and quarters are just extremely volatile, one month is good, one month is bad, one month is even and the third quarter pretty much follow that same tune. We were down over 5% in July.

We were up almost 3% in August and we were basically break even with last year in September. As far as -- whether the month of August was strong or not, it certainly was nice to be up 3%. But the comparison in reality is if you look at our political for last year, July and September we did over 400,000 per month in political in each of those months. In August we did less than 300,000, about 270,000. So in reality we were helped in August by not having as a bigger comparison to political and quite frankly in August we picked up almost the same amount of political this year as we did last year.

So again we are seeing a lot of volatility from a pacing perspective, we're seeing that in the fourth quarter as well. So that's pretty much what do expect I think going forward is the months are not going to be stable, they are going to be somewhat volatile. And I think some other questions.

<A – Edward K. Christian>: [indiscernible] is it improving sequentially. Auto is good, we're getting money back from our car stores, they are selling units. Honda is challenged again because the 50 year flood in Thailand, globalisation of the world or Honda is sitting over there under water which we're not going to be getting on boats coming over here. So --

<A – Samuel D. Bush>: Taiwan as opposed, I you think said Thailand.

<A – Edward K. Christian>: No, Taiwan, that's in Thailand.

<A – Samuel D. Bush>: Was it in Thailand?

<A – Edward K. Christian>: Yeah. They have a plant over there. So any thoughts about returning capital giving your favorable leverage position numbers? Yeah, we thought about it, any update on performance royalties? We don't believe in the former royalties, we believe in composers, authors, publishers and Chairman [indiscernible] license committee. I'm working with a two recognized performing right organizations that account for 90, some high 90% of composers, author publishers, well that's going to be mine and working diligently through reach a solution to accommodate the industry to put us back on it, a sound relationship there.

And I think we are making some good recovery on that at least for the -- we haven't talked -- any thoughts on to put it over the next year, it's going to be good year, depends on the state, depends on the races. Overall, it should be a very, very fine year for Radio and Television. We are looking forward to being able to be in some tremendous numbers next third quarter and fourth quarter [indiscernible] we're doing such marvelous job or some.

<A – Samuel D. Bush>: And we have, we have by the way picked up some political dollars already this year and are continuing to pick up some dollars this year.

<A – Edward K. Christian>: But [indiscernible] in political, although I think for the year, something like that, is that all [indiscernible]

<A – Samuel D. Bush>: I think it would be close to that.

<A – Edward K. Christian>: Yes, versus four last year. So. . .

<A – Samuel D. Bush>: There was a down in that. A question here. Ed, with all those talk national formats, what do you think? Something you'll be able to give a competitive edge or something to look at yourselves?

<A – Edward K. Christian>: Well. Okay. Good question. Answer on that is national formats have been around for long time. This is not new addition one for national formats is [indiscernible]. We are going to satellite the river in all these format, a rock format whatever, I mean, all the satellite premiers [indiscernible] and it's still there. I mean, you look at our global, that's very nice, we'll begin that. Addition two or volume two of this was the idea by one of the mega companies that we will deliver the programing by pod from a hub where the dish will be sitting here, doing the show for six markets at the same time.

That was the idea of national service at that time. So with the idea of national service is not new especially from a company, I think that believe that unless is more and they are doing it as professional service, they are feeling mentor on it. But, I can understand at in, and really what they're saying there and really is true. Is there is a market difference between the major markets and the smaller markets and we recognize that. We view it a little bit [indiscernible] are equal.

And so for us a station that has a 0.5 million and one that has 50,000, we appreciate the money from the one with the 0.5 million, but we also appreciate the money from one that's 50. To much, they're all significantly important in their markets though their markets might be smaller, the people that listen to them are the same. And the service to the community is what makes radio what it is today the service, the community is what makes local TV news, what it is today.

Our ability through our state radio networks to provide the news for the communities small or large is what's important. To a large company, whether there's a big difference in New York or although in Nebraska. To us, we respect the integrity of radio and both of those markets. I'm not saying it we're right and they're wrong in fact improved it is much it is much more rewarding from an entertainment value from just doing business in a major market to a smaller market. But it can be richer in terms of in an emotional experience that what you have. For instance in the, I think in South Dakota one of our Agro business partners, markets we just celebrated last week, one of our accounting executive said that near for 50 years as a sales person, I mean 50 years on a radio station as a sales rep, what an amazing, wonderful accomplishment and commitment.

This from radio station, when I'm here in 1922, think about all of this and think about how we work at it. So for us, we continue to tend to our suburban platform of what we kind of penetrating radio in all size markets. Also it is important, it is just as important to a person and a town of 25,000 as to a person in a town of 250,000 or 2.5 million.

Perhaps I could make the -- case but it's important in the smaller towns and it is in the larger towns because of just the immune relationship on a larger period. People can do whatever they want that's a nice thing about companies, there are companies with different philosophies than ours, and they're successful and that's just fine and -- we look at that, we now want the challenge what they do. We understand their marketing plans and we understand our operational plans.

Which is to be able to look at different and that's just delayed and so I guess being -- our shift is been to provide radio, television in this smaller communities where we can take an unfair share of dollars or our efforts and that's how we do -- that's how we got to. Are we too much on that?

<A – Samuel D. Bush>: No, that was very good.

<A – Edward K. Christian>: I think that's about it -- we try to be staying with you about 20 minutes stay and we're right just about that market a few minutes earlier. So we do not have any other?

<A – Samuel D. Bush>: Now just let Kevin wrap up for us?

<A – Edward K. Christian>: Kevin, would you wrap it for us?

Operator: Thank you. Ladies and gentlemen, that does concludes your conference. We do thank you for joining while using AT&T Executive TeleConference. You may now disconnect. Have a good day.

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