UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period ended September 30, 2008

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-11588

Saga Communications, Inc.
(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**38-3042953** *(I.R.S. Employer Identification No.)*
73 Kercheval Avenue **Grosse Pointe Farms, Michigan** *(Address of principal executive offices)*	**48236** *(Zip Code)*

(313) 886-7070
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No o.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer ☑	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No ☑

The number of shares of the registrant's Class A Common Stock, $.01 par value, and Class B Common Stock, $.01 par value, outstanding as of November 3, 2008 was 14,451,582 and 2,402,338, respectively.

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PART I — FINANCIAL INFORMATION

Item 1. *Financial Statements*

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2008 (Unaudited)	December 31, 2007 (Note)
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 7,997	$ 13,343
Accounts receivable, net	22,269	23,449
Prepaid expenses and other current assets	5,176	4,590
Total current assets	35,442	41,382
Property and equipment	156,680	153,504
Less accumulated depreciation	82,791	77,287
Net property and equipment	73,889	76,217
Other assets:		
Broadcast licenses, net	169,001	163,102
Goodwill, net	54,976	49,661
Other intangibles, deferred costs and investments, net	6,507	7,282
Total other assets	230,484	220,045
	$ 339,815	$ 337,644
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,486	$ 3,017
Payroll and payroll taxes	6,562	7,722
Other accrued expenses	4,708	4,848
Barter transactions	2,314	1,720
Current portion of long-term debt	1,061	—
Total current liabilities	16,131	17,307
Deferred income taxes	40,395	36,829
Long-term debt	133,350	129,911
Other liabilities	3,873	4,521
Stockholders' equity		
Common stock	215	213
Additional paid-in capital	51,681	50,600
Retained earnings	119,508	112,137
Treasury stock	(25,338)	(13,874)
Total stockholders' equity	146,066	149,076
	$ 339,815	$ 337,644

Note: The balance sheet at December 31, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(Unaudited) (In thousands, except per share data)			
Net operating revenue	**$ 36,192**	$ 36,218	**$ 105,066**	$ 106,522
Station operating expenses	**26,588**	25,975	**79,255**	78,986
Corporate general and administrative	**2,485**	2,272	**7,611**	7,194
Gain on asset exchange	**(282)**	—	**(506)**	—
Operating income	**7,401**	7,971	**18,706**	20,342
Other expenses, net:				
Interest expense	**1,889**	2,283	**5,760**	6,861
Other expense, net	**—**	60	**27**	142
Income before income tax	**5,512**	5,628	**12,919**	13,339
Income tax provision	**2,415**	2,307	**5,452**	5,468
Net income	**$ 3,097**	$ 3,321	**$ 7,467**	$ 7,871
Earnings per share				
Basic	**$ .16**	$ .17	**$ .38**	$ .39
Diluted	**$ .16**	$ .17	**$ .38**	$ .39
Weighted average common shares	**18,940**	20,112	**19,593**	20,082
Weighted average common and common equivalent shares	**18,952**	20,126	**19,607**	20,111

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2008	2007
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Cash provided by operating activities	$ 18,185	$ 16,955
Cash flows from investing activities:		
Acquisition of property and equipment	(5,134)	(6,180)
Increase in intangibles and other assets	(112)	(542)
Acquisition of stations	(10,944)	(6,761)
Other investing activities	11	27
Net cash used in investing activities	(16,179)	(13,456)
Cash flows from financing activities:		
Proceeds from long-term debt	5,500	—
Payments on long-term debt	(1,000)	(4,000)
Purchase of shares held in treasury	(11,810)	(126)
Other financing activities	(42)	190
Net cash used in financing activities	(7,352)	(3,936)
Net decrease in cash and cash equivalents	(5,346)	(437)
Cash and cash equivalents, beginning of period	13,343	10,799
Cash and cash equivalents, end of period	$ 7,997	$ 10,362

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for annual financial statements.

In our opinion, the accompanying financial statements include all adjustments of a normal, recurring nature considered necessary for a fair presentation of our financial position as of September 30, 2008 and the results of operations for the three and nine months ended September 30, 2008 and 2007. Results of operations for the nine months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Saga Communications, Inc. Annual Report on Form 10-K for the year ended December 31, 2007.

Change in Accounting Estimate

In the second quarter of 2008, the Company reviewed the estimated useful lives of its television analog equipment. This review was performed because of the Federal Communications Commission's ("FCC") mandatory requirement that all television stations convert from analog to digital spectrum by February 2009. As a result of this review, the Company's depreciation rate of its analog equipment was increased to reflect the estimated period during which these assets will remain in service. In accordance with FASB 154, *"Accounting Changes and Error Corrections,"* this change of estimated useful lives is deemed as a change in accounting estimate and has been accounted for prospectively, effective April 1, 2008. The effect of this change in estimate was to decrease net income approximately $122,000 and $237,000, respectively, and decrease basic and diluted earnings per share by $.01 for the three and nine months ended September 30, 2008.

Income Taxes

Our effective tax rate is higher than the federal statutory rate as a result of certain non-deductible depreciation and amortization expenses and the inclusion of state taxes in the income tax amount.

Revenue Recognition

Revenue from the sale of commercial broadcast time to advertisers is recognized when commercials are broadcast. Revenue is reported net of advertising agency commissions. Agency commissions, when applicable, are based on a stated percentage applied to gross billing. All revenue is recognized in accordance with the Securities and Exchange Commission's ("SEC") Staff Accounting Bulletin ("SAB") No. 104, Topic 13, *"Revenue Recognition Revised and Updated."*

Time Brokerage Agreements

We have entered into Time Brokerage Agreements ("TBAs") or Local Marketing Agreements ("LMA's") in certain markets. In a typical TBA/LMA, the FCC licensee of a station makes available, for a fee, blocks of air time on its station to another party that supplies programming to be broadcast during that air time and sells their own commercial advertising announcements during the time periods specified. We account for TBA's/LMA's under Statement of Financial Accounting Standards ("SFAS") No. 13, *"Accounting for Leases"* and related interpretations. Revenue and expenses related to TBA's/LMA's are included in the accompanying unaudited Condensed Consolidated Statements of Income.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Nonmonetary Asset Exchanges

In 2006, the FCC granted to Sprint Nextel Corporation ("Nextel") the right to reclaim from broadcasters in each market across the country the 1.9 GHz spectrum to use for an emergency communications system. In order to reclaim this signal, Nextel must replace all analog equipment currently using this spectrum with digital equipment. All broadcasters have agreed to use the digital substitute that Nextel will provide. The exchange of equipment will be completed on a market by market basis. As the equipment is exchanged and put into service in each of our markets we have and expect to continue to record gains to the extent that the fair market value of the equipment we receive exceeds the book value of the analog equipment we exchange. See Note 8, Gain on Asset Exchange.

2. Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), *"Business Combinations"* ("SFAS 141R"), which changes the principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effect of the business combination. SFAS 141R is effective prospectively for fiscal years beginning after December 15, 2008 (as of January 1, 2009 for the Company). SFAS 141R will have an impact on accounting for business combinations once adopted but the effect is dependent upon acquisitions at that time.

In December 2007, the FASB issued SFAS No. 160, *"Noncontrolling Interests in Consolidated Financial Statements — An Amendment of ARB No. 151"* ("SFAS 160"), which establishes new accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 (as of January 1, 2009 for the Company). We do not currently expect the adoption of SFAS 160 to have a material impact on our consolidated financial position, results of operations and cash flows.

In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities"* ("SFAS 159"), which allows entities the option to measure eligible financial instruments at fair value as of specified dates. Such election, which may be applied on an instrument by instrument basis, is typically irrevocable once elected. An entity would report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The provisions of SFAS 159 were effective as of January 1, 2008. We did not elect the fair value option under this standard upon adoption.

In September 2006, the FASB issued SFAS No. 157, *"Fair Value Measurements"* ("SFAS 157") which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Companies were required to apply the recognition and disclosure provision of SFAS 157 for financial assets and financial liabilities effective January 1, 2008. In February 2008, the FASB issued FSP FAS 157-2 that delayed by one year, the effective date of SFAS 157 for the majority of nonfinancial assets and nonfinancial liabilities. We adopted the provisions of SFAS 157 effective January 1, 2008 for certain assets which were not included in FSP FAS 157-2, which did not have a material impact or effect on our consolidated financial position, results of operations and cash flows. We do not expect the adoption of the deferred portion of SFAS 157 to have a material impact on our consolidated financial position, results of operations and cash flows.

In September 2006, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue No. 06-4, *"Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"* ("EITF No. 06-4"). EITF No. 06-4 requires that for endorsement split-dollar life insurance arrangements that provide a benefit to an employee that extends to postretirement periods, an employer should recognize a liability for future benefits in accordance with SFAS No. 106 (if, in substance, a postretirement benefit plan exists) or Accounting Principles Board Opinion No. 12 (if the arrangement is, in substance, an individual deferred compensation contract) based on the substantive agreement with the employee. We adopted EITF No. 06-4 effective January 1, 2008, which did not have a material impact or effect on our consolidated financial position, results of operations and cash flows.

3. Intangible Assets and Goodwill

Under SFAS No. 142, *"Accounting for Goodwill and Other Intangible Assets,"* ("SFAS 142") goodwill and intangible assets deemed to have indefinite lives are not amortized and are subject to impairment tests which are conducted annually, or more frequent if impairment indicators arise.

We consider FCC broadcast licenses to have indefinite lives. Factors that we considered in evaluating that the radio and television FCC licenses are indefinite-lived intangible assets under SFAS 142 include the following:

- The radio and television broadcasting licenses may be renewed indefinitely at little cost.
- The radio and television broadcasting licenses are essential to our business, and we intend to renew our licenses indefinitely.
- We have never been denied the renewal of a FCC broadcast license.
- We do not believe that there will be any compelling challenge to the renewal of our broadcast licenses.
- We do not believe that the technology used in broadcasting will be replaced by another technology in the foreseeable future.

Based on the above, we believe cash flows from our radio and television licenses are expected to continue indefinitely.

Separate intangible assets that have finite lives are amortized over their useful lives using the straight-line method. Favorable lease agreements are amortized over the lives of the leases. Other intangibles are amortized over one to eleven years.

4. Common Stock and Treasury Stock

The following summarizes information relating to the number of shares of our common stock issued in connection with stock transactions through September 30, 2008:

	Common Stock Issued	
	Class A	Class B
	(Shares in thousands)	
Balance, January 1, 2007	18,892	2,396
Exercised options	43	—
Conversion of shares	8	(8)
Issuance of restricted stock	36	5
Forfeiture of restricted stock	(2)	—
Balance, December 31, 2007	18,977	2,393
Exercised options	19	—
Conversion of shares	3	(3)
Issuance of restricted stock	93	12
Forfeiture of restricted stock	(12)	—
Balance, September 30, 2008	19,080	2,402

We have a Stock Buy-Back Program (the "Buy-Back Program") to allow us to purchase up to $60,000,000 of our Class A Common Stock. From its inception in 1998 through September 30, 2008, we have repurchased 3,991,966 shares of our Class A Common Stock for approximately $38,062,000.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Acquisitions

We actively seek and explore opportunities for expansion through the acquisition of additional broadcast properties. The unaudited condensed consolidated statements of income include the operating results of the acquired stations from their respective dates of acquisition. All acquisitions were accounted for as purchases and, accordingly, the total costs were allocated to the acquired assets and assumed liabilities based on their estimated fair values as of the acquisition dates. The excess of the consideration paid over the estimated fair value of net assets acquired have been recorded as goodwill, which is deductible for tax purposes.

2008 Acquisitions

On September 5, 2008, in connection with a city of license change for WJZK(FM), we exchanged $205,000 in cash and a tower, antenna and transmitter with a fair market value (which approximates cost) of approximately $1,591,000, with another radio station.

On January 21, 2004, we entered into agreements to acquire an FM radio station (WOXL-FM) serving the Asheville, North Carolina market. On November 1, 2002 we began providing programming under a Sub-Time Brokerage Agreement to WOXL-FM, and on January 31, 2008 we closed on the acquisition for approximately $9,463,000 of which approximately $9,354,000 was paid in 2008 and $109,000 was paid in prior years.

On January 31, 2008, in connection with the 2006 acquisition of one FM radio station (WTMT-FM) serving the Tazewell, Tennessee market for approximately $4,186,000, we paid the seller $1,350,000, which had been recorded as a note payable at December 31, 2007. We relocated the tower to Weaverville, North Carolina (serving the Asheville, North Carolina market) and started broadcasting in Asheville on June 8, 2007.

2007 Acquisitions

On November 1, 2007, we acquired an FM radio station (WCLZ-FM) serving the Portland, Maine market for approximately $3,555,000.

On August 31, 2007, we acquired two radio stations (WKRT-AM and WIII-FM licensed to Cortland, New York, and an FM translator station that rebroadcasts WIII) serving the Ithaca, New York market for approximately $3,843,000. Due to FCC ownership rules we were not permitted to own WKRT-AM and as part of the transaction we donated WKRT-AM to a non-profit organization.

On January 2, 2007 we acquired one FM radio station (WCNR-FM) serving the Charlottesville, Virginia market for $3,330,000. On September 1, 2006 we began providing programming under an LMA to WCNR-FM. We funded this acquisition on December 31, 2006.

On January 16, 2007, we agreed to pay $50,000 to cancel a clause in our 2003 purchase agreement of WSNI-FM in the Winchendon, Massachusetts market that would have required us to pay the seller an additional $500,000 if within five years of closing we obtained approval from the FCC for a city of license change.

On January 2, 2007, in connection with the 2003 acquisition of one FM radio station (WJZA-FM) serving the Columbus, Ohio market, we paid an additional $850,000 to the seller upon obtaining approval from the FCC for a city of license change.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidated Balance Sheet of 2008 and 2007 Acquisitions

The following unaudited condensed consolidated balance sheets represent the estimated fair value assigned to the related assets and liabilities of the 2008 and 2007 acquisitions at their respective acquisition dates. We paid approximately $10,944,000, $6,761,000 and $10,298,000 in connection with acquisitions during the nine months ended September 30, 2008 and 2007 and the year ended December 31, 2007, respectively.

Saga Communications, Inc.

Condensed Consolidated Balance Sheet of 2008 and 2007 Acquisitions

	Acquisitions in	
	2008	2007
	(In thousands)	
Assets Acquired:		
Current assets	$ —	$ 130
Property and equipment	56	931
Other assets:		
Broadcast licenses-Radio segment	5,658	12,210
Goodwill-Radio segment	5,314	834
Other intangibles, deferred costs and investments	—	46
Total other assets	10,972	13,090
Total assets acquired	11,028	14,151
Liabilities Assumed:		
Current liabilities	84	3,853
Total liabilities assumed	84	3,853
Net assets acquired	$ 10,944	$ 10,298

Pro Forma Results of Operations for Acquisitions and Dispositions (Unaudited)

The following unaudited pro forma results of our operations for the nine months ended September 30, 2008 and 2007 assume the 2008 and 2007 acquisitions occurred as of January 1, 2007. The pro forma results give effect to certain adjustments, including depreciation, amortization of intangible assets, increased interest expense on acquisition debt and related income tax effects. The pro forma results have been prepared for comparative purposes only and do not purport to indicate the results of operations which would actually have occurred had the combinations been in effect on the dates indicated or which may occur in the future.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands, except per share data)			
Consolidated Results of Operations				
Net operating revenue	**$ 36,192**	$ 36,500	**$ 105,066**	$ 107,445
Station operating expense	**26,588**	26,239	**79,255**	79,807
Corporate general and administrative	**2,485**	2,272	**7,611**	7,194
Gain on asset exchange	**(282)**	—	**(506)**	—
Operating income	**7,401**	7,989	**18,706**	20,444
Interest expense	**1,889**	2,283	**5,760**	6,861
Other expense, net	—	60	**27**	142
Income taxes	**2,415**	2,315	**5,452**	5,510
Net income	**$ 3,097**	$ 3,331	**$ 7,467**	$ 7,931
Basic earnings per share	**$ .16**	$ .17	**$ .38**	$ .39
Diluted earnings per share	**$ .16**	$ .17	**$ .38**	$ .39

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(In thousands)			
Radio Broadcasting Segment				
Net operating revenue	**$ 31,306**	$ 32,186	**$ 91,316**	$ 94,563
Station operating expense	**22,717**	22,756	**68,028**	69,281
Operating income	**$ 8,589**	$ 9,430	**$ 23,288**	$ 25,282

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
	(In thousands)			
Television Broadcasting Segment				
Net operating revenue	**$ 4,886**	$ 4,314	**$ 13,750**	$ 12,882
Station operating expense	**3,871**	3,483	**11,227**	10,526
Gain on asset exchange	**(282)**	—	**(506)**	—
Operating income	**$ 1,297**	$ 831	**$ 3,029**	$ 2,356

Reconciliation of pro forma segment operating income to pro forma consolidated operating income:

	Radio	Television	Corporate and Other	Consolidated
	(In thousands)			
Three Months Ended September 30, 2008:				
Net operating revenue	$ 31,306	$ 4,886	$ —	$ 36,192
Station operating expense	22,717	3,871	—	26,588
Corporate general and administrative	—	—	2,485	2,485
Gain on asset exchange	—	(282)	—	(282)
Operating income (loss)	$ 8,589	$ 1,297	$ (2,485)	$ 7,401

	Radio	Television	Corporate and Other	Consolidated
	(In thousands)			
Three Months Ended September 30, 2007:				
Net operating revenue	$ 32,186	$ 4,314	$ —	$ 36,500
Station operating expense	22,756	3,483	—	26,239
Corporate general and administrative	—	—	2,272	2,272
Operating income (loss)	$ 9,430	$ 831	$ (2,272)	$ 7,989

	Radio	Television	Corporate and Other	Consolidated
	(In thousands)			
Nine Months Ended September 30, 2008:				
Net operating revenue	$ 91,316	$ 13,750	$ —	$ 105,066
Station operating expense	68,028	11,227	—	79,255
Corporate general and administrative	—	—	7,611	7,611
Gain on asset exchange	—	(506)	—	(506)
Operating income (loss)	$ 23,288	$ 3,029	$ (7,611)	$ 18,706

	Radio	Television	Corporate and Other	Consolidated
	(In thousands)			
Nine Months Ended September 30, 2007:				
Net operating revenue	$ 94,563	$ 12,882	$ —	$ 107,445
Station operating expense	69,281	10,526	—	79,807
Corporate general and administrative	—	—	7,194	7,194
Operating income (loss)	$ 25,282	$ 2,356	$ (7,194)	$ 20,444

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

6. Stock Based Compensation

The Company accounts for stock-based awards under the provisions of SFAS No. 123R, *"Share-Based Payment"* ("SFAS 123R"). Compensation expense of approximately $202,000 and $698,000, respectively, and related tax benefits of $85,000 and $294,000, respectively, was recognized for the three and nine months ended September 30, 2008. For the three and nine months ended September 30, 2007, the Company recognized compensation expense of approximately $259,000 and $684,000, respectively, and related tax benefits of $106,000 and $280,000, respectively. Compensation expense is reported in corporate general and administrative expenses in our results of operations.

Employee Stock Purchase Plan

We have an employee stock purchase plan (ESPP) for all eligible employees. Each quarter, an eligible employee may elect to withhold up to 10 percent of his or her compensation, up to a maximum of $5,000, to purchase shares of our stock at a price equal to 85% of the fair value of the stock as of the last day of such quarter. The ESPP will terminate on December 31, 2008. Approximately 19,387 and 15,425 shares were purchased under the ESPP during the nine months ended September 30, 2008 and 2007, respectively. Our ESPP is deemed compensatory under the provisions of FAS 123R.

2005 Incentive Compensation Plan

The 2005 Incentive Compensation Plan (the "2005 Plan") replaced our 2003 Stock Option Plan (the "2003 Plan") as to future grants. The 2005 Plan extends through March 2015 and allows for the granting of restricted stock, restricted stock units, incentive stock options, nonqualified stock options, and performance awards to officers and a selected number of employees.

2003 Stock Option Plan

We adopted the 2003 Plan, upon expiration of our 1992 Stock Option Plan (the "1992 Plan") in December 2002, pursuant to which our key employees, including directors who are employees, were eligible to receive grants of options to purchase our Class A Common Stock or Class B Common Stock. With the approval of the 2005 Plan, the 2003 Plan was terminated as to future grants, therefore the shares available for future grants under the 2003 Plan are no longer available.

The following summarizes the stock option transactions for the 2005, 2003 and 1992 Plans for the nine months ended September 30, 2008:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2007	2,682,752	$ 12.81	4.4	$ —
Granted	—	—		
Exercised	—	—		
Expired	(714,568)	10.58		
Forfeited	(44,790)	10.29		
Outstanding at September 30, 2008	1,923,394	$ 13.70	4.7	$ —
Exercisable at September 30, 2008	1,418,266	$ 14.97	3.6	$ —

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following summarizes the non-vested stock option transactions for the 2005, 2003 and 1992 Plans for the nine months ended September 30, 2008:

	Number of Options	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2007	738,263	$ 5.09
Granted	—	—
Vested	(188,345)	5.23
Forfeited/canceled	(44,790)	5.11
Non-vested at September 30, 2008	505,128	$ 5.03

We calculated the fair value of each option award on the date of grant using the Black-Scholes option pricing model. The following assumptions were used for each respective period:

	2007 Grants	2006 Grants
Weighted average grant date fair value per share	$ 4.82	$ 4.49
Expected volatility	36.50%	37.19%
Expected term of options (years)	7.9	7.8
Risk-free interest rate	4.76%	4.27%
Dividend yield	0%	0%

The estimated expected volatility, expected term of options and estimated annual forfeiture rate was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

The following summarizes the restricted stock transactions for the nine months ended September 30, 2008:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2007	164,072	$ 10.24
Granted	105,300	5.99
Vested	(41,843)	10.55
Forfeited	(12,957)	9.29
Non-vested and outstanding at September 30, 2008	214,572	$ 8.15

For the three and nine months ended September 30, 2008 and the three and nine months ended September 30, 2007, we had approximately $136,000, $361,000, $116,000 and $307,000, respectively, of total compensation expense related to restricted stock-based compensation arrangements.

1997 Non-Employee Director Stock Option Plan

In 1997, we adopted the 1997 Non-Employee Director Stock Option Plan (the “Directors Plan”) pursuant to which our directors who are not our employees were eligible to receive options. Options granted under the Directors Plan were non-qualified stock options, were immediately vested and become exercisable at the written election of the director. The options expire on the earlier of (i) 10 years from the date of grant or (ii) the March 16th following the calendar year in which they first become exercisable. This plan expired on May 12, 2007.

Effective January 1, 2007, each director who is not an employee receives cash for his services as a director.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following summarizes the stock option transactions for the Directors Plan for the nine months ended September 30, 2008:

	Number of Options	Weighted Average Price per Share	Aggregate Intrinsic Value
Outstanding at December 31, 2007	23,080	$ 0.009	$ 135,726
Granted	—	—	
Exercised	(18,945)	0.009	
Outstanding and exercisable at September 30, 2008	4,135	$ 0.009	$ 23,534

7. Long-Term Debt

Long-term debt consisted of the following:

	September 30, 2008	December 31, 2007
	(In thousands)	
Credit Agreement:		
Reducing revolver facility	$ 133,350	$ 128,850
Secured debt of affiliate	1,061	1,061
	134,411	129,911
Amounts payable within one year	1,061	—
	$ 133,350	$ 129,911

Our Credit Agreement is a $181,250,000 reducing revolving line of credit maturing on July 29, 2012. On each of March 31, 2008, June 30, 2008 and September 30, 2008, the Revolving Commitments (as defined in the Credit Agreement) were permanently reduced by $6,250,000 and will continue to be permanently reduced at the end of each calendar quarter in amounts ranging from 3.125% to 12.5% of the total Revolving Commitments that were in effect on March 31, 2008. In addition, the Revolving Commitments shall be further reduced by specified percentages of Excess Cash Flow (as defined in the Credit Agreement) based on leverage ratios. Any outstanding balance under the Credit Agreement will be due on the maturity date of July 29, 2012.

Our indebtedness under the Credit Agreement is secured by a first priority lien on substantially all of our assets and of our subsidiaries, by a pledge of our subsidiaries' stock and by a guarantee of our subsidiaries. We have approximately $47,900,000 of unused borrowing capacity under the Credit Agreement at September 30, 2008.

The Credit Agreement contains a number of financial covenants (all of which we were in compliance with at September 30, 2008) that, among other things, requires us to maintain specified financial ratios and impose certain limitations on us with respect to (i) the incurrence of additional indebtedness; (ii) acquisitions, except under specified conditions; (iii) the incurrence of additional liens, except those relating to capital leases and purchase money indebtedness; (iv) the disposition of assets; (v) the payment of cash dividends; and (vi) mergers, changes in business and management, investments and transactions with affiliates. The financial covenants become more restrictive over the life of the Credit Agreement. The Credit Agreement allows for the payment of dividends provided certain requirements are met.

On October 29, 2008, subsequent to the date of this report, we borrowed an additional $5,000,000 under our credit agreement to fund purchases of our Class A Common Stock under the Stock Buy-Back Program and for general working capital purposes.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. Gain on Asset Exchange

In 2006, the FCC granted to Nextel the right to reclaim from broadcasters in each market across the country the 1.9 GHz spectrum to use for an emergency communications system. In order to reclaim this signal, Nextel must replace all analog equipment currently using this spectrum with digital equipment. We have agreed to accept the substitute equipment that Nextel will provide and in turn we must relinquish our existing equipment to Nextel. This arrangement is accounted for as an exchange of assets in accordance with Accounting Principles Board No. 29, *"Accounting for Nonmonetary Transactions,"* as amended by SFAS No. 153, *"Exchanges of Nonmonetary Assets."*

The equipment we receive under this arrangement is recorded at its estimated fair market value and depreciated over estimated useful lives ranging from 5 to 15 years. Fair market value is derived from quoted prices obtained from manufacturers and vendors for the specific equipment acquired. As the equipment is exchanged and put into service in each of our markets we have and expect to continue to record gains to the extent that the fair market value of the equipment we receive exceeds the book value of the analog equipment we exchange. For the three and nine months ended September 30, 2008, we recognized gains of approximately $282,000 and $506,000, respectively, from the exchange of this equipment.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

9. Segment Information

We evaluate the operating performance of our markets individually. For purposes of business segment reporting, we have aligned operations with similar characteristics into two business segments: Radio and Television.

The Radio segment includes twenty-three markets, which includes all ninety-one of our radio stations and five radio information networks. The Television segment includes three markets and consists of five television stations and four low power television (“LPTV”) stations. The Radio and Television segments derive their revenue from the sale of commercial broadcast inventory. The category “Corporate general and administrative” represents the income and expense not allocated to reportable segments.

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended September 30, 2008:				
Net operating revenue	$ 31,306	$ 4,886	$ —	$ 36,192
Station operating expense	22,717	3,871	—	26,588
Corporate general and administrative	—	—	2,485	2,485
Gain on asset exchange	—	(282)	—	(282)
Operating income (loss)	$ 8,589	$ 1,297	$ (2,485)	$ 7,401
Depreciation and amortization	$ 1,618	$ 620	$ 54	$ 2,292

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended September 30, 2007:				
Net operating revenue	$ 31,904	$ 4,314	$ —	$ 36,218
Station operating expense	22,492	3,483	—	25,975
Corporate general and administrative	—	—	2,272	2,272
Operating income (loss)	$ 9,412	$ 831	$ (2,272)	$ 7,971
Depreciation and amortization	$ 1,608	$ 405	$ 48	$ 2,061

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Nine Months Ended September 30, 2008:				
Net operating revenue	$ 91,316	$ 13,750	$ —	$ 105,066
Station operating expense	68,028	11,227	—	79,255
Corporate general and administrative	—	—	7,611	7,611
Gain on asset exchange	—	(506)	—	(506)
Operating income (loss)	$ 23,288	$ 3,029	$ (7,611)	$ 18,706
Depreciation and amortization	$ 4,771	$ 1,620	$ 160	$ 6,551
Total assets	$ 295,422	$ 32,447	$ 11,946	$ 339,815

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Nine Months Ended September 30, 2007:				
Net operating revenue	$ 93,640	$ 12,882	$ —	$ 106,522
Station operating expense	68,460	10,526	—	78,986
Corporate general and administrative	—	—	7,194	7,194
Operating income (loss)	$ 25,180	$ 2,356	$ (7,194)	$ 20,342
Depreciation and amortization	$ 4,653	$ 1,194	$ 146	$ 5,993
Total assets	$ 283,604	$ 32,043	$ 15,288	$ 330,935

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Results of Operations

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto of Saga Communications, Inc. and its subsidiaries contained elsewhere herein and the audited financial statements and Management Discussion and Analysis contained in our Annual Report on Form 10-K for the year ended December 31, 2007. The following discussion is presented on both a consolidated and segment basis. Corporate general and administrative expenses, interest expense, other (income) expense, and income tax expense are managed on a consolidated basis and are therefore, reflected only in our discussion of consolidated results.

Our discussion of the results of operations of our operating segments focuses on their operating income because we manage our operating segments primarily on their operating income. We evaluate the operating performance of our markets individually. For purposes of business segment reporting, we have aligned operations with similar characteristics into two business segments: Radio and Television. The Radio segment includes twenty-three markets, which includes all ninety-one of our radio stations and five radio information networks. The Television segment includes three markets and consists of five television stations and four LPTV stations.

General

We are a broadcast company primarily engaged in acquiring, developing and operating radio and television stations. We actively seek and explore opportunities for expansion through the acquisition of additional broadcast properties. We review acquisition opportunities on an ongoing basis.

For additional information with respect to acquisitions, see "Liquidity and Capital Resources" below.

Radio Segment

Our radio segment's primary source of revenue is from the sale of advertising for broadcast on our stations. Depending on the format of a particular radio station, there are a predetermined number of advertisements available to be broadcast each hour.

Most advertising contracts are short-term, and generally run only for a few weeks. The majority of our revenue is generated from local advertising, which is sold primarily by each radio markets' sales staff. For the nine months ended September 30, 2008 and 2007, approximately 86% of our radio segment's gross revenue was from local advertising. To generate national advertising sales, we engage an independent advertising sales representative firm that specializes in national sales for each of our broadcast markets.

Our revenue varies throughout the year. Advertising expenditures, our primary source of revenue, generally have been lowest during the winter months, which include the first quarter of each year.

Our net operating revenue, station operating expense and operating income varies from market to market based upon the market's rank or size which is based upon population and the available radio advertising revenue in that particular market.

Our financial results are dependent on a number of factors, the most significant of which is our ability to generate advertising revenue through rates charged to advertisers. The rates a station is able to charge are, in large part, based on a station's ability to attract audiences in the demographic groups targeted by its advertisers. In a number of our markets this is measured by periodic reports generated by independent national rating services. In the remainder of our markets it is measured by the results advertisers obtain through the actual running of an advertising schedule. Advertisers measure these results based on increased demand for their goods or services and/or actual revenues generated from such demand. Various factors affect the rate a station can charge, including the general strength of the local and national economies, population growth, ability to provide popular programming, local market competition, target marketing capability of radio compared to other advertising media and signal strength. Because reaching a large and demographically attractive audience is crucial to a station's financial success, we endeavor to develop strong listener loyalty.

When we acquire and/or begin to operate a station or group of stations we generally increase programming and advertising and promotion expenses to increase our share of our target demographic audience. Our strategy sometimes requires levels of spending commensurate with the revenue levels we plan on achieving in two to five years. During periods of economic downturns, or when the level of advertising spending is flat or down across the industry, this strategy may result in the appearance that our cost of operations are increasing at a faster rate than our growth in revenues, until such time as we achieve our targeted levels of revenue for the acquired station or group of stations.

The number of advertisements that can be broadcast without jeopardizing listening levels (and the resulting ratings) is limited in part by the format of a particular radio station. Our stations strive to maximize revenue by constantly managing the number of commercials available for sale and adjusting prices based upon local market conditions and ratings. While there may be shifts from time to time in the number of advertisements broadcast during a particular time of the day, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year. Any change in our revenue, with the exception of those instances where stations are acquired or sold, is generally the result of inventory sell out ratios and pricing adjustments, which are made to ensure that the station efficiently utilizes available inventory.

Our radio stations employ a variety of programming formats. We periodically perform market research, including music evaluations, focus groups and strategic vulnerability studies. Our stations also employ audience promotions to further develop and secure a loyal following. We believe that the diversification of formats on our radio stations helps to insulate us from the effects of changes in musical tastes of the public on any particular format.

The primary operating expenses involved in owning and operating radio stations are employee salaries including commissions, depreciation, programming expenses, and advertising and promotion expenses.

Similar to the fluctuations in the current general economic climate, radio revenue growth has been declining or stagnant over the last several years primarily in major markets that are dependent on national advertising. We believe that this decline in major market radio advertising revenue is the result of a lack of pricing discipline by radio operators and new technologies and media (such as the Internet, satellite radio, and MP3 players). These new technologies and media are gaining advertising share against radio and other traditional media. Conversely, radio revenue in the small to mid markets had been trending upward in recent months, however revenue for the fourth quarter 2008 and first quarter 2009 is currently trending significantly down due to the significant slowdown in the general economy.

We have begun several initiatives to offset the declines. We are continuing to expand our interactive initiative to provide a seamless audio experience across numerous platforms to connect with our listeners where and when they want, and are adding online components including streaming our stations over the Internet and on-demand options. We are seeing development potential in this area and believe that revenues from our interactive initiatives will continue to increase.

We also continue the rollout of HD Radio™. HD Radio utilizes digital technology that provides improved sound quality over standard analog broadcasts and also allows for the delivery of additional channels of diversified programming or data streams in each radio market. It is unclear what impact HD Radio will have on the industry and our revenue as the availability of HD receivers, particularly in automobiles, is not widely available.

During the nine months ended September 30, 2008 and 2007 and the years ended December 31, 2007 and 2006, our Columbus, Ohio; Manchester, New Hampshire; Milwaukee, Wisconsin; and Norfolk, Virginia markets, when combined, represented approximately 61%, 62%, 60% and 64%, respectively, of our consolidated operating income. An adverse change in any of these radio markets or our relative market position in those markets could have a significant impact on our operating results as a whole.

A significant decline in the total available radio advertising dollars in the Columbus, Ohio (11%) and Norfolk, Virginia (20%) markets has resulted in a significant decline in our net operating revenue for the nine months ended September 30, 2008 as compared to the corresponding period of 2007. This decline in net operating revenue has directly affected the operating income of our radio stations in these markets. Additionally, we have experienced historical ratings softness in these markets which has also affected revenue. While we have seen recent increases in ratings, and revenue in the Columbus market for the quarter ended September 30, 2008 was up 9% over the quarter ended September 30, 2007, primarily due to an increase in political revenue, we do not expect any significant improvements in revenue in the Columbus and Norfolk markets in the foreseeable future.

The following tables describe the percentage of our consolidated operating income represented by each of these markets:

	Percentage of Consolidated Operating Income for the Nine Months Ended September 30,		Percentage of Consolidated Operating Income for the Years Ended December 31,	
	2008	2007	2007	2006
Market:				
Columbus, Ohio	6%	8%	7%	10%
Manchester, New Hampshire	18%	14%	15%	14%
Milwaukee, Wisconsin	35%	33%	31%	30%
Norfolk, Virginia	2%	7%	7%	10%

We use certain financial measures that are not calculated in accordance with generally accepted accounting principles in the United States of America (GAAP) to assess our financial performance. For example, we evaluate the performance of our markets based on "station operating income" (operating income plus corporate general and administrative expenses, depreciation and amortization). Station operating income is generally recognized by the broadcasting industry as a measure of performance, is used by analysts who report on the performance of the broadcasting industry and it serves as an indicator of the market value of a group of stations. In addition, we use it to evaluate individual stations, market-level performance, overall operations and as a primary measure for incentive based compensation of executives and other members of management. Station operating income is not necessarily indicative of amounts that may be available to us for debt service requirements, other commitments, reinvestment or other discretionary uses. Station operating income is not a measure of liquidity or of performance in accordance with GAAP, and should be viewed as a supplement to, and not a substitute for our results of operations presented on a GAAP basis.

During the nine months ended September 30, 2008 and 2007 and the years ended December 31, 2007 and 2006, the radio stations in our four largest markets when combined, represented approximately 38%, 41%, 40% and 45%, respectively, of our consolidated station operating income. The following tables describe the percentage of our consolidated station operating income represented by each of these markets:

	Percentage of Consolidated Station Operating Income (*) for the Nine Months Ended September 30,		Percentage of Consolidated Station Operating Income(*) for the Years Ended December 31,	
	2008	2007	2007	2006
Market:				
Columbus, Ohio	4%	6%	6%	8%
Manchester, New Hampshire	11%	9%	10%	9%
Milwaukee, Wisconsin	21%	21%	20%	21%
Norfolk, Virginia	2%	5%	4%	7%

* Operating income plus corporate general and administrative, depreciation and amortization.

Television Segment

Our television segment's primary source of revenue is from the sale of advertising for broadcast on our stations. The number of advertisements available for broadcast on our television stations is limited by network affiliation and syndicated programming agreements and, with respect to children's programs, federal regulation. Our television stations' local market managers determine only the number of advertisements to be broadcast in locally produced programs, which are primarily news programming and occasionally local sports or information shows.

Our net operating revenue, station operating expense and operating income vary from market to market based upon the market’s rank or size which is based upon population, available television advertising revenue in that particular market, and the popularity of programming being broadcast.

Our financial results are dependent on a number of factors, the most significant of which is our ability to generate advertising revenue through rates charged to advertisers. The rates a station is able to charge are, in large part, based on a station’s ability to attract audiences in the demographic groups targeted by its advertisers, as measured principally by periodic reports by independent national rating services. Various factors affect the rates a station can charge, including the general strength of the local and national economies, population growth, ability to provide popular programming through locally produced news, sports and weather and as a result of syndication and network affiliation agreements, local market competition, the ability of television broadcasting to reach a mass appeal market compared to other advertising media, and signal strength including cable/satellite coverage, and government regulation and policies.

When we acquire and/or begin operating a station or group of stations we generally increase programming expenses including local news, sports and weather programming, new syndicated programming, and advertising and promotion expenses to increase our viewership. Our strategy sometimes requires levels of spending commensurate with the revenue levels we plan on achieving in two to five years. During periods of economic downturns, or when the level of advertising spending is flat or down across the industry, this strategy may result in the appearance that our cost of operations are increasing at a faster rate than our growth in revenues, until such time as we achieve our targeted levels of revenue for the acquired/operated station or group of stations.

Our stations strive to maximize revenue by constantly adjusting prices for our commercial spots based upon local market conditions, demand for advertising and ratings. While there may be shifts from time to time in the number of advertisements broadcast during a particular time of the day, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year. Any change in our revenue, with the exception of those instances where stations are acquired or sold, is generally the result of pricing adjustments, which are made to ensure that the station efficiently utilizes available inventory.

Because audience ratings in the local market are crucial to a station’s financial success, we endeavor to develop strong viewer loyalty by providing locally produced news, weather and sports programming. We believe that this emphasis on the local market provides us with the viewer loyalty we are trying to achieve.

Most of our revenue is generated from local advertising, which is sold primarily by each television markets’ sales staff. For the nine months ended September 30, 2008 and 2007, approximately 81% and 80%, respectively, of our gross television revenue was from local advertising. To generate national advertising sales, we engage independent advertising sales representatives that specialize in national sales for each of our television markets.

Our revenue varies throughout the year however, we have had a significant increase in revenue due to political advertising for 2008, which will continue through the fourth quarter 2008. Advertising expenditures, our primary source of revenue, generally have been lowest during the winter months, which include the first quarter of each year.

The primary operating expenses involved in owning and operating television stations are employee salaries including commissions, depreciation, programming expenses, including news production and the cost of acquiring certain syndicated programming, and advertising and promotion expenses.

Our television market in Joplin, Missouri represented approximately 13%, 9%, 9% and 9%, respectively, of our consolidated operating income for the nine months ended September 30, 2008 and 2007 and the years ended December 31, 2007 and 2006.

Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007

Results of Operations

The following tables summarize our results of operations for the three months ended September 30, 2008 and 2007.

Consolidated Results of Operations

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages and per share information)			
Net operating revenue	$ 36,192	$ 36,218	$ (26)	(.1)%
Station operating expense	26,588	25,975	613	2.4%
Corporate G&A	2,485	2,272	213	9.4%
Gain on asset exchange	(282)	—	282	N/M
Operating income	7,401	7,971	(570)	(7.2)%
Interest expense	1,889	2,283	(394)	(17.3)%
Other expense, net	—	60	(60)	N/M
Income taxes	2,415	2,307	108	(4.7)%
Net income	$ 3,097	$ 3,321	$ (224)	(6.7)%
Earnings per share (basic and diluted)	$ .16	$ .17	$ (.01)	(5.9)%

Radio Broadcasting Segment

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$ 31,306	$ 31,904	$ (598)	(1.9)%
Station operating expense	22,717	22,492	225	1.0%
Operating income	$ 8,589	$ 9,412	$ (823)	(8.7)%

Television Broadcasting Segment

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$ 4,886	$ 4,314	$ 572	13.3%
Station operating expense	3,871	3,483	388	11.1%
Gain on asset exchange	(282)	—	282	N/M
Operating income	$ 1,297	$ 831	$ 466	56.1%

N/M = Not Meaningful

Reconciliation of segment operating income to consolidated operating income:

	Radio	Television	Corporate and Other	Consolidated
	(In thousands)			
Three Months Ended September 30, 2008:				
Net operating revenue	$ 31,306	$ 4,886	$ —	$ 36,192
Station operating expense	22,717	3,871	—	26,588
Corporate general and administrative	—	—	2,485	2,485
Gain on asset exchange	—	(282)	—	(282)
Operating income (loss)	$ 8,589	$ 1,297	$ (2,485)	$ 7,401

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended September 30, 2007:				
Net operating revenue	$ 31,904	$ 4,314	$ —	$ 36,218
Station operating expense	22,492	3,483	—	25,975
Corporate general and administrative	—	—	2,272	2,272
Operating income (loss)	$ 9,412	$ 831	$ (2,272)	$ 7,971

Consolidated

Consolidated net operating revenue was relatively unchanged for the three months ended September 30, 2008 compared with the three months ended September 30, 2007. We had a decrease of approximately $301,000 in net operating revenue generated by stations that we owned or operated for the comparable period in 2007 (“same station”), and an increase in net operating revenue of approximately $275,000 attributable to stations we did not own and operate for the entire comparable period. Same station gross national revenue and same station gross local revenue decreased approximately $850,000 and $1,200,000, respectively, while same station gross political revenues increased approximately $1,700,000. The decrease in both gross local and national revenue was primarily the result of the significant decline in revenue of our radio stations in the Norfolk, VA (24%) market due to the significant decline in radio advertising spending in this market. We do not expect any significant improvements in the Norfolk market in the foreseeable future. We have also experienced an overall decline in advertising revenue as a result of the slowdown in the economy and advertising spending in general. The increase in gross political revenue was directly attributable to advertising for the 2008 presidential, congressional, senatorial and local races.

Station operating expense was $26,588,000 for the three months ended September 30, 2008, compared with $25,975,000 for the three months ended September 30, 2007, an increase of $613,000 or 2%. Approximately $229,000 of the increase was from stations that we did not own or operate for the comparable period in 2007. Same station operating expense increased $384,000 from the prior year quarter. The increase in same station operating expense primarily resulted from increased depreciation expense as a result of a change in estimated useful lives of television analog equipment.

Operating income for the three months ended September 30, 2008 was $7,401,000 compared to $7,971,000 for the three months ended September 30, 2007, a decrease of approximately $570,000, or 7%. The decrease was the result of an increase in station operating expense, described in detail above, and a $213,000 or 9% increase in corporate general and administrative charges, partially offset by a $282,000 gain from the exchange of assets in our Television Segment. The increase in corporate general and administrative charges is primarily attributable to an increase in officers’ life insurance expense that is attributable to a decline in the cash surrender value of the life insurance policies, and an increase in expense related to launching our Interactive Media department.

We generated net income of approximately $3,097,000 ($.16 per share on a fully diluted basis) during the three months ended September 30, 2008, compared with $3,321,000 ($.17 per share on a fully diluted basis) for the three months ended September 30, 2007, a decrease of approximately $224,000 or 7%. The decrease was primarily the result of a decline in operating income of $570,000 and increased income tax expense of $108,000, offset by reduced interest expense of $394,000. The decrease in interest expense was attributable to an average reduction in market interest rates of approximately 1%. The increase in income tax expense was attributable to an increase in nondeductible expenses.

Radio Segment

For the three months ended September 30, 2008, net operating revenue of the radio segment was $31,306,000 compared with $31,904,000 for the three months ended September 30, 2007, a decrease of $598,000 or 2%. During the current quarter we had an increase in net operating revenue of approximately $275,000 attributable to stations we did not own and operate for the entire comparable period. We had a decrease of approximately $873,000 in net operating revenue generated by radio stations that we owned or operated for the comparable period in 2007 (“same station”). Same station gross national revenue and same station gross local revenue decreased approximately $1,300,000 and $900,000, respectively, while same station gross political revenues increased approximately $1,100,000 in the current year period. The decrease in both gross local and national revenue was primarily the result of the significant decline in revenue of our radio stations in the Norfolk, VA (20%) market due to the significant decline in radio advertising spending in this market. We do not expect any significant improvements in the Norfolk market in the foreseeable future. We have also experienced an overall decline in advertising revenue as a result of the slowdown in the economy and advertising spending in general. The increase in gross political revenue was directly attributable to advertising for the 2008 presidential, congressional, senatorial and local races.

Station operating expense for the radio segment was $22,717,000 for the three months ended September 30, 2008, compared with $22,492,000 for the three months ended September 30, 2007, an increase of approximately $225,000 or 1%. Station operating expense of radio stations that we owned or operated for the comparable period in 2007 (“same station”) was relatively unchanged for the three months ended September 30, 2008. During the current quarter we had an increase in station operating expense of approximately $229,000 attributable to stations we did not own and operate for the entire comparable period.

Operating income in the radio segment decreased $823,000 or 9%, to $8,589,000 for the three months ended September 30, 2008 from $9,412,000 for the three months ended September 30, 2007. The decrease was primarily the result of lower same station net operating revenue as described in detail above.

Television Segment

For the three months ended September 30, 2008, net operating revenue of our television segment was $4,886,000 compared with $4,314,000 for the three months ended September 30, 2007, an increase of $572,000 or 13%. The improvement in net operating revenue was the result of an increase in gross political revenue of $582,000 as compared to the prior year period. The increase in gross political revenue was directly attributable to advertising for the 2008 presidential, congressional, senatorial and local races.

Station operating expense in the television segment for the three months ended September 30, 2008 was $3,871,000, compared with $3,483,000 for the three months ended September 30, 2007, an increase of approximately $388,000 or 11%. This increase is primarily attributed to an increase in depreciation expense in the current quarter as a result of a change in the estimated useful life of television analog equipment.

Operating income in the television segment for the three months ended September 30, 2008 was $1,297,000 compared to $831,000 for the three months ended September 30, 2007, an increase of approximately $466,000 or 56%. The increase was primarily the result of an increase in gross political revenue, offset by an increase in depreciation expense, as discussed above. Also contributing to the increase in operating income for the quarter is a $282,000 gain from the exchange of equipment under an arrangement we have with Sprint Nextel Corporation.

Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007

The following tables summarize our results of operations for the nine months ended September 30, 2008 and 2007.

Consolidated Results of Operations

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages and per share information)			
Net operating revenue	$ 105,066	$ 106,522	$ (1,456)	(1.4)%
Station operating expense	79,255	78,986	269	0.3%
Corporate G&A	7,611	7,194	417	5.8%
Gain on asset exchange	(506)	—	506	N/M
Operating income	18,706	20,342	(1,636)	(8.0)%
Interest expense	5,760	6,861	(1,101)	(16.1)%
Other expense, net	27	142	(115)	N/M
Income taxes	5,452	5,468	(16)	(0.3)%
Net income	$ 7,467	$ 7,871	$ (404)	(5.1)%
Earnings per share (basic and diluted)	$ .38	$ .39	$ (.01)	(2.6)%

Radio Broadcasting Segment

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$ 91,316	$ 93,640	$ (2,324)	(2.5)%
Station operating expense	68,028	68,460	(432)	(0.6)%
Operating income	$ 23,288	$ 25,180	$ (1,892)	(7.5)%

Television Broadcasting Segment

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$ 13,750	$ 12,882	$ 868	6.7%
Station operating expense	11,227	10,526	701	6.7%
Gain on asset exchange	(506)	—	506	N/M
Operating income	$ 3,029	$ 2,356	$ 673	28.6%

N/M = Not meaningful

Reconciliation of segment operating income to consolidated operating income:

	Radio	Television	Corporate and Other	Consolidated
	(In thousands)			
Nine Months Ended September 30, 2008:				
Net operating revenue	$ 91,316	$ 13,750	$ —	$ 105,066
Station operating expense	68,028	11,227	—	79,255
Corporate general and administrative	—	—	7,611	7,611
Gain on asset exchange	—	(506)	—	(506)
Operating income (loss)	$ 23,288	$ 3,029	$ (7,611)	$ 18,706

	Radio	Television	Corporate and Other	Consolidated
			(In thousands)	
Nine Months Ended September 30, 2007:				
Net operating revenue	$ 93,640	$ 12,882	$ —	$ 106,522
Station operating expense	68,460	10,526	—	78,986
Corporate general and administrative	—	—	7,194	7,194
Operating income (loss)	$ 25,180	$ 2,356	$ (7,194)	$ 20,342

Consolidated

For the nine months ended September 30, 2008, consolidated net operating revenue was $105,066,000 compared with $106,522,000 for the nine months ended September 30, 2007, a decline of approximately $1,456,000 or 1%. We had a decrease of approximately $2,411,000 in net operating revenue generated by stations that we owned or operated for the comparable period in 2007 ("same station"), and an increase in net operating revenue of approximately $955,000 attributable to stations we did not own and operate for the entire comparable period. Same station gross national revenue and gross local revenue decreased approximately $650,000 and $4,300,000, respectively, in the current year. These decreases were offset by an increase in gross political revenue of approximately $2,300,000. The increase in gross political revenue was directly attributable to advertising for the 2008 presidential, congressional, senatorial and local races. The decrease in local revenue was primarily the result of the significant declines in gross local revenue of our radio stations in the Norfolk (25%) and Columbus (12%) markets. These declines are attributable to the significant declines in radio advertising spending in these specific markets. We do not expect any significant improvements in these markets in the foreseeable future. We have also experienced an overall decline in advertising revenue as a result of the slowdown in the economy and advertising spending in general.

Station operating expense was $79,255,000 for the nine months ended September 30, 2008, compared with $78,986,000 for the nine months ended September 30, 2007, an increase of approximately $269,000 or less than 1%. We had a decrease in station operating expense of approximately $452,000 attributable to stations we owned and operated for the entire comparable period, offset by an increase of approximately $721,000 from those stations that we did not own or operate for the comparable period in 2007. The decrease in same station operating expense was the direct result of the expense reductions in our radio segment we began instituting in 2007 as a result of declines in revenue, particularly in programming and advertising and promotions. We also had a decline in selling and commission expense directly attributable to the decrease in revenue. These decreases were partially offset by an increase in depreciation expense as a result of a change in estimated useful lives of television analog equipment.

Operating income for the nine months ended September 30, 2008 was $18,706,000 compared to $20,342,000 for the nine months ended September 30, 2007, a decrease of approximately $1,636,000, or 8%. The decrease was the result of slightly higher station operating expense and reduced net operating revenue described in detail above, a $417,000 or 6% increase in corporate general and administrative charges partially offset by a $506,000 gain from the exchange of equipment under an arrangement we have with Sprint Nextel Corporation. The increase in corporate general and administrative charges is primarily attributable to an increase in officers' life insurance expense that is attributable to a decline in the cash surrender value of the life insurance policies, and an increase in expense related to launching our Interactive Media department.

We generated net income of approximately $7,467,000 ($.38 per share on a fully diluted basis) during the nine months ended September 30, 2008, compared with $7,871,000 ($.39 per share on a fully diluted basis) for the nine months ended September 30, 2007, a decrease of approximately $404,000 or 5%. The decrease was primarily the result of lower operating income as discussed above, offset by decreases in interest expense of $1,101,000. The decrease in interest expense was attributable to an average reduction in market interest rates of 1%.

Radio Segment

For the nine months ended September 30, 2008, net operating revenue of the radio segment was $91,316,000 compared with $93,640,000 for the nine months ended September 30, 2007, a decrease of $2,324,000 or 3%. During 2008 we had an increase in net operating revenue of approximately $955,000 attributable to stations we did not own and operate for the entire comparable period. We had a decrease of approximately $3,279,000 in net operating revenue generated by radio stations that we owned or operated for the comparable period in 2007 ("same station"). The decrease in same station revenue was primarily attributable to same station gross national revenue and same station gross local revenue decreases of approximately $800,000 and $4,200,000, respectively, partially offset by an increase in same station gross political revenue of $1,400,000. The decrease in local revenue was primarily the result of the significant declines in gross local revenue of our radio stations in the Norfolk (25%) and Columbus (12%) markets. These declines are attributable to the significant declines in radio advertising spending in these specific markets. We do not expect any significant improvements in these markets in the foreseeable future. We have also experienced an overall decline in advertising revenue as a result of the slowdown in the economy and advertising spending in general, which we expect to continue into the first quarter of 2009. The increase in gross political revenue was directly attributable to advertising for the 2008 presidential, congressional, senatorial and local races.

Station operating expense for the radio segment was $68,028,000 for the nine months ended September 30, 2008, compared with $68,460,000 for the nine months ended September 30, 2007, a decrease of approximately $432,000 or 1%. The decrease resulted from a decrease of $1,153,000 in same station operating expense, offset by an increase of $721,000 from the operation of radio stations that we did not own or operate for the comparable period in 2007. The decrease in same station radio operating expense was the direct result of the expense reductions in our radio segment we began instituting in 2007 as a result of declines in revenue, particularly in programming and advertising and promotions. We also had a decline in selling and commission expense directly attributable to the decrease in revenue.

Operating income in the radio segment for the nine months ended September 30, 2008 was $23,288,000 compared to $25,180,000 for the nine months ended September 30, 2007, a decrease of approximately $1,892,000 or 8%. The decrease was attributable to lower same station net operating revenue as discussed above.

Television Segment

For the nine months ended September 30, 2008, net operating revenue of our television segment was $13,750,000 compared with $12,882,000 for the nine months ended September 30, 2007, an increase of $868,000 or 7%. The improvement in net operating revenue was attributable to an increase in gross political revenue of approximately $900,000 as compared to the prior year period. The increase in gross political revenue was directly attributable to advertising for the 2008 presidential, congressional, senatorial and local races.

Station operating expense in the television segment for the nine months ended September 30, 2008 was $11,227,000 compared with $10,526,000 for the nine months ended September 30, 2007, an increase of approximately $701,000 or 7%. This increase is primarily attributed to an increase in depreciation expense as a result of a change in the estimated useful life of television analog equipment.

Operating income in the television segment for the nine months ended September 30, 2008 was $3,029,000 compared to $2,356,000 for the nine months ended September 30, 2007, an increase of approximately $673,000 or 29%. The increase was primarily the result of higher political revenue, offset by an increase in depreciation expense, as discussed above. Also contributing to the increase in operating income for the nine months are gains of $506,000 from the exchange of equipment under an arrangement we have with Sprint Nextel Corporation in our Victoria, TX and Greenville, MS markets. We expect to record additional gains of $300,000 to $400,000 in the third quarter of 2009 as these asset exchanges occur in our Joplin, MO television market.

Forward-Looking Statements

Statements contained in this Form 10-Q that are not historical facts are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In addition, words such as "believes," "anticipates," "estimates," "plans", "expects," and similar expressions are intended to identify forward-looking statements. These statements are made as of the date of this report or as otherwise indicated, based on current expectations. We undertake no obligation to update this information. A number of important factors could cause our actual results for 2008 and beyond to differ materially from those expressed in any forward-looking statements made by or on our behalf. Forward-looking statements are not guarantees of future performance as they involve a number of risks, uncertainties and assumptions that may prove to be incorrect and that may cause our actual results and experiences to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks, uncertainties and assumptions that may affect our performance include our financial leverage and debt service requirements, dependence on key personnel, dependence on key stations, U.S. and local economic conditions, our ability to successfully integrate acquired stations, regulatory requirements, new technologies, natural disasters and terrorist attacks. We cannot be sure that we will be able to anticipate or respond timely to changes in any of these factors, which could adversely affect the operating results in one or more fiscal quarters. Results of operations in any past period should not be considered, in and of itself, indicative of the results to be expected for future periods. Fluctuations in operating results may also result in fluctuations in the price of our stock.

For a more complete description of the prominent risks and uncertainties inherent in our business, see "Forward-Looking Statements" and "Risk Factors" in our Form 10-K for the year ended December 31, 2007.

Liquidity and Capital Resources

Debt Arrangements and Debt Service Requirements

As of September 30, 2008, we had $134,411,000 of long-term debt (including the current portion thereof) outstanding and approximately $47,900,000 of unused borrowing capacity under our Credit Agreement.

The Credit Agreement is a $181,250,000 reducing revolving line of credit maturing on July 29, 2012. Our indebtedness under the Credit Agreement is secured by a first priority lien on substantially all of our assets and of our subsidiaries, by a pledge of our subsidiaries' stock and by a guarantee of our subsidiaries.

The Credit Agreement may be used for general corporate purposes, including working capital, capital expenditures, permitted acquisition and related transaction expenses and permitted stock buybacks. On each of March 31, 2008, June 30, 2008 and September 30, 2008, the Revolving Commitments (as defined in the Credit Agreement) were permanently reduced by $6,250,000 and will continue to be permanently reduced at the end of each calendar quarter in amounts ranging from 3.125% to 12.5% of the original total Revolving Commitments of $200,000,000. In addition, the Revolving Commitments shall be further reduced by specified percentages of Excess Cash Flow (as defined in the Credit Agreement) based on leverage ratios. Any outstanding balance under the Credit Agreement will be due on the maturity date of July 29, 2012.

The Credit Agreement contains a number of financial covenants (all of which we were in compliance with at September 30, 2008) that, among other things, requires us to maintain specified financial ratios and impose certain limitations on us with respect to (i) the incurrence of additional indebtedness; (ii) acquisitions, except under specified conditions; (iii) the incurrence of additional liens, except those relating to capital leases and purchase money indebtedness; (iv) the disposition of assets; (v) the payment of cash dividends; and (vi) mergers, changes in business and management, investments and transactions with affiliates. The financial covenants become more restrictive over the life of the Credit Agreement. The Credit Agreement allows for the payment of dividends provided certain requirements are met.

Sources and Uses of Cash

During the nine months ended September 30, 2008 and 2007, we had net cash flows from operating activities of $18,185,000 and $16,955,000, respectively. We believe that cash flow from operations will be sufficient to meet quarterly debt service requirements for interest and scheduled payments of principal under the Credit Agreement. However, if such cash flow is not sufficient we may be required to sell additional equity securities, refinance our obligations or dispose of one or more of our properties in order to make such scheduled payments. There can be no assurance that we would be able to effect any such transactions on favorable terms, if at all.

The following acquisitions in 2008 were financed through funds generated from operations and additional borrowings of $5,500,000 under our credit agreement:

- On September 5, 2008, in connection with a city of license change for WJZK(FM), we exchanged $205,000 in cash and a tower, antenna and transmitter with a fair market value (which approximates cost) of approximately $1,591,000, with another radio station.
- On January 21, 2004, we entered into agreements to acquire an FM radio station (WOXL-FM) serving the Asheville, North Carolina market. On November 1, 2002 we began providing programming under a Sub-Time Brokerage Agreement to WOXL-FM, and on January 31, 2008 we closed on the acquisition for approximately $9,463,000 of which approximately $9,354,000 was paid in 2008 and $109,000 was paid in prior years.
- On January 31, 2008, in connection with the 2006 acquisition of one FM radio station (WTMT-FM) serving the Tazewell, Tennessee market for approximately $4,186,000, we paid the seller $1,350,000, which had been recorded as a note payable at December 31, 2007. We relocated the tower to Weaverville, North Carolina (serving the Asheville, North Carolina market) and started broadcasting in Asheville on June 8, 2007.

We continue to actively seek and explore opportunities for expansion through the acquisition of additional broadcast properties.

In January 2008, our board of directors authorized an increase to our Stock Buy-Back Program so that we may purchase a total of $60,000,000 of our Class A Common Stock. From the inception of the Stock Buy-Back program in 1998 through September 30, 2008, we have repurchased 3,991,966 shares of our Class A Common Stock for approximately $38,062,000. Approximately 2,085,000 shares were repurchased during the nine months ended September 30, 2008 for $11,810,000. From October 1, 2008 through November 6, 2008 we have acquired another 1,504,714 shares for $7,364,448.

We anticipate that any future acquisitions of radio and television stations and purchases of Class A Common Stock under the Stock Buy-Back Program will be financed through funds generated from operations, borrowings under the Credit Agreement, additional debt or equity financing, or a combination thereof. However, there can be no assurances that any such financing will be available on acceptable terms, if at all.

On October 29, 2008, subsequent to the date of this report, we borrowed an additional $5,000,000 under our credit agreement to fund purchases of our Class A Common Stock under the Stock Buy-Back Program and for general working capital purposes.

Our capital expenditures, exclusive of acquisitions, for the nine months ended September 30, 2008 were approximately $5,134,000 ($6,180,000 in 2007). We anticipate capital expenditures in 2008 to be approximately $8,000,000 (reduced for our previous estimate of $9,000,000), which we expect to finance through funds generated from operations or additional borrowings under the Credit Agreement.

Summary Disclosures About Contractual Obligations and Commercial Commitments

We have future cash obligations under various types of contracts under the terms of our Credit Agreement, operating leases, programming contracts, employment agreements, and other operating contracts. For additional information concerning our future cash obligations see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation — Summary Disclosures About Contractual Obligations and Commercial Commitments" in our Annual Report on Form 10-K for the year ended December 31, 2007.

There have been no material changes to such contracts/commitments during the nine months ended September 30, 2008. We anticipate that the above contractual cash obligations will be financed through funds generated from operations or additional borrowings under the Credit Agreement, or a combination thereof.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require us to make estimates, judgments and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures and contingencies. We evaluate estimates used in preparation of our financial statements on a continual basis. There have been no significant changes to our critical accounting policies that are described in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2007.

Inflation

The impact of inflation on our operations has not been significant to date. There can be no assurance that a high rate of inflation in the future would not have an adverse effect on our operations.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

Refer to "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Risk and Risk Management Policies" in our Annual Report on Form 10-K for the year ended December 31, 2007 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2007 Annual Report on Form 10-K.

Item 4. *Controls and Procedures*

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to cause the material information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 to be recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. There were no changes in the Company's internal controls over financial reporting during the quarter ended September 30, 2008, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II — OTHER INFORMATION

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

The following table summarizes our repurchases of our Class A Common Stock during the three months ended September 30, 2008. All shares repurchased during the quarter were repurchased in block purchases and open market transactions on the New York Stock Exchange.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program(a)
July 1 — July 31, 2008	201,663	$ 5.812	201,663	$ 29,542,700
August 1 — August 31, 2008	1,226,793	$ 5.638	1,226,793	$ 22,625,710
September 1 — September 30, 2008	119,938	$ 5.736	119,938	$ 21,937,759
Total	1,548,394	$ 5.669	1,548,394	$ 21,937,759

(a) On August 7, 1998 our Board of Directors approved a Stock Buy-Back Program of up to $2,000,000 of our Class A Common Stock. Since August 1998, the Board of Directors has authorized several increases to the Stock Buy-Back Program, the most recent occurring in January 2008, which increased the total amount authorized for repurchase of our Class A Common Stock to $60,000,000.

Item 6. *Exhibits*

4(f) Assignment and Acceptance dated as of September 29, 2008, under the Credit Agreement dated as of July 29, 2003, among the Company, the Lenders party thereto, Union Bank of California, N.A., as Syndication Agent, Bank of America, N.A., as Documentation Agent, and The Bank of New York Mellon, formerly The Bank of New York, as Administrative Agent.

31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.

31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.

32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SAGA COMMUNICATIONS, INC

Date: November 10, 2008

/s/ SAMUEL D. BUSH
Samuel D. Bush
Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)

Date: November 10, 2008

/s/ CATHERINE A. BOBINSKI
Catherine A. Bobinski
Vice President, Corporate Controller and Chief Accounting Officer
(Principal Accounting Officer)

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Credit Agreement dated as of July 29, 2003 (as amended and in effect on the date hereof, the "Credit Agreement"), among Saga Communications, Inc., a Delaware corporation, the Lenders party thereto, Union Bank of California, N.A., as Syndication Agent, Bank of America, N.A., as Documentation Agent, and The Bank of New York Mellon, formerly The Bank of New York, as Administrative Agent. Terms defined in the Credit Agreement are used herein with the same meanings.

The Assignor named below hereby sell and assign, without recourse, to the Assignee named below, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date, the interests set forth below (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the interests set forth below in the Revolving Commitment of the Assignor on the Assignment Date and the Revolving Loans owing to the Assignor that are outstanding on the Assignment Date, together with all of the related participations held by the Assignor in respect of the Letters of Credit (including its LC Exposure), but excluding accrued interest and fees to and excluding the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date, (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of a Lender under the Loan Documents and (ii) the Assignor shall, to the extent of the Assigned Interests, relinquish its rights and be released from its obligations under the Loan Documents.

This Assignment and Acceptance is being delivered to the Administrative Agent, together with (i) if the Assignee is a Foreign Lender, any documentation required to be delivered by the Assignee pursuant to Section 3.7(e) of the Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The Assignor shall pay the fee payable to the Administrative Agent pursuant to Section 10.4(b) of the Credit Agreement.

THIS ASSIGNMENT AND ASSUMPTION SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Date of Assignment: September 29, 2008

Legal Name of Assignor: The Bank of New York Mellon

Legal Name of Assignee: ING Capital LLC

Assignee's Address for Notices: See attached Administrative Details Form

Effective Date of Assignment (the "Assignment Date"): September 29, 2008

Revolving Commitment Assigned: $20,000,000.00

Principal Amount of Revolving Loans Assigned: 14,224,000.00

The terms set forth above are hereby agreed to:

THE BANK OF NEW YORK MELLON, as Assignor

By: /s/ Lily A. Dastur
Name: Lily A. Dastur
Title: Vice President

ING CAPITAL LLC, as Assignee

By: /s/ A. Miller
Name: Annette Miller-Lewis
Title: Associate

The undersigned hereby consents to the within assignment:[1]

SAGA COMMUNICATIONS, INC.

By: /s/ Samuel D. Bush
Name: Samuel D. Bush
Title: Chief Financial Officer

THE BANK OF NEW YORK MELLON, as Administrative Agent and as Issuing Bank

By: /s/ Gordon Berger
Name: Gordon Berger
Title: Managing Director

1. Consents to be included to the extent required by Section 9.04(b) of the Credit Agreement, which may include Issuing Bank and Swingline Lender consent.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS AMENDED

I, Edward K. Christian, Chief Executive Officer of Saga Communications, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Saga Communications, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2008

/s/ Edward K. Christian
Edward K. Christian
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS AMENDED

I, Samuel D. Bush, Chief Financial Officer of Saga Communications, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Saga Communications, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2008

/s/ Samuel D. Bush
Samuel D. Bush
Chief Financial Officer

EXHIBIT 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Saga Communications, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Edward K. Christian, Chief Executive Officer of the Company, and Samuel D. Bush, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 10, 2008

/s/ Edward K. Christian
Edward K. Christian
Chief Executive Officer

Dated: November 10, 2008

/s/ Samuel D. Bush
Samuel D. Bush
Chief Financial Officer