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 June 30, 2005

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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☑ No o.

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 July 29, 2005 was 18,093,079 and 2,360,370, respectively.

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PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements***

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2005 (Unaudited)	December 31, 2004 (Note)
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,050	$ 9,113
Accounts receivable, net	28,026	23,692
Prepaid expenses and other current assets	5,837	4,819
Total current assets	38,913	37,624
Property and equipment	140,872	133,493
Less accumulated depreciation	67,571	67,129
Net property and equipment	73,301	66,364
Other assets:		
Broadcast licenses, net	149,024	130,110
Goodwill, net	49,563	37,133
Other intangibles, deferred costs and investments, net	7,067	8,923
Total other assets	205,654	176,166
	$ 317,868	$ 280,154
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,241	$ 2,128
Accrued payroll and payroll taxes	6,776	7,066
Other accrued expenses	4,087	4,971
Barter transactions	2,075	1,681
Current portion of long-term debt	1,061	—
Total current liabilities	15,240	15,846
Deferred income taxes	24,676	23,083
Long-term debt	154,850	121,161
Other	2,880	2,839
Stockholders' equity:		
Common stock	212	211
Additional paid-in capital	48,604	48,387
Retained earnings	83,356	78,119
Accumulated other comprehensive income	—	60
Treasury stock	(11,146)	(9,552)
Unearned compensation on restricted stock	(804)	—
Total stockholders' equity	120,222	117,225
	$ 317,868	$ 280,154

Note: The balance sheet at December 31, 2004 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 June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands, except per share data) (Unaudited)			
Net operating revenue	$ 37,554	$ 35,127	$ 69,384	$ 64,300
Station operating expense	26,656	23,733	51,354	45,918
Corporate general and administrative	2,348	2,279	4,126	4,011
Operating income	8,550	9,115	13,904	14,371
Other expense, net:				
Interest expense	1,806	1,085	3,429	2,180
Other	1,471	65	1,538	73
Income before income tax	5,273	7,965	8,937	12,118
Income tax provision	2,201	3,104	3,700	4,726
Net income	$ 3,072	$ 4,861	$ 5,237	$ 7,392
Earnings per share:				
Basic	$ .15	$ .23	$ .26	$ .36
Diluted	$ .15	$ .23	$ .25	$ .35
Weighted average common shares	20,388	20,816	20,508	20,813
Weighted average common and common equivalent shares	20,596	21,285	20,771	21,283

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2005	2004
	(In thousands) (Unaudited)	
Cash flows from operating activities:		
Cash provided by operating activities	$ 9,767	$ 12,100
Cash flows from investing activities:		
Acquisition of property and equipment	(7,388)	(4,263)
Proceeds from sale of assets	233	70
Increase in intangibles and other assets	(2,619)	(3,918)
Acquisition of stations and radio networks	(31,575)	(10,317)
Net cash used in investing activities	(41,349)	(18,428)
Cash flows from financing activities:		
Proceeds from long-term debt	34,750	—
Payments on long-term debt	—	(44)
Purchase of shares held in treasury	(7,433)	(2,428)
Net proceeds from exercise of stock options	202	806
Net cash provided by (used in) financing activities	27,519	(1,666)
Net decrease in cash and cash equivalents	(4,063)	(7,994)
Cash and cash equivalents, beginning of period	9,113	11,766
Cash and cash equivalents, end of period	$ 5,050	$ 3,772

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 normal, recurring nature considered necessary for a fair presentation of our financial position as of June 30, 2005 and the results of operations for the three and six months ended June 30, 2005 and 2004. Results of operations for the six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

For further information, refer to the consolidated financial statements and notes thereto included in the Saga Communications, Inc. Annual Report on Form 10-K for the year ended December 31, 2004.

Income Taxes

Our effective tax rate is higher than the federal statutory rate as a result of the inclusion of state taxes in the income tax amount.

Time Brokerage Agreements

We have entered into Time Brokerage Agreements (“TBAs”) in certain markets. In a typical TBA, the Federal Communications Commission (“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 under SFAS 13, “Accounting for Leases” and related interpretations. Revenue and expenses related to TBAs are included in the accompanying Condensed Consolidated Statements of Income.

Stock–Based Compensation

We follow Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”) and related interpretations, in accounting for our employee and non-employee director stock options. Under APB 25, when the exercise price of our employee stock options equals or exceeds the market price of the underlying stock on the date of grant, no compensation expense is recognized.

For purposes of the required pro forma disclosures required for stock-based compensation, the estimated fair value of the options is amortized to expense over the options’ vesting period. Proforma net income and pro forma earnings per share as if the stock-based awards had been accounted for using the provisions of

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Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands, except per share data)			
Net income, as reported	$ 3,072	$ 4,861	$ 5,237	$ 7,392
Add back: stock based compensation cost, net of tax	15	13	31	26
Less: pro forma stock based compensation cost determined under fair value method, net of tax	(457)	(503)	(924)	(1,017)
Pro forma net income	$ 2,630	$ 4,371	$ 4,344	$ 6,401
Pro forma earnings per share:				
Basic	$ .13	$ .21	$ .21	$ .31
Diluted	$ .13	$ .21	$ .21	$ .30

The fair value of our stock options were estimated as of the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for the six months ended June 30, 2005 and 2004: risk-free interest rate of 4.0% and 3.7%; a dividend yield of 0%; expected volatility of 30.1% and 31.1%; and a weighted average expected life of the options of 7 years, respectively.

2. Recent Accounting Pronouncements

On March 30, 2005, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations ("FIN 47"). FIN 47 is an interpretation of FASB Statement 143, Asset Retirement Obligations, which was issued in June 2001. According to FIN 47, uncertainty about the timing and (or) method of settlement because they are conditional on a future event that may or may not be within the control of the entity should be factored into the measurement of the asset retirement obligation when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. We do not expect the adoption of this pronouncement to have a material impact, if any, on our results of operations and financial position.

On December 16, 2004 the FASB issued SFAS No. 123(R) "Share-Based Payment" ("SFAS 123(R)"), which significantly changes the accounting for all share-based payments to employees, including grants of employee stock options, restricted share plans, performance based awards, stock appreciation rights, and employee stock purchase plans. SFAS 123(R) will require us to recognize in our financial statements compensation expense relating to share-based payment transactions using a fair-value based measurement method. SFAS 123(R) replaces SFAS 123 and supersedes APB 25 and is effective for fiscal periods beginning after December 31, 2005. We are currently evaluating the provisions of this pronouncement to determine the impact on our results of operations and financial position.

On September 29, 2004, the Securities and Exchange Commission Staff ("SEC") made an announcement regarding the Use of the Residual Method to Value Acquired Assets Other than Goodwill ("Topic D-108"). The SEC concluded that the use of the residual method does not comply with the requirements of FASB Statement No. 141 — Business Combinations, and accordingly, should no longer be used. Instead, a direct value method should be used to determine the fair value of all intangible assets required to be recognized under Statement 141. For companies that have applied the residual value method to the valuation of intangible assets, including the use of the residual value method to test impairment of indefinite-lived intangible assets, Topic D-108 becomes effective in fiscal years beginning after December 15, 2004. Impairments of intangible assets recognized upon application of a direct value method by entities previously applying the residual method will be reported as a non-cash charge related to the cumulative effect of a change in accounting principle. We are currently evaluating the provisions of this Staff Announcement to determine the impact, if any, on our results of operations and financial position.

3. Intangible Assets and Goodwill

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

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.

Separable 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 five to forty years.

4. Common Stock and Treasury Stock

The following summarizes information relating to the number of shares of our common stock involved in stock transactions through June 30, 2005:

	Common Stock Issued	
	Class A	Class B
	(Shares in thousands)	
Balance, January 1, 2004	18,592	2,360
Exercised options	107	—
Balance, December 31, 2004	18,699	2,360
Exercised options	35	—
Issuance of restricted stock	61	—
Balance, June 30, 2005	18,795	2,360

We have a Stock Buy-Back Program (the “Buy-Back Program”) to allow us to purchase up to $30,000,000 of our Class A Common Stock. From its inception in 1998 through June 30, 2005, we have repurchased 1,473,689 shares of our Class A Common Stock for approximately $22,600,000.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Total Comprehensive Income and Accumulated Other Comprehensive Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Total Comprehensive Income Consists of:				
Net income	$ 3,072	$ 4,861	$ 5,237	$ 7,392
Accumulated other comprehensive income (loss):				
Change in market value of securities, net of tax	(4)	4	2	11
Gain realized on sale of securities, net of tax	(62)	—	(62)	—
Total comprehensive income	$ 3,006	$ 4,865	$ 5,177	$ 7,403

Accumulated comprehensive income consists of marketable securities as follows (in thousands):	
Balance at January 1, 2004	$ 29
Change in market value of securities, net of $19 taxes	31
Balance at December 31, 2004	60
Change in market value of securities, net of $1 taxes	2
Gain realized on the sale of securities, net of $35 taxes	(62)
Balance at June 30, 2005	$ —

6. Acquisitions and Dispositions

We actively seek and explore opportunities for expansion through the acquisition of additional broadcast properties. This activity is part of our strategy to be the leading broadcaster in the markets where we own properties. The 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 consideration paid over the estimated fair value of net assets acquired have been recorded as goodwill.

Pending Acquisitions and Dispositions

On January 21, 2004, we entered into an agreement to acquire an FM radio station (WOXL-FM) serving the Asheville, North Carolina market, for approximately $8,000,000. We are currently providing programming to WOXL-FM under a Sub-Time Brokerage Agreement. This transaction is subject to the approval of the FCC and has been contested. We expect to close on the acquisitions when all required approvals are obtained.

2005 Acquisitions

Effective June 1, 2005, we acquired two FM and two AM radio stations (WQNY-FM, WYXL-FM, WNYY-AM and WHCU-AM) serving the Ithaca, New York market, for approximately $13,600,000, including approximately $2,602,000 of our Class A common stock. We financed this transaction through funds generated from operations and additional borrowings of approximately $11,000,000 under our Credit Agreement.

Effective January 1, 2005, we acquired one AM and two FM radio stations (WINA-AM, WWWV-FM and WQMZ-FM) serving the Charlottesville, Virginia market for approximately $22,490,000, including approximately $1,986,000 of our Class A common stock. We financed this transaction through funds generated from operations and additional borrowings of approximately $19,750,000 under our Credit Agreement.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Effective January 1, 2005, we acquired one AM radio station (WISE-AM) serving the Asheville, North Carolina market for approximately $2,192,000. We have provided programming to this station under a TBA since November 1, 2002.

Effective January 1, 2005 we acquired a low power television station (KMOL-LP) serving Victoria, Texas market for approximately $268,000.

2004 Acquisitions and Dispositions

On August 10, 2004 we sold an AM radio station (WJQY-AM) serving the Springfield, Tennessee market for approximately $150,000. We recognized a loss on the disposal of this station of approximately $10,000.

On July 1, 2004, we acquired an FM radio station (WXTT-FM) serving the Champaign, Illinois market, for approximately $3,272,000.

On April 1, 2004 we acquired three FM radio stations (WRSI-FM, Turners Falls, Massachusetts, WPVQ-FM, Greenfield, Massachusetts and WRSY-FM, Marlboro, Vermont) serving the Springfield, Massachusetts, Greenfield, Massachusetts and Brattleboro, Vermont markets, respectively, for approximately $7,220,000.

On March 1, 2004, we acquired the Minnesota News Network and the Minnesota Farm Network for approximately $3,443,000.

Condensed Consolidated Balance Sheet of 2005 and 2004 Acquisitions:

The following condensed balance sheets represent the estimated fair value assigned to the related assets and liabilities of the 2005 and 2004 acquisitions at their respective acquisition dates. In connection with the 2005 acquisitions, we issued restricted stock of approximately $4,588,000.

Saga Communications, Inc.

Condensed Consolidated Balance Sheet of 2005 and 2004 Acquisitions

	Acquisitions in	
	2005	2004
	(In thousands)	
Assets Acquired:		
Current assets	$ 2,541	$ 650
Property and equipment	4,862	848
Other assets:		
Broadcast licenses-Radio segment	18,915	6,453
Goodwill-Radio segment	12,430	6,294
Other intangibles, deferred costs and investments	117	114
Total other assets	31,462	12,861
Total assets acquired	38,865	14,359
Liabilities Assumed:		
Current liabilities	2,702	748
Total liabilities assumed	2,702	748
Net assets acquired	$ 36,163	$ 13,611

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

The following unaudited pro forma results of our operations for the three and six months ended June 30, 2005 and 2004 assume the 2005 and 2004 acquisitions occurred as of January 1, 2004. 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 June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands, except per share data)			
Consolidated Results of Operations				
Net operating revenue	$ 38,000	$ 37,022	$ 70,397	$ 68,627
Station operating expense	27,030	25,401	52,311	49,709
Corporate general and administrative	2,348	2,279	4,126	4,011
Operating income	8,622	9,342	13,960	14,907
Interest expense	1,894	1,418	3,649	2,846
Other expense, net	1,466	57	1,523	56
Income taxes	2,196	3,067	3,643	4,690
Net income	$ 3,066	$ 4,800	$ 5,145	$ 7,315
Basic earnings per share	$ .15	$ .23	$ .25	$ .35
Diluted earnings per share	$ .15	$ .22	$ .25	$ .34

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Radio Broadcasting Segment				
Net operating revenue	$ 34,051	$ 33,257	$ 62,990	$ 61,708
Station operating expense	23,690	22,137	45,682	43,409
Operating income	$ 10,361	$ 11,120	$ 17,308	$ 18,299

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In thousands)			
Television Broadcasting Segment				
Net operating revenue	$ 3,949	$ 3,765	$ 7,407	$ 6,919
Station operating expense	3,340	3,264	6,629	6,300
Operating income	$ 609	$ 501	$ 778	$ 619

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended June 30, 2005:				
Net operating revenue	$ 34,051	$ 3,949	$ —	$ 38,000
Station operating expense	23,690	3,340	—	27,030
Corporate general and administrative	—	—	$ 2,348	2,348
Operating income (loss)	$ 10,361	$ 609	$ (2,348)	$ 8,622

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended June 30, 2004:				
Net operating revenue	$ 33,257	$ 3,765	$ —	$ 37,022
Station operating expense	22,137	3,264	—	25,401
Corporate general and administrative	—	—	$ 2,279	2,279
Operating income (loss)	$ 11,120	$ 501	$ (2,279)	$ 9,342

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Six Months Ended June 30, 2005:				
Net operating revenue	$ 62,990	$ 7,407	$ —	$ 70,397
Station operating expense	45,682	6,629	—	52,311
Corporate general and administrative	—	—	$ 4,126	4,126
Operating income (loss)	$ 17,308	$ 778	$ (4,126)	$ 13,960

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Six Months Ended June 30, 2004:				
Net operating revenue	$ 61,708	$ 6,919	$ —	$ 68,627
Station operating expense	43,409	6,300	—	49,709
Corporate general and administrative	—	—	$ 4,011	4,011
Operating income (loss)	$ 18,299	$ 619	$ (4,011)	$ 14,907

7. 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 eighty-six 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

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

revenue from the sale of commercial broadcast inventory. The category “Corporate and Other” represents the income and expense not allocated to reportable segments.

	Radio	Television	Corporate and Other	Consolidated
			(In thousands)	
Three Months Ended June 30, 2005:				
Net operating revenue	$ 33,605	$ 3,949	$ —	$ 37,554
Station operating expense	23,316	3,340	—	26,656
Corporate general and administrative	—	—	$ 2,348	2,348
Operating income (loss)	$ 10,289	$ 609	$ (2,348)	$ 8,550
Depreciation and amortization	$ 1,716	$ 422	$ 49	$ 2,187

	Radio	Television	Corporate and Other	Consolidated
			(In thousands)	
Three Months Ended June 30, 2004:				
Net operating revenue	$ 31,362	$ 3,765	$ —	$ 35,127
Station operating expense	20,469	3,264	—	23,733
Corporate general and administrative	—	—	$ 2,279	2,279
Operating income (loss)	$ 10,893	$ 501	$ (2,279)	$ 9,115
Depreciation and amortization	$ 1,300	$ 426	$ 50	$ 1,776

	Radio	Television	Corporate and Other	Consolidated
			(In thousands)	
Six Months Ended June 30, 2005:				
Net operating revenue	$ 61,977	$ 7,407	$ —	$ 69,384
Station operating expense	44,725	6,629	—	51,354
Corporate general and administrative	—	—	$ 4,126	4,126
Operating income (loss)	$ 17,252	$ 778	$ (4,126)	$ 13,904
Depreciation and amortization	$ 3,369	$ 864	$ 99	$ 4,332
Total assets	$ 273,166	$ 31,533	$ 13,169	$ 317,868

	Radio	Television	Corporate and Other	Consolidated
			(In thousands)	
Six Months Ended June 30, 2004:				
Net operating revenue	$ 57,381	$ 6,919	$ —	$ 64,300
Station operating expense	39,618	6,300	—	45,918
Corporate general and administrative	—	—	$ 4,011	4,011
Operating income (loss)	$ 17,763	$ 619	$ (4,011)	$ 14,371
Depreciation and amortization	2,552	841	99	3,492
Total assets	$ 227,005	$ 30,058	$ 13,855	$ 270,918

Item 2. ***Management's Discussion and Analysis of Financial Condition and 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, 2004. 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 eighty-six 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

In our radio segment our 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. Most of our revenue is generated from local advertising, which is sold primarily by each radio markets' sales staff. For the six months ended June 30, 2005 and 2004, approximately 85% and 84%, respectively, of our gross radio segment 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, and the resulting station operating expenses, and operating income varies from market to market based upon the related 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, depreciation, programming expenses, solicitation of advertising, and promotion expenses.

Historically, our Columbus, Ohio; Manchester, New Hampshire; Milwaukee, Wisconsin; and Norfolk, Virginia markets have each represented 15% or more of our consolidated operating income. During the six month periods ended June 30, 2005 and 2004 and the years ended December 31, 2004 and 2003, these markets when combined, represented approximately 77%, 77%, 73% and 81%, respectively, of our consolidated operating income. While radio revenues in each of the Columbus, Manchester, Milwaukee and Norfolk markets have remained relatively stable historically, 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. Our stations in the Columbus, Milwaukee and Norfolk markets have been recently subjected to increased format competition. In addition, although the financial results of our Portland, Maine stations have not historically represented 15% or more of our consolidated operating income, the Portland market has also been impacted by the increased format competition. To date this format competition has not materially impacted the Milwaukee or Columbus market’s financial performance. Net revenue in our Norfolk and Portland markets combined decreased approximately 15% and 12% compared to the three and six months ended June 30, 2004, respectively while operating income in these markets decreased approximately $837,000 and $1,066,000 compared to the three and six months ended June 30, 2004, respectively. We believe that the financial impact on these markets will not be long term as rating data indicates that the impacted stations are beginning to return to previous levels of audience share. None of our television markets represented more than 15% or more of our consolidated operating income. The following tables describe the percentage of our consolidated operating income represented by each of these markets:

	Percentage of Consolidated Operating Income For the Six Months Ended June 30,		Percentage of Consolidated Operating Income For the Years Ended December 31,	
	2005	**2004**	**2004**	**2003**
Market:				
Columbus, Ohio	14%	13%	12%	17%
Manchester, New Hampshire	14%	15%	14%	15%
Milwaukee, Wisconsin	36%	33%	32%	32%
Norfolk, Virginia	13%	16%	15%	17%

We utilize 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 six month periods ended June 30, 2005 and 2004 and the years ended December 31, 2004 and 2003, the radio stations in our four largest markets when combined, represented approximately 51%, 53%, 52% and 58%, 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 Six(*) Months Ended June 30,		Percentage of Consolidated Station Operating Income For the Years(*) Ended December 31,	
	2005	2004	2004	2003
Market:				
Columbus, Ohio	10%	9%	9%	12%
Manchester, New Hampshire	9%	10%	10%	11%
Milwaukee, Wisconsin	23%	23%	22%	23%
Norfolk, Virginia	9%	11%	11%	12%

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

Television Segment

In our television segment, our 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 certain network affiliation and syndicated programming agreements and, with respect to children’s programs, federal regulation. Our television broadcasting segment local market managers only determine the number of advertisements to be broadcast hourly in locally produced programs which are comprised mainly of news programming and the occasional locally produced sports or information show.

Our net operating revenue, and the resulting station operating expenses, and operating income vary from market to market based upon the related market’s rank or size which is based upon population, the 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 rate 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. Because audience ratings are crucial to a station's financial success, we endeavor to develop strong viewer loyalty. 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 six months ended June 30, 2005 and 2004, approximately 80% and 78%, 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. 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, solicitation of advertising, and promotion expenses.

Three Months Ended June 30, 2005 Compared to Three Months Ended June 30, 2004

Results of Operations

The following tables summarize our results of operations for the three months ended June 30, 2005 and 2004.

Consolidated Results of Operations

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages and per share information)			
Net operating revenue	$ 37,554	$ 35,127	$ 2,427	6.9%
Station operating expense	26,656	23,733	2,923	12.3%
Corporate G&A	2,348	2,279	69	3.0%
Operating income	8,550	9,115	(565)	(6.2)%
Interest expense	1,806	1,085	721	66.5%
Other expense, net	1,471	65	1,406	N/M
Income taxes	2,201	3,104	(903)	(29.1)%
Net income	$ 3,072	$ 4,861	$ (1,789)	(36.8)%
Earnings per share (basic and diluted)	$ .15	$ .23	$ (.08)	(34.8)%

Radio Broadcasting Segment

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$ 33,605	$ 31,362	$ 2,243	7.2%
Station operating expense	23,316	20,469	2,847	13.9%
Operating income	$ 10,289	$ 10,893	$ (604)	(5.5)%

Television Broadcasting Segment

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$ 3,949	$ 3,765	$ 184	4.9%
Station operating expense	3,340	3,264	76	2.3%
Operating income	$ 609	$ 501	$ 108	21.6%

N/ M = Not meaningful

Reconciliation of segment operating income to consolidated operating income:

	Radio	Television	Corporate and Other	Consolidated
	(In thousands)			
Three Months Ended June 30, 2005:				
Net operating revenue	$ 33,605	$ 3,949	$ —	$ 37,554
Station operating expense	23,316	3,340	—	26,656
Corporate general and administrative	—	—	$ 2,348	2,348
Operating income (loss)	$ 10,289	$ 609	$ (2,348)	$ 8,550

	Radio	Television	Corporate and Other	Consolidated
	(In thousands)			
Three Months Ended June 30, 2004:				
Net operating revenue	$ 31,362	$ 3,765	$ —	$ 35,127
Station operating expense	20,469	3,264	—	23,733
Corporate general and administrative	—	—	$ 2,279	2,279
Operating income (loss)	$ 10,893	$ 501	$ (2,279)	$ 9,115

Consolidated

For the three months ended June 30, 2005, consolidated net operating revenue was $37,554,000 compared with $35,127,000 for the three months ended June 30, 2004, an increase of $2,427,000 or 7%. Approximately $1,583,000 in our radio segment or 65% of the increase was attributable to revenue generated by stations that we did not own or operate for the comparable period in 2004. Net operating revenue generated by stations that we owned and operated for the entire comparable period ("same station revenue") increased by approximately 2% or approximately $844,000. The majority of the improvement in same station revenue was attributable to same station local revenue increases of approximately 4%, while our same station national revenue decrease was approximately 2%.

Station operating expense increased by $2,923,000 or 12% to $26,656,000 for the three months ended June 30, 2005, compared with $23,733,000 for the three months ended June 30, 2004. Of the total increase, approximately $1,415,000 or 48% was the result of the operation of stations that we did not own or operate for the comparable period in 2004. Station operating expense increased by approximately $1,508,000 or 6% on a same station basis which is primarily as a result of an increase in selling and commission expenses directly attributed to the increase in revenue, increases in programming expenses as a result of competitive pressures in several of our radio markets and an increase of approximately $500,000 or 77% in health costs. We anticipate the increases in selling and programming expenses to continue in the future. Because we are self insured, our health care claims fluctuate from quarter to quarter. Approximately $300,000 of the increase was attributable to these fluctuations and $200,000 was attributable to rising costs or a 20% increase in costs. We anticipate health care costs to continue to increase between 15% to 20% in the future.

Operating income for the three months ended June 30, 2005 was $8,550,000 compared to $9,115,000 for the three months ended June 30, 2005, a decrease of approximately $565,000 or 6%. The decrease was the result of the increase in net operating revenue offset by the increase in station operating expense as discussed above and a $69,000 or 3% increase in corporate general and administrative charges.

We generated net income of approximately $3,072,000 ($.15 per share on a fully diluted basis) during the three months ended June 30, 2005, compared with $4,861,000 ($.23 per share on a fully diluted basis) for the three months ended June 30, 2004, a decrease of approximately $1,789,000 or 37%. The decrease was the result of the decrease in operating income discussed above, an increase in interest expense of approximately $721,000 and a $1,406,000 increase in other expense, offset by a $903,000 decrease in income tax expense. The increase in interest expense was the result of interest on additional borrowings of approximately $232,000 and higher interest rates over the prior year of approximately $489,000. The increase in other expense was the principally the result of a $1,300,000 loss recognized on the disposition of a tower made obsolete by our DTV conversation in our Victoria, Texas market during the three months ended June 30, 2005. The decrease in income tax expense was directly attributable to the operating performance.

Radio Segment

For the three months ended June 30, 2005, net operating revenue of the radio segment was $33,605,000 compared with $31,362,000 for the three months ended June 30, 2004, an increase of $2,243,000 or 7%. Approximately $1,583,000 or 71% of the increase was attributable to revenue generated by radio stations and radio networks that we did not own or operate for the comparable period in 2004. Net operating revenue generated by radio stations and radio networks that we owned and operated for the entire comparable period increased by approximately 2% or approximately $660,000. The majority of the improvement in same station revenue was attributable to same station local revenue increases of approximately 3%, while our same station national revenue decrease was approximately 1%.

Station operating expense in the radio segment increased by $2,847,000 or 14% to $23,316,000 for the three months ended June 30, 2005, compared with $20,469,000 for the three months ended June 30, 2004. Of the total increase, approximately $1,415,000 or 50% of the total increase in station operating expense was the result of the operation of radio stations that we did not own or operate for the comparable period in 2004. The remaining balance of the increase in station operating expense of $1,432,000 represents a total increased in station operating expense for radio stations of 7% on a same station basis, which is primarily as a result of an increase in selling and commission expenses directly attributed to the increase in revenue, increases in programming expenses as a result of competitive pressures in several of our radio markets and an increase of approximately $365,000 or 57% in health care costs, which we anticipate to continue in the future.

Operating income in the radio segment for the three months ended June 30, 2005 was $10,289,000 compared to $10,893,000 for the three months ended June 30, 2004, a decrease of approximately $604,000 or 6%. The decrease was the result of the increase in net operating revenue, offset by the increase in station operating expense.

Television Segment

For the three months ended June 30, 2005, net operating revenue of our television segment was $3,949,000 compared with $3,765,000 for the three months ended June 30, 2004, an increase of $184,000 or 5%. The majority of the improvement in net operating revenue was attributable to the Fox affiliate in Joplin, Missouri that went on the air in October 2003.

Station operating expense in the television segment increased by $76,000 or 2% to $3,340,000 for the three months ended June 30, 2005, compared with $3,264,000 for the three months ended June 30, 2004. The increase is primarily attributable to increase in net operating revenue.

Operating income in the television segment for the three months ended June 30, 2005 was $609,000 compared to $501,000 for the three months ended June 30, 2004, an increase of approximately $108,000 or 22%. The increase was the result of the increase in net operating revenue offset by the increase in station operating expense.

Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004

The following tables summarize our results of operations for the six months ended June 30, 2005 and 2004. The as-reported percentages reflect our historical financial results and include the results of operations for stations that we did not own for the entire comparable period. The same station percentages reflect the results of operations for stations that we owned for the entire comparable period.

Consolidated Results of Operations

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages and per share information)			
Net operating revenue	$ 69,384	$ 64,300	$ 5,084	7.9%
Station operating expense	51,354	45,918	5,436	11.8%
Corporate G&A	4,126	4,011	115	2.9%
Operating income	13,904	14,371	(467)	(3.3)%
Interest expense	3,429	2,180	1,249	57.3%
Other expense, net	1,538	73	1,465	N/M
Income taxes	3,700	4,726	(1,026)	(21.7)%
Net income	$ 5,237	$ 7,392	$ (2,155)	(29.2)%
Earnings per share:				
Basic	$ .26	$ .36	$ (.10)	(27.8)%
Diluted	$ .25	$ .35	$ (.10)	(28.6)%

Radio Broadcasting Segment

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$ 61,977	$ 57,381	$ 4,596	8.0%
Station operating expense	44,725	39,618	5,107	12.9%
Operating income	$ 17,252	$ 17,763	$ (511)	(2.9)%

Television Broadcasting Segment

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$ 7,407	$ 6,919	$ 488	7.1%
Station operating expense	6,629	6,300	329	5.2%
Operating income	$ 778	$ 619	$ 159	25.7%

N/ M = Not meaningful

Reconciliation of segment operating income to consolidated operating income:

	Radio	Television	Corporate and Other	Consolidated
	(In thousands)			
Six Months Ended June 30, 2005:				
Net operating revenue	$ 61,977	$ 7,407	$ —	$ 69,384
Station operating expense	44,725	6,629	—	51,354
Corporate general and administrative	—	—	$ 4,126	4,126
Operating income (loss)	$ 17,252	$ 778	$ (4,126)	$ 13,904

	Radio	Television	Corporate and Other	Consolidated
	(In thousands)			
Six Months Ended June 30, 2004:				
Net operating revenue	$ 57,381	$ 6,919	$ —	$ 64,300
Station operating expense	39,618	6,300	—	45,918
Corporate general and administrative	—	—	$ 4,011	4,011
Operating income (loss)	$ 17,763	$ 619	$ (4,011)	$ 14,371

Consolidated

For the six months ended June 30, 2005, consolidated net operating revenue was $69,384,000 compared with $64,300,000 for the six months ended June 30, 2004, an increase of $5,084,000 or 8%. Approximately $3,640,000 or 72% of the increase was attributable to revenue generated by radio stations that we did not own or operate for the comparable period in 2004. Net operating revenue generated by radio stations that we owned and operated for the entire comparable period increased by approximately 2% or approximately $1,444,000 ($956,000 or 66% in our radio segment and $488,000 or 34% in our television segment). The majority of the improvement in same station revenue was attributable to same station local revenue increases of approximately 4%, while our same station national revenue decreased by approximately 3%.

Station operating expense increased by $5,436,000 or 12% to $51,354,000 for the six months ended June 30, 2005, compared with $45,918,000 for the six months ended June 30, 2004. Of the total increase, approximately $3,298,000 or 61% was the result of the impact of the operation of radio stations that we did not own or operate for the comparable period in 2004. Station operating expense increased by approximately $2,138,000 or 5% on a same station basis, as a result of an increase in selling and commission expenses which was directly attributable to the increase in revenue, and increase in programming expenses as a result of competitive pressures in several of our radio markets and an increase of approximately 35% in health care costs. We anticipate the increase in selling and programming expenses to continue in the future. We anticipate increases in heath care costs of 15% to 20% in the future.

Operating income for the six months ended June 30, 2005 was $13,904,000 compared to $14,371,000 for the six months ended June 30, 2004, a decrease of approximately $467,000 or 3%. The decrease was the result of the increase in net operating revenue, offset by the increase in station operating expense and an $115,000 or 3% increase in corporate general and administrative charges.

We generated net income of approximately $5,237,000 ($.25 per share on a fully diluted basis) during the six months ended June 30, 2005, compared with $7,392,000 ($.35 per share on a fully diluted basis) for the six months ended June 30, 2004, a decrease of approximately $2,155,000 or 29%. The decrease was the result of the decrease in operating income discussed above, an increase in interest expense of approximately $1,249,000 and a $1,465,000 increase in other expense, offset by a $1,026,000 decrease in income tax expense. The increase in interest expense was the result of interest on additional borrowings of approximately $349,000 and higher interest rates over the prior year of approximately $900,000. The increase in other expense was the principally the result of a $1,300,000 loss recognized on the disposition of a tower made obsolete by our DTV conversation in our Victoria, Texas market. The decrease in income tax expense was directly attributable to the operating performance.

Radio Segment

For the six months ended June 30, 2005, net operating revenue in the radio segment was $61,977,000 compared with $57,381,000 for the six months ended June 30, 2004, an increase of $4,596,000 or 8%. Approximately $3,640,000 or 79% of the increase was attributable to revenue generated by radio stations and radio networks that we did not own or operate for the comparable period in 2004. Net operating revenue generated by radio stations and radio networks that we owned and operated for the entire comparable period increased by approximately $956,000 or 2%. The majority of the improvement in same station revenue was attributable to same station local revenue increases of approximately 3%.

Station operating expense in our radio segment increased by $5,107,000 or 13% to $44,725,000 for the six months ended June 30, 2005, compared with $39,618,000 for the six months ended June 30, 2004. Of the total increase, approximately $3,298,000 or 65% was the result of the impact of the operation of stations that we did not own or operate for the comparable period in 2004. Station operating expense increased by approximately $1,809,000 or 5% on a same station basis, which is primarily the result of an increase in selling and commission expenses directly attributed to the increase in revenue, increases in programming expenses as a result of competitive pressures in several of our radio markets and an increase of approximately $423,000 or 31% in health care costs. We anticipate the increases in selling and programming expenses to continue in the future. We anticipate increases in heath care costs of 15% to 20% in the future.

Operating income in the radio segment for the six months ended June 30, 2005 was $17,252,000 compared to $17,763,000 for the six months ended June 30, 2004, a decrease of approximately $511,000 or 3%. The decrease was the result of the increase in net operating revenue, offset by the increase in station operating expense.

Television Segment

For the six months ended June 30, 2005, net operating revenue in the radio segment was $7,407,000 compared with $6,919,000 for the six months ended June 30, 2004, an increase of $488,000 or 7%. The increase in revenue was attributable to the Fox affiliate in Joplin, Missouri that went on the air in October 2003.

Station operating expense in our television segment increased by $329,000 or 5% to $6,629,000 for the six months ended June 30, 2005, compared with $6,300,000 for the six months ended June 30, 2004. Station operating expense increased was attributable to increases in selling and commission expenses as a result of the increase in revenue.

Operating income in the television segment for the six months ended June 30, 2005 was $778,000 compared to $619,000 for the six months ended June 30, 2004, an increase of approximately $159,000 or 26%. The increase was the result of the increase in net operating revenue, offset by the increase in station operating expense.

Outlook

The following statements are forward-looking statements and should be read in conjunction with "Forward-Looking Statements" below.

Based on the economic and market conditions as of August 3, 2005, for the quarter ending September 30, 2005, we anticipate a 1% to 3% increase in net operating revenue.

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 2005 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward Looking Statements; Risk Factors" in our Form 10-K for the year ended December 31, 2004.

Liquidity and Capital Resources

Debt Arrangements and Debt Service Requirements

As of June 30, 2005, we had $154,850,000 of long-term debt outstanding and approximately $45,150,000 of unused borrowing capacity under our Credit Agreement.

Our Credit Agreement is a $200,000,000 reducing revolving line of credit maturing on July 29, 2010. 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 March 31, 2006, the Revolving Commitments (as defined in the Credit Agreement) will be permanently reduced quarterly in amounts ranging from 3.125% to 12.5% of the total Revolving Commitments in effect on March 31, 2006. Any outstanding balance under the Credit Agreement will be due on the maturity date of July 29, 2010. In addition, the Revolving Commitments shall be further reduced by specified percentages of Excess Cash Flow (as defined in Credit Agreement) based on leverage ratios.

In May 2005 we amended the Credit Agreement to reduce the interest rate margin for LIBOR and the Agent bank's base rate. Interest rates under the Credit Agreement are payable, at our option, at alternatives equal to LIBOR plus 0.75% to 1.625% (1.375% to 2.0% as of June 30, 2004) or the Agent bank's base rate plus 0% to 0.375% (0.125% to 0.75% as of June 30, 2004). The spread over LIBOR and the base rate vary from time to time, depending upon our financial leverage. We also pay quarterly commitment fees of 0.375% to 0.625% per annum on the unused portion of the Credit Agreement.

The Credit Agreement contains a number of financial covenants (all of which we were in compliance with at June 30, 2005) which, among other things, require us to maintain specified financial ratios and impose certain limitations on us with respect to investments, additional indebtedness, dividends, distributions, guarantees, liens and encumbrances.

Sources and Uses of Cash

During the six months ended June 30, 2005 and 2004, we had net cash flows from operating activities of $9,767,000 and $12,100,000, 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 2005 acquisitions were financed through funds generated from operations, $30,750,000 of borrowings under our Credit Agreement and the re-issuance of approximately $4,588,000 of our Class A common stock from treasury:

- Effective June 1, 2005, we acquired two FM and two AM radio stations (WQNY-FM, WYXL-FM, WNYY-AM and WHCU-AM) serving the Ithaca, New York market, for approximately $13,600,000 including approximately $2,602,000 of our Class A common stock. We financed this transaction through funds generated from operations and additional borrowings of approximately $11,000,000 under our Credit Agreement.

- Effective January 1, 2005, we acquired one AM and two FM radio stations (WINA-AM, WWWV-FM and WQMZ-FM) serving the Charlottesville, Virginia market for approximately $22,490,000 including approximately $1,986,000 of our Class A common stock. We financed this transaction through funds generated from operations and additional borrowings of approximately $19,750,000 under our Credit Agreement.

- Effective January 1, 2005, we acquired one AM radio station (WISE-AM) serving the Asheville, North Carolina market for approximately $2,192,000. We have provided programming to this station under a TBA since November 1, 2002.

- Effective January 1, 2005 we acquired a low power television station (KMOL-LP) serving Victoria, Texas market for approximately $268,000.

In addition, the following transaction was pending at June 30, 2005, which we expect to finance through funds generated from operations and additional borrowings under our Credit Agreement:

- On January 21, 2004, we entered into agreements to acquire one FM radio station (WOXL-FM) serving the Asheville, North Carolina market, for approximately $8,000,000. We are currently providing programming to WOXL-FM under a Sub-Time Brokerage Agreement. This transaction is subject to the approval of the FCC and has been contested. We expect to close on the acquisitions when all required approvals are obtained.

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

In May 2005, our board of directors authorized an increase to our Stock Buy-Back Program so that we may purchase a total of $30,000,000 of our Class A Common Stock. From the inception of the Stock Buy-Back program in 1998 through June 30, 2005, we have repurchased 1,473,689 shares of our Class A Common Stock for approximately $22,600,000. During the six months ended June 30, 2005 we repurchased 489,325 shares for approximately $7,433,000. For more information on our stock repurchases during the second quarter of 2005, see Part II Item 2 “Unregistered Sales of Equity Securities and Use of Proceeds” below.

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, it at all.

Our capital expenditures, exclusive of acquisitions, for the six months ended June 30, 2005 were approximately $7,801,000 ($4,263,000 in 2004). We anticipate capital expenditures exclusive of acquisitions in 2005 to be approximately $10,500,000, 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. "Managements 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, 2004.

There have been no material changes to such contracts/commitments during the six months ended June 30, 2005. 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 has been no significant changes to our critical accounting policies that are described in Item 7. "Managements 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, 2004.

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, 2004 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2004 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 June 30, 2005, 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 June 30, 2005. All shares repurchased during the quarter were repurchased in 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)
April 1 — April 30, 2005	97,400	$ 15.946	97,400	$ 423,678
May 1 — May 31, 2005	176,925	$ 14.103	176,925	$ 7,928,549
June 1 — June 30, 2005	39,800	$ 14.242	39,800	$ 7,361,698
Total	314,125	$ 14.692		

(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 on May 4, 2005, which increased the total amount authorized for repurchase of our Class A Common Stock to $30,000,000.

On June 1, 2005 we issued a total of 188,123 shares of our Class A Common Stock to Manley H. Thaler, Trustee. in connection with our acquisition of two FM and two AM radio stations (WQNY-FM, WYXL-FM, WNYY-AM and WHCU-AM) serving the Ithaca, New York market for a total aggregate cash and stock consideration of approximately $13,600,000. The shares of the Class A Common were issued pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933.

Item 4. ***Submission of Matters to a Vote of Security Holders***

The Annual Meeting of Stockholders was held on May 9, 2005.

At the Annual Meeting of Stockholders, the stockholders voted on the following matters:

(1) The seven nominees for election as directors for the ensuing year, and until their successors are elected and qualified, received the following votes:

Name	For	Withheld
Brian W. Brady*	15,920,518	703,256
Jonathan Firestone*	15,873,457	750,317
Edward K. Christian	33,347,230	6,880,244
Donald Alt	39,471,697	755,777
Gary Stevens	31,674,832	8,552,642
Robert Maccini	31,674,832	8,552,642
Clarke Brown	38,044,263	2,183,211

* Elected by the holders of Class A Common Stock.

(2) The proposal to ratify the adoption by the Board of Directors of the 2005 Incentive Compensation Plan was approved with 32,475,574 votes cast for, 4,309,101 votes cast against, 2,061,664 abstentions and 1,381,135 broker non-votes.

(3) The proposal to re-approve the CEO Annual Incentive Plan was approved with 35,590,882 votes cast for, 3,253,328 votes cast against, 2,129 abstentions and 1,381,135 broker non-votes.

(4) The proposal to ratify the selection by the Board of Directors of Ernst & Young LLP as independent auditors to audit our consolidated financial statements for the fiscal year ending December 31, 2005 was approved with 40,061,316 votes cast for, 166,146 votes cast against and 12 abstentions.

Item 6. ***Exhibits***

10(j)	Form of Stock Option Agreement — Non-Qualified for Participants in the Saga Communications, Inc 2005 Incentive Compensation Plan
10(k)	Form of Stock Option Agreement — Incentive Stock Option for Participants in the Saga Communications, Inc 2005 Incentive Compensation Plan
10(l)	Form of Stock Option Agreement — Restricted Stock for Participants in the Saga Communications, Inc 2005 Incentive Compensation Plan
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 and Rule 13-14(b) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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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: August 9, 2005	/s/ Samuel D. Bush
	Samuel D. Bush *Senior Vice President,* *Chief Financial Officer, and Treasurer* *(Principal Financial Officer)*
Date: August 9, 2005	/s/ Catherine A. Bobinski
	Catherine A. Bobinski *Vice President, Corporate* *Controller and Chief Accounting Officer* *(Principal Accounting Officer)*

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INDEX TO EXHIBITS

Exhibit Number	Description
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* Filed herewith.

RESTRICTED STOCK AGREEMENT

THIS AGREEMENT, made as of <>, by and between SAGA COMMUNICATIONS, INC., a Delaware corporation (the "Corporation"), and <> (the "Employee").

W I T N E S S E T H

WHEREAS, the Employee is now employed by the Corporation or a subsidiary of the Corporation and the Corporation desires to have the Employee remain in such employment and to afford him the opportunity to acquire, or enlarge, his stock ownership in the Corporation so that the Employee may have a direct proprietary interest in the Corporation's success.

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. GRANT OF RESTRICTED STOCK

The Corporation grants to the Employee, and the Employee accepts from the Corporation, <> shares of Class A Common Stock of the Corporation ("Restricted Stock") subject to the restrictions and terms contained in this Agreement and the Saga Communications, Inc. 2005 Incentive Compensation Plan (the "Plan"), as amended from time to time. In the event of a conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall govern.

2. RESTRICTIONS ON TRANSFERABILITY

Restricted Stock may not be transferred, pledged, assigned or otherwise alienated or hypothecated until the lapse of the Restricted Period specified in Section 4 below. Prior to the end of the Restricted Period, all rights with respect to Restricted Stock shall be exercisable during the Participant's lifetime only by the Participant or the Participant's legal representative. The shares of Restricted Stock will be held in book entry form under the name of the Plan and Employee will be listed as the beneficial owner of the Restricted Stock that has not been forfeited or lapsed and issued as provided in paragraphs 5 and 6 below. Employee shall have voting rights and shall be entitled to receive dividends and other distributions (provided, however, that dividends or other distributions paid in any form other than cash shall be subject to the same restrictions, forfeitability, terms and conditions as are applicable to the Restricted Stock until such time as the Restricted Period of the Restricted Stock with respect to which such distributions have been made, paid or declared, shall have lapsed).

3. CERTIFICATE LEGEND

a. Any certificate representing shares of Restricted Stock shall bear the following legend:

"The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary or by operation of law, is subject to certain restrictions on transfer set forth in the Saga Communications, Inc. 2005 Incentive Compensation Plan (the "Plan"), rules and administrative guidelines adopted pursuant to the Plan and an Agreement dated <>. A copy of the Plan, such rules and guidelines and such Agreement may be obtained from the Secretary of the Corporation."

b. In addition, if Employee is an affiliate of the Corporation, as such term is defined and interpreted under federal securities law, the certificate shall include the standard legend for "affiliate shares" and may only be transferred or sold in accordance with federal securities laws.

4. RESTRICTED PERIOD

The Restricted Period for portions of Restricted Stock granted under this Agreement shall lapse according to the following schedule:

ANNIVERSARIES OF DATE OF GRANT	PORTION OF RESTRICTED STOCK FOR WHICH RESTRICTIONS LAPSE
March 1, 2006	20%
March 1, 2007	20%
March 1, 2008	20%
March 1, 2009	20%
March 1, 2010	20%

Notwithstanding the foregoing schedule, the Restricted Period shall lapse with respect to all Restricted Stock upon the occurrence of a Change in Control of the Corporation, as defined in the Plan, or if the Committee determines that a Change in Control has occurred, if Employee is an "employee," as defined in the Plan, upon the occurrence or deemed occurrence of such Change in Control. With respect to any fractional shares resulting from the application of the 20% times the total amount of the Restricted Stock, such fractional shares shall cumulate and be distributed on the lapsing of the last Anniversary Date. If this is not possible, Employee will receive the cash value of any remaining fractional shares.

5. TERMINATION OF EMPLOYMENT

If the status of Employee as an "employee" as defined in the Plan) of the Corporation terminates for any reason prior to the lapse of the Restricted Period, any shares of Restricted Stock as to which the Restricted Period has not yet lapsed shall be forfeited by Employee. Whether an authorized leave of absence or absence for military or government service shall constitute termination of employment shall be determined by the Committee authorized to administer the Plan; and such Committee shall determine whether a termination is with or without Cause, a voluntary retirement, or due to Disability. The term "subsidiary" as used in this Agreement shall mean any subsidiary of the Corporation as defined in Section 424(f) of the Code. The term "parent" as used in this Agreement shall mean any parent of the Corporation as defined in Section 424 of the Code.

6. ISSUANCE OF SHARES

Upon the lapse of the Restricted Period with respect to portions of Restricted Stock, Employee shall be entitled to (i) delivery of certificates representing shares of the common stock of the Corporation formerly restricted (and any applicable stock distributions) and to have removed from such certificates the legend required by Article 3a above, or, (ii) in the case of Restricted Stock Units, at the option of the Employee, payment of the equivalent cash value of such common stock. Transfer by the Corporation of such shares or payment of cash shall occur as promptly as practicable after the lapse of the relevant Restricted Period.

7. COMPLIANCE WITH LAW AND REGULATIONS

This Agreement and the obligation of the Corporation to deliver shares hereunder, shall be subject to all applicable Federal and State laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. The Corporation shall not be required to issue or deliver any certificates for shares of stock prior to (a) the listing of such shares on any stock exchange in which the stock may then be listed and (b) the completion of any registration or qualification of such shares under any Federal or State law, or any rule or regulation of any government body which the Corporation shall, in its sole discretion, determine to be necessary or advisable. Moreover, the Corporation shall not be required to deliver shares if the transfer or the receipt of such shares of stock would be contrary to applicable law.

8. NOTICE

Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided; provided that, unless and until some other address is so designated, all notices or communications by the Employee to the Corporation shall be mailed or delivered to the Corporation at its office at 73 Kercheval Avenue, Grosse Pointe Farms, MI 48236, Attention: Chief Financial Officer, and all notices or communications by the Corporation to the Employee may be given to the Employee personally or may be mailed to him or her at the address shown below his or her signature to this Agreement.

9. ADJUSTMENTS

The provisions of Article VI of the Plan are incorporated herein.

10. NO RIGHT TO CONTINUED EMPLOYMENT

This Agreement shall not confer upon Employee any right with respect to continuance of employment by the Corporation or any subsidiary or parent, nor shall it interfere in any way with the right of the Employee's employer to terminate his employment at any time.

11. EMPLOYEE BOUND BY PLAN

Employee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all terms and provisions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

SAGA COMMUNICATIONS, INC.

By:_____________________________________
Marcia K. Lobaito
Sr. Vice President/Secretary

EMPLOYEE:

<>

____
Signature

____
Social Security Number

<>
<>, <> <>

STOCK OPTION AGREEMENT

THIS AGREEMENT, made as of <>, by and between SAGA COMMUNICATIONS, INC., a Delaware corporation (the "Corporation"), and <> (the "Optionee").

W I T N E S S E T H

WHEREAS, the Optionee is now employed by the Corporation or a subsidiary of the Corporation and the Corporation desires to have the Optionee remain in such employment and to afford Optionee the opportunity to acquire, or enlarge, Optionee's stock ownership in the Corporation so that the Optionee may have a direct proprietary interest in the Corporation's success.

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. GRANT OF NON-QUALIFIED STOCK OPTION

Subject to the terms and conditions set forth herein and in the Saga Communications, Inc. 2005 Incentive Compensation Plan, as amended from time to time (the "Plan"), the Corporation hereby grants to the Optionee a Non-Qualified stock option (as defined in the Plan) (the "Option") entitling the Optionee, during the period set forth in Article 3 of this Agreement, to purchase from the Corporation up to, but not exceeding in the aggregate, <> shares of the Corporation's Class A Common Stock, ("Class A Common Stock"), at a price per share of <>, subject to adjustment as provided in Article 10 below. In the event of a conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall govern.

2. VESTING AND EXERCISE OF OPTION

The Option shall not be vested to any extent and may not be exercised prior to <>. Subject to the terms and conditions set forth herein, the Option shall be vested and exercisable beginning on <>, to the extent of 20% of the shares covered thereby, and an additional 20% beginning on March 1 of each of the years 2007, 2008, 2009 and 2010, provided, however, that Optionee is an "Employee" (as defined in the Plan) on the applicable date of vesting. If Optionee is not an "Employee" on the vesting date, the Option and the underlying shares of common stock shall be forfeited. In the event that the Optionee's employment by the Corporation is terminated for Cause (as defined in the Plan), the vesting of the Option shall cease immediately upon the date of termination, and any vested but unexercised portion of the Option shall not be exercisable to any extent. All Options shall become fully vested and exercisable in full upon the occurrence of a Change in Control, as defined in the Plan, or if the Committee determines that a Change in Control has occurred, if Optionee is an Employee (as defined in the Plan) at the time of such occurrence. Whether an authorized leave of absence or absence on military or government service shall constitute termination of employment shall be determined by the Committee authorized to administer the Plan; and such

Committee shall determine whether a termination is with or without Cause, a voluntary retirement, or due to Disability (as defined in the Plan).

3. OPTION PERIOD

The vested and exercisable portion of the Option, as determined in accordance with Article 2 of this Agreement, may be exercised for a period of ten (10) years from the date hereof; provided, however, that if the Optionee is terminated: (1) for Cause, any unexercised portion of the Option (whether then exercisable or not) shall, as of the time of the Cause determination, immediately terminate, (2) due to death or Disability, then the Option, to the extent that it is exercisable on the date of termination, shall be exercisable only until the earlier of the one year anniversary of such termination or ten (10) years from the date hereof; (3) for any other reason (except as provided in the next sentence), then the Option, to the extent that it is exercisable on the date of termination, shall be exercisable only until the earlier of the three month anniversary of such termination or ten (10) years from the date hereof. If, on or after the date that the Option first becomes exercisable, Optionee's status as an Employee is terminated due to retirement, or is terminated involuntarily (other than for Cause or due to death or Disability) within 6 months following a Change in Control, then the Option shall be exercisable until ten (10) years from the date hereof.

4. METHOD OF EXERCISING OPTIONS

During the period when the Option may by its terms be exercised, the Optionee may from time to time exercise the Option in whole or in part by delivering to the Corporation: (i) a written notice duly signed by the Optionee, stating the number of shares that the Optionee has elected to purchase at that time from the Corporation, and (ii) by payment utilizing any of the methods described in Article 2.3 of the Plan.

5. ISSUANCE OF SHARES

As promptly as practical after receipt of such written notification and consideration, the Corporation shall issue or transfer to the Optionee the number of shares with respect to which the Option has been so exercised and shall deliver to the Optionee a certificate or certificates therefore in the Optionee's name.

6. DEFINITIONS

(a) The term "subsidiary" as used in this Agreement shall mean any subsidiary of the Corporation as defined in Section 424(f) of the Code.

(b) The term "parent" as used in this Agreement shall mean any parent of the Corporation as defined in Section 424(e) of the Code.

(c) Whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom the Option may be transferred by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or ERISA, the word "Optionee" shall be deemed to include such person or persons.

7. NON-TRANSFERABILITY

The Option is not transferable by the Optionee otherwise than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order and is exercisable during the Optionee's lifetime only by him. No assignment or transfer of the Option, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise (except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, provided that the Corporation is furnished with written notice of the transfer by will or the laws of descent and distribution or pursuant to a qualified domestic relations order and a copy of the will, order and/or such other evidence as the Committee authorized to administer the Plan may deem necessary to establish to its satisfaction the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of the Option), shall vest in the assignee or transferee any interest or right herein whatsoever, but immediately upon such assignment or transfer the Option shall terminate and become of no further effect.

8. COMPLIANCE WITH LAW AND REGULATIONS

This Option and the obligation of the Corporation to sell and deliver shares hereunder, shall be subject to all applicable Federal and State laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. The Corporation shall not be required to issue or deliver any certificates for shares of stock prior to (a) the listing of such shares on any stock exchange in which the stock may then be listed and (b) the completion of any registration or qualification of such shares under any Federal or State law, or any rule or regulation of any government body which the Corporation shall, in its sole discretion, determine to be necessary or advisable. Moreover, this Option may not be exercised if its exercise, or the receipt of shares of stock pursuant thereto, would be contrary to applicable law.

9. NOTICE

Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided; provided that, unless and until some other address is so designated, all notices or communications by the Optionee to the Corporation shall be mailed or delivered to the Corporation at its office at 73 Kercheval Avenue, Grosse Pointe Farms, MI 48236, Attention: Chief Financial Officer, and all notices or communications by the Corporation to the Optionee may be given to the Optionee personally or may be mailed to him or her at the address shown below his or her signature to this Agreement.

10. ADJUSTMENTS

The provisions of Article VI of the Plan are incorporated herein.

11. NO RIGHTS AS STOCKHOLDER

Optionee shall have no rights as a stockholder with respect to any shares of stock subject to this Option prior to the date of issuance to him of a certificate or certificates for such shares.

12. NO RIGHT TO CONTINUED EMPLOYMENT

This Option shall not confer upon Optionee any right with respect to continuance of employment by the Corporation or any subsidiary or parent, nor shall it interfere in any way with the right of the Optionee's employer to terminate his employment at any time.

13. OPTIONEE BOUND BY PLAN

Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all terms and provisions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

SAGA COMMUNICATIONS, INC.

By:_____________________________________
Marcia K. Lobaito
Sr. Vice President/Secretary

OPTIONEE:

<>

____
Signature

____
Social Security Number

<>
<>, <> <>

FORM 1 (ISO)

STOCK OPTION AGREEMENT

THIS AGREEMENT, made as of ________________, 20__, by and between SAGA COMMUNICATIONS, INC., a Delaware corporation (the "Corporation"), and ______________________________ (the "Optionee").

W I T N E S S E T H

WHEREAS, the Optionee is now employed by the Corporation or a subsidiary of the Corporation and the Corporation desires to have the Optionee remain in such employment and to afford Optionee the opportunity to acquire, or enlarge, Optionee's stock ownership in the Corporation so that the Optionee may have a direct proprietary interest in the Corporation's success.

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. GRANT OF INCENTIVE STOCK OPTION

Subject to the terms and conditions set forth herein and in the Saga Communications, Inc. 2005 Incentive Compensation Plan, as amended from time to time (the "Plan"), the Corporation hereby grants to the Optionee an Incentive Stock Option (as defined in the Plan) (the "Option") entitling the Optionee, during the period set forth in Article 3 of this Agreement, to purchase from the Corporation up to, but not exceeding in the aggregate, _____ shares of the Corporation's Class A Common Stock, $.01 par value ("Class A Common Stock"), at a price per share of $______ (110% of FMV if granted to greater than 10% shareholder), subject to adjustment as provided in Article 10 below. In the event of a conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall govern.

2. VESTING AND EXERCISE OF OPTION

The Option shall not be vested to any extent and may not be exercised prior to March 1, 200__. Subject to the terms and conditions set forth herein, the Option shall be vested and exercisable beginning on March 1, 200__, to the extent of 20% of the shares covered thereby, and an additional 20% beginning on March 1 of each of the years 200__, 200__, 200__, and 200__, provided, however, that Optionee is an "Employee" (as defined in the Plan) on the applicable date of vesting. If Optionee is not an "Employee" on the vesting date, the Option and the underlying shares of common stock shall be forfeited. In the event that the Optionee's employment by the Corporation is terminated for Cause (as defined in the Plan), the vesting of the Option shall cease immediately upon the date of termination, and any vested but unexercised portion of the Option shall not be exercisable to any extent. All Options shall become fully vested and exercisable in full upon the occurrence of a Change in Control, as defined in the Plan, or if the Committee determines that a Change in Control has occurred, if Optionee is an Employee (as defined in the Plan) at the time of such occurrence. Whether an authorized leave of absence or absence on military or government service shall constitute termination of employment shall be determined by the Committee authorized to administer the Plan; and such Committee shall determine whether a termination is with or without Cause, a voluntary retirement, or due to Disability (as defined in the Plan).

During any calendar year, the Optionee may exercise the Option only to the extent that the aggregate fair market value of the Class A Common Stock (determined in accordance with the Plan) with respect to which the Options are exercisable for the first time by the Optionee during such calendar year (under this Plan and all similar plans of the Corporation by which the Optionee is employed and its parent or subsidiary corporations) does not exceed $100,000.

3. OPTION PERIOD

The vested and exercisable portion of the Option, as determined in accordance with Article 2 of this Agreement, may be exercised for a period of ten (10) years from the date hereof (five (5) years if granted to greater than 10% shareholder) provided, however, that if the Optionee is terminated (1) for Cause, any unexercised portion of the Option (whether then exercisable or not) shall, as of the time of the Cause determination, immediately terminate, (2) due to death or Disability, then the Option, to the extent that it is exercisable on the date of termination, shall be exercisable only until the earlier of the one year anniversary of such termination or ten (10) years from the date hereof (five (5) years if holder is greater than 10% shareholder); (3) for any other reason, (except as provided in the next sentence) then the Option, to the extent that it is exercisable on the date of termination, shall be exercisable only until the earlier of the three month anniversary of such termination or ten (10) years from the date hereof (five (5) years if holder is greater than 10% shareholder). If, on or after the date that the Option first becomes exercisable, Optionee's status as an Employee is terminated due to retirement, or is terminated involuntarily (other than for Cause or due to death or Disability) within 6 months following a Change in Control, then the Option shall be exercisable until ten (10) years from the date hereof, (five (5) years if holder is greater than 10% shareholder).

4. METHOD OF EXERCISING OPTIONS

During the period when the Option may by its terms be exercised, the Optionee may from time to time exercise the Option in whole or in part by delivering to the Corporation: (i) a written notice duly signed by the Optionee, stating the number of shares that the Optionee has elected to purchase at that time from the Corporation, and (ii) by payment utilizing any of the methods described in Article 2.3 of the Plan.

5. ISSUANCE OF SHARES

As promptly as practical after receipt of such written notification and consideration, the Corporation shall issue or transfer to the Optionee the number of shares with respect to which the Option has been so exercised and shall deliver to the Optionee a certificate or certificates therefore in the Optionee's name.

6. DEFINITIONS

(a) The term "subsidiary" as used in this Agreement shall mean any subsidiary of the Corporation as defined in Section 424(f) of the Code.

(b) The term "parent" as used in this Agreement shall mean any parent of the Corporation as defined in Section 424(e) of the Code.

(c) Whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom the Option may be transferred by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or ERISA, the word "Optionee" shall be deemed to include such person or persons.

7. NON-TRANSFERABILITY

The Option is not transferable by the Optionee otherwise than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order and is exercisable during the Optionee's lifetime only by him. No assignment or transfer of the Option, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise (except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order, provided that the Corporation is furnished with written notice of the transfer by will or the laws of descent and distribution or pursuant to a qualified domestic relations order and a copy of the will, order and/or such other evidence as the Committee authorized to administer the Plan may deem necessary to establish to its satisfaction the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of the Option), shall vest in the assignee or transferee any interest or right herein whatsoever, but immediately upon such assignment or transfer the Option shall terminate and become of no further effect.

8. COMPLIANCE WITH LAW AND REGULATIONS

This Option and the obligation of the Corporation to sell and deliver shares hereunder, shall be subject to all applicable Federal and State laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. The Corporation shall not be required to issue or deliver any certificates for shares of stock prior to (a) the listing of such shares on any stock exchange in which the stock may then be listed and (b) the completion of any registration or qualification of such shares under any Federal or State law, or any rule or regulation of any government body which the Corporation shall, in its sole discretion, determine to be necessary or advisable. Moreover, this Option may not be exercised if its exercise, or the receipt of shares of stock pursuant thereto, would be contrary to applicable law.

9. NOTICE.

Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided; provided that, unless and until some other address is so designated, all notices or communications by the Optionee to the Corporation shall be mailed or delivered to the Corporation at its office at 73 Kercheval Avenue, Grosse Pointe Farms, MI 48236, Attention: Chief Financial Officer, and all notices or communications by the Corporation to the Optionee may be given to the Optionee personally or may be mailed to him or her at the address shown below his or her signature to this Agreement.

10. ADJUSTMENTS

The provisions of Article VI of the Plan are incorporated herein.

11. NO RIGHTS AS STOCKHOLDER

Optionee shall have no rights as a stockholder with respect to any shares of stock subject to this Option prior to the date of issuance to him of a certificate or certificates for such shares.

12. NO RIGHT TO CONTINUED EMPLOYMENT

This Option shall not confer upon Optionee any right with respect to continuance of employment by the Corporation or any subsidiary or parent, nor shall it interfere in any way with the right of the Optionee's employer to terminate his employment at any time.

13. OPTIONEE BOUND BY PLAN

Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all terms and provisions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

SAGA COMMUNICATIONS, INC.

By:____________________________________
Edward K. Christian
President/Chairman/C.E.O.

OPTIONEE

____
Name

____
Social Security Number

____
Address of Optionee

____

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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: August 9, 2005

/s/ Edward K. Christian
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

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 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: August 9, 2005

/s/ 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 AND RULE 13-14(b) OF THE SECURITIES EXCHANGE ACT OF 1934, 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 June 30, 2005 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, that:

1. The Report fully complies with the requirements of Section 13(a) 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: August 9, 2005

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

Dated: August 9, 2005

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