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 March 31, 2008**

or

o	**TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the transition period from to**

Commission file number 1-11588

Saga Communications, Inc.

(Exact name of registrant as specified in its charter)

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

(313) 886-7070

(Registrant's telephone number, including area code)

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

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

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

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

The number of shares of the registrant's Class A Common Stock, $.01 par value, and Class B Common Stock, $.01 par value, outstanding as of May 2, 2008 was 17,570,177 and 2,390,338, respectively.

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PART I — FINANCIAL INFORMATION

Item 1. ***Financial Statements***

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2008 (Unaudited)	December 31, 2007 (Note)
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 7,702	$ 13,343
Accounts receivable, net	20,611	23,449
Prepaid expenses and other current assets	4,802	4,590
Total current assets	33,115	41,382
Property and equipment	155,503	153,504
Less accumulated depreciation	79,145	77,287
Net property and equipment	76,358	76,217
Other assets:		
Broadcast licenses, net	167,203	163,102
Goodwill, net	54,968	49,661
Other intangibles, deferred costs and investments, net	6,811	7,282
Total other assets	228,982	220,045
	$ 338,455	$ 337,644
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,339	$ 3,017
Payroll and payroll taxes	5,789	7,722
Other accrued expenses	3,862	4,848
Barter transactions	2,226	1,720
Current portion of long-term debt	1,061	—
Total current liabilities	14,277	17,307
Deferred income taxes	37,231	36,829
Long-term debt	133,350	129,911
Other liabilities	4,429	4,521
Stockholders' equity		
Common stock	214	213
Additional paid-in capital	51,034	50,600
Retained earnings	113,047	112,137
Treasury stock	(15,127)	(13,874)
Total stockholders' equity	149,168	149,076
	$ 338,455	$ 337,644

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

See notes to unaudited condensed consolidated financial statements.

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SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31, 2008	2007
	(Unaudited) (In thousands, except per share data)	
Net operating revenue	$31,532	$31,883
Station operating expenses	25,421	25,995
Corporate general and administrative	2,552	2,316
Operating income	3,559	3,572
Other expenses, net:		
Interest expense	1,995	2,297
Other expense, net	20	35
Income before income tax	1,544	1,240
Income tax provision	634	500
Net income	$ 910	$ 740
Earnings per share		
Basic	$ .05	$ .04
Diluted	$ .05	$ .04
Weighted average common shares	20,078	20,221
Weighted average common and common equivalent shares	20,087	20,242

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2008	2007
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Cash provided by operating activities	$ 4,042	$ 4,268
Cash flows from investing activities:		
Acquisition of property and equipment	(2,046)	(2,414)
Increase in intangibles and other assets	—	(2,018)
Acquisition of stations	(10,729)	(925)
Other investing activities	33	10
Net cash used in investing activities	(12,742)	(5,347)
Cash flows from financing activities:		
Proceeds from long-term debt	5,500	—
Payments on long-term debt	(1,000)	(2,000)
Purchase of shares held in treasury	(1,399)	(126)
Other financing activities	(42)	—
Net cash provided by (used in) financing activities	3,059	(2,126)
Net decrease in cash and cash equivalents	(5,641)	(3,205)
Cash and cash equivalents, beginning of period	13,343	10,799
Cash and cash equivalents, end of period	$ 7,702	$ 7,594

See notes to unaudited condensed consolidated financial statements.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

Income Taxes

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

Revenue Recognition

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

Time Brokerage Agreements

We have entered into Time Brokerage Agreements ("TBAs") or Local Marketing Agreements ("LMA's") in certain markets. In a typical TBA/LMA, the 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/LMA's under Statement of Financial Accounting Standards ("SFAS") No. 13, *"Accounting for Leases"* and related interpretations. Revenue and expenses related to TBA's/LMA's are included in the accompanying unaudited Condensed Consolidated Statements of Income.

Nonmonetary Asset Exchanges

In 2006, the FCC granted to Sprint Nextel Corporation ("Nextel") the right to reclaim from broadcasters in each market across the country the 1.9 GHz spectrum to use for an emergency communications system. In order to reclaim this signal, Nextel must replace all analog equipment currently using this spectrum with digital equipment. All broadcasters have agreed to use the digital substitute that Nextel will provide. The exchange of equipment will be completed on a market by market basis. As the equipment is exchanged and put into service in each of our markets we expect to record gains to the extent that the fair market value of the equipment we receive exceeds the book value of the analog equipment we exchange. No markets were transitioned during the first quarter of 2008 or 2007. All markets must be transitioned to digital by February 2009.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2. Recent Accounting Pronouncements

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

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

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

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

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

3. Intangible Assets and Goodwill

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

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

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

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

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

4. Common Stock and Treasury Stock

The following summarizes information relating to the number of shares of our common stock issued in connection with stock transactions through March 31, 2008:

	Common Stock Issued	
	Class A	Class B
	(Shares in thousands)	
Balance, January 1, 2007	18,892	2,396
Exercised options	43	—
Conversion of shares	8	(8)
Issuance of restricted stock	36	5
Forfeiture of restricted stock	(2)	—
Balance, December 31, 2007	18,977	2,393
Exercised options	19	—
Conversion of shares	3	(3)
Balance, March 31, 2008	18,999	2,390

We have a Stock Buy-Back Program (the "Buy-Back Program") to allow us to purchase up to $60,000,000 of our Class A Common Stock. From its inception in 1998 through March 31, 2008, we have repurchased 2,146,323 shares of our Class A Common Stock for approximately $27,651,000.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Acquisitions

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

2008 Acquisitions

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

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

2007 Acquisitions

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

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

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

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

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

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidated Balance Sheet of 2008 and 2007 Acquisitions

The following unaudited condensed consolidated balance sheets represent the estimated fair value assigned to the related assets and liabilities of the 2008 and 2007 acquisitions at their respective acquisition dates. We paid approximately $10,729,000 and $925,000 in connection with acquisitions during the three months ended March 31, 2008 and 2007, respectively.

Saga Communications, Inc.

Condensed Consolidated Balance Sheet of 2008 and 2007 Acquisitions

	Acquisitions in 2008	Acquisitions in 2007
	(In thousands)	
Assets Acquired:		
Current assets	$ —	$ 130
Property and equipment	56	931
Other assets:		
Broadcast licenses-Radio segment	5,450	12,210
Goodwill-Radio segment	5,307	834
Other intangibles, deferred costs and investments	—	46
Total other assets	10,757	13,090
Total assets acquired	10,813	14,151
Liabilities Assumed:		
Current liabilities	84	3,853
Total liabilities assumed	84	3,853
Net assets acquired	$10,729	$10,298

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 months ended March 31, 2008 and 2007 assume the 2008 and 2007 acquisitions occurred as of January 1, 2007. The pro forma results give effect to certain adjustments, including depreciation, amortization of intangible assets, increased interest expense on acquisition debt and related income tax effects. The pro forma results have been prepared for comparative purposes only and do not purport to indicate the results of operations which would actually have occurred had the combinations been in effect on the dates indicated or which may occur in the future.

	Three Months Ended March 31,	
	2008	2007
	(In thousands, except per share data)	
Consolidated Results of Operations:		
Net operating revenue	$ 31,532	$ 32,193
Station operating expense	25,421	26,284
Corporate general and administrative	2,552	2,316
Operating income	3,559	3,593
Interest expense	1,995	2,297
Other expense (income), net	20	35
Income taxes	634	509
Net income	$ 910	$ 752
Basic earnings per share	$ .05	$ .04
Diluted earnings per share	$ .05	$ .04

	Three Months Ended March 31,	
	2008	2007
	(In thousands)	
Radio Broadcasting Segment		
Net operating revenue	$27,381	$28,203
Station operating expense	21,913	22,802
Operating income	$ 5,468	$ 5,401

	Three Months Ended March 31,	
	2008	2007
Television Broadcasting Segment		
Net operating revenue	$4,151	$3,990
Station operating expense	3,508	3,482
Operating income	$ 643	$ 508

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

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended March 31, 2008:				
Net operating revenue	$ 27,381	$ 4,151	$ —	$ 31,532
Station operating expense	21,913	3,508	—	25,421
Corporate general and administrative	—	—	2,552	2,552
Operating income (loss)	$ 5,468	$ 643	$ (2,552)	$ 3,559

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended March 31, 2007:				
Net operating revenue	$ 28,203	$ 3,990	$ —	$ 32,193
Station operating expense	22,802	3,482	—	26,284
Corporate general and administrative	—	—	2,316	2,316
Operating income (loss)	$ 5,401	$ 508	$ (2,316)	$ 3,593

6. Stock Based Compensation

The Company accounts for stock-based awards under the provisions of SFAS No. 123R, *"Share-Based Payment"* ("SFAS 123R"). Compensation expense of approximately $253,000 and $197,000 was recognized for the three months ended March 31, 2008 and 2007, respectively, and is included in corporate general and administrative expenses in our results of operations. The associated future income tax benefit recognized for the three months ended March 31, 2008 and 2007 were approximately $104,000 and $81,000, respectively.

Employee Stock Purchase Plan

We have an employee stock purchase plan (ESPP) for all eligible employees. Each quarter, an eligible employee may elect to withhold up to 10 percent of his or her compensation, up to a maximum of $5,000, to purchase shares of our stock at a price equal to 85% of the fair value of the stock as of the last day of such quarter. The ESPP will terminate on the earlier of the issuance of 1,562,500 shares pursuant to the ESPP or December 31, 2008. Approximately 8,275 and 6,228 shares were purchased under the ESPP during the three months ended March 31, 2008 and 2007, respectively. Our ESPP is deemed compensatory under the provisions of FAS 123R.

2005 Incentive Compensation Plan

On May 9, 2005, our stockholders approved the 2005 Incentive Compensation Plan (the "2005 Plan") which replaces our 2003 Stock Option Plan (the "2003 Plan") as to future grants. The 2005 Plan extends through March 2015 and allows for the granting of restricted stock, restricted stock units, incentive stock options, nonqualified stock options, and performance awards to officers and a selected number of employees.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2003 Stock Option Plan

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

The following summarizes the stock option transactions for the 2005, 2003 and 1992 Plans for the three months ended March 31, 2008:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2007	2,682,752	$ 12.81	4.4	$ —
Granted	—	—		
Exercised	—	—		
Forfeited	—	—		
Outstanding at March 31, 2008	2,682,752	$ 12.81	4.1	$ —
Exercisable at March 31, 2008	2,132,834	$ 13.50	3.1	$ —

The following summarizes the non-vested stock option transactions for the 2005, 2003 and 1992 Plans for the three months ended March 31, 2008:

	Number of Options	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2007	738,263	$ 5.09
Granted	—	—
Vested	(188,345)	5.23
Forfeited/canceled	—	—
Non-vested at March 31, 2008	549,918	$ 5.04

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

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

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

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following summarizes the restricted stock transactions for the three months ended March 31, 2008:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2007	164,072	$ 10.24
Granted	—	—
Vested	(41,843)	10.55
Forfeited	—	—
Non-vested and outstanding at March 31, 2008	122,229	$ 10.13

For the three months ended March 31, 2008 and 2007, we had approximately $113,000 and $89,000, respectively, of total compensation expense related to restricted stock-based compensation arrangements.

1997 Non-Employee Director Stock Option Plan

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

Effective January 1, 2007, each director who is not an employee shall receive cash for his or her services as a director.

The following summarizes the stock option transactions for the Directors Plan for the three months ended March 31, 2008:

	Number of Options	Weighted Average Price per Share	Aggregate Intrinsic Value
Outstanding at December 31, 2007	23,080	$ 0.009	$135,726
Granted	—	—	
Exercised	(18,945)	0.009	
Outstanding and exercisable at March 31, 2008	4,135	$ 0.009	$ 23,120

7. Long-Term Debt

Long term debt consisted of the following:

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

Our Credit Agreement is a $193,750,000 reducing revolving line of credit maturing on July 29, 2012. On March 31, 2008, the Revolving Commitments (as defined in the Credit Agreement) were permanently reduced by $6,250,000 and will continue to be permanently reduced at the end of each calendar quarter in amounts ranging from 3.125% to 12.5% of the total Revolving Commitments that were in effect on March 31, 2008. In addition, the Revolving Commitments shall be further reduced by specified percentages of Excess Cash Flow (as defined in the Credit Agreement) based on leverage ratios. Any outstanding balance under the Credit Agreement will be due on the maturity date of July 29, 2012.

Our indebtedness under the Credit Agreement is secured by a first priority lien on substantially all of our assets and of our subsidiaries, by a pledge of our subsidiaries' stock and by a guarantee of our subsidiaries. We have approximately $60,400,000 of unused borrowing capacity under the Credit Agreement at March 31, 2008.

The Credit Agreement contains a number of financial covenants (all of which we were in compliance with at March 31, 2008) that, among other things, requires us to maintain specified financial ratios and impose certain limitations on us with respect to (i) the incurrence of additional indebtedness; (ii) acquisitions, except under specified conditions; (iii) the incurrence of additional liens, except those relating to capital leases and purchase money indebtedness; (iv) the disposition of assets; (v) the payment of cash dividends; and (vi) mergers, changes in business and management, investments and transactions with affiliates. The financial covenants become more restrictive over the life of the Credit Agreement. The Credit Agreement allows for the payment of dividends provided certain requirements are met.

SAGA COMMUNICATIONS, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

8. Segment Information

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

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

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended March 31, 2008:				
Net operating revenue	$ 27,381	$ 4,151	$ —	$ 31,532
Station operating expense	21,913	3,508	—	25,421
Corporate general and administrative	—	—	2,552	2,552
Operating income (loss)	$ 5,468	$ 643	$ (2,552)	$ 3,559
Depreciation and amortization	$ 1,562	$ 395	$ 53	$ 2,010
Total assets	$ 294,777	$ 31,582	$ 12,096	$ 338,455

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended March 31, 2007:				
Net operating revenue	$ 27,893	$ 3,990	$ —	$ 31,883
Station operating expense	22,513	3,482	—	25,995
Corporate general and administrative	—	—	2,316	2,316
Operating income (loss)	$ 5,380	$ 508	$ (2,316)	$ 3,572
Depreciation and amortization	$ 1,506	$ 389	$ 47	$ 1,942
Total assets	$ 272,197	$ 31,401	$ 14,966	$ 318,564

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

Results of Operations

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

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

General

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

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

Radio Segment

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

Most advertising contracts are short-term, and generally run only for a few weeks. Most of our revenue is generated from local advertising, which is sold primarily by each radio markets' sales staff. For the three months ended March 31, 2008 and 2007, approximately 86% and 87%, 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, station operating expense and operating income varies from market to market based upon the market's rank or size which is based upon population and the available radio advertising revenue in that particular market.

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

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

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

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

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

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

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

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

During the three months ended March 31, 2008 and 2007 and the years ended December 31, 2007 and 2006, our Columbus, Ohio; Manchester, New Hampshire; Milwaukee, Wisconsin; and Norfolk, Virginia markets, when combined, represented approximately 78%, 88%, 60% and 64%, respectively, of our consolidated operating income. An adverse change in any of these radio markets or our relative market position in those markets could have a significant impact on our operating results as a whole.

A significant decline in the total available radio advertising dollars in the Columbus, Ohio and Norfolk, Virginia markets has resulted in a significant decline in our net revenue, for the three months ended March 31, 2008 as compared to the corresponding period of 2007, of 23% and 18%, respectively and the related operating income in our radio stations at these markets. Additionally, we are experiencing ratings softness in these markets which has also affected revenue. We do not expect any significant improvements in the Columbus and Norfolk markets in the foreseeable future.

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

	Percentage of Consolidated Operating Income for the Three Months Ended March 31,		Percentage of Consolidated Operating Income for the Years Ended December 31,	
	2008	2007	2007	2006
Market:				
Columbus, Ohio	2%	13%	7%	10%
Manchester, New Hampshire	27%	19%	15%	14%
Milwaukee, Wisconsin	47%	48%	31%	30%
Norfolk, Virginia	2%	8%	7%	10%

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

During the three months ended March 31, 2008 and 2007 and the years ended December 31, 2007 and 2006, the radio stations in our four largest markets when combined, represented approximately 38%, 44%, 40% and 45%, respectively, of our consolidated station operating income. The following tables describe the percentage of our consolidated station operating income represented by each of these markets:

	Percentage of Consolidated Station Operating Income (*) for the Three Months Ended March 31,		Percentage of Consolidated Station Operating Income (*) for the Years Ended December 31,	
	2008	2007	2007	2006
Market:				
Columbus, Ohio	2%	7%	6%	8%
Manchester, New Hampshire	12%	9%	10%	9%
Milwaukee, Wisconsin	22%	23%	20%	21%
Norfolk, Virginia	2%	5%	4%	7%

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

Television Segment

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

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

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

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

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

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

Most of our revenue is generated from local advertising, which is sold primarily by each television markets' sales staff. For the three months ended March 31, 2008 and 2007, approximately 82% and 83%, 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, and advertising and promotion expenses.

Our television market in Joplin, Missouri represented approximately 16%, 12%, 9% and 9%, respectively, of our consolidated operating income for the three months ended March 31, 2008 and 2007 and the years ended December 31, 2007 and 2006.

Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

Results of Operations

The following tables summarize our results of operations for the three months ended March 31, 2008 and 2007.

Consolidated Results of Operations

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages and per share information)			
Net operating revenue	$31,532	$31,883	$ (351)	(1.1)%
Station operating expense	25,421	25,995	(574)	(2.2)%
Corporate G&A	2,552	2,316	236	10.2%
Operating income	3,559	3,572	(13)	(.4)%
Interest expense	1,995	2,297	(302)	(13.1)%
Other expense (income), net	20	35	(15)	N/M
Income taxes	634	500	134	26.8%
Net income	$ 910	$ 740	$ 170	23.0%
Earnings per share (basic and diluted)	$ .05	$ .04	$ .01	25.0%

Radio Broadcasting Segment

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$27,381	$27,893	$ (512)	(1.8)%
Station operating expense	21,913	22,513	(600)	(2.7)%
Operating income	$ 5,468	$ 5,380	$ 88	1.6%

Television Broadcasting Segment

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$4,151	$3,990	$ 161	4.0%
Station operating expense	3,508	3,482	26	0.8%
Operating income	$ 643	$ 508	$ 135	26.6%

N/M = Not Meaningful

Reconciliation of segment operating income to consolidated operating income:

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended March 31, 2008:				
Net operating revenue	$ 27,381	$ 4,151	$ —	$ 31,532
Station operating expense	21,913	3,508	—	25,421
Corporate general and administrative	—	—	2,552	2,552
Operating income (loss)	$ 5,468	$ 643	$ (2,552)	$ 3,559

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended March 31, 2007:				
Net operating revenue	$ 27,893	$ 3,990	$ —	$ 31,883
Station operating expense	22,513	3,482	—	25,995
Corporate general and administrative	—	—	2,316	2,316
Operating income (loss)	$ 5,380	$ 508	$ (2,316)	$ 3,572

Consolidated

For the three months ended March 31, 2008, consolidated net operating revenue was $31,532,000 compared with $31,883,000 for the three months ended March 31, 2007, a decline of approximately $351,000 or 1%. We had a decrease of approximately $650,000 in net operating revenue generated by stations that we owned or operated for the comparable period in 2007 (“same station”), and an increase in net operating revenue of approximately $299,000 attributable to stations we did not own and operate for the entire comparable period. Although same station gross national revenue and gross political revenue increased approximately $150,000 and $600,000, respectively, in the current quarter, this increase was offset by a decrease in gross local revenue of approximately $1,400,000. The increase in political revenue was directly attributable to advertising for the 2008 presidential race’s early primaries and congressional, senatorial and local races as well. We expect political revenue for 2008 to continue to trend upward for the year. The decrease in local revenue was primarily the result of the significant declines in gross local revenue of our radio stations in the Norfolk (18%) and Columbus (23%) markets. These declines are attributable to the significant declines in radio advertising spending in these specific markets. We do not expect any significant improvements in these markets in the foreseeable future.

Station operating expense was $25,421,000 for the three months ended March 31, 2008, compared with $25,995,000 for the three months ended March 31, 2007, a decrease of approximately $574,000 or 2%. Approximately $802,000 of the decrease was attributable to stations we owned and operated for the entire comparable period, offset by an increase of $228,000 from those stations that we did not own or operate for the comparable period in 2007. The decrease in same station operating expense was the direct result of the expense reductions in our radio segment we began instituting in 2007 as a result of declines in revenue, particularly in programming and advertising and promotions. We also had a decline in selling and commission expense directly attributable to the decrease in revenue.

Operating income for the three months ended March 31, 2008 was $3,559,000 compared to $3,572,000 for the three months ended March 31, 2007, a decrease of approximately $13,000, or less than 1%. The decrease was the result of lower station operating expense described in detail above, offset by reduced net operating revenue and a $236,000 or 10% increase in corporate general and administrative charges, primarily attributable to an increase in officers’ life insurance expense of $115,000, an increase in stock based compensation expense of $80,000 and an increase in interactive media related expenses of $70,000. The increase in officer’s life insurance expense was attributable to a decline in the cash surrender value of the life insurance policies. The increase in stock based compensation was the result of stock options and restricted stock granted in May of 2007 for which there was no expense in the first quarter of 2007.

We generated net income of approximately $910,000 ($.05 per share on a fully diluted basis) during the three months ended March 31, 2008, compared with $740,000 ($.04 per share on a fully diluted basis) for the three months ended March 31, 2007, an increase of approximately $170,000 or 23%. The increase was primarily the result of reduced interest expense of $302,000, offset by higher income tax expense of $134,000. The decrease in interest expense was attributable to an average reduction in market interest rates of 0.85%. The increase in income tax expense was directly attributable to operating performance.

Radio Segment

For the three months ended March 31, 2008, net operating revenue of the radio segment was $27,381,000 compared with $27,893,000 for the three months ended March 31, 2007, a decrease of $512,000 or 2%. During 2008 we had an increase in net operating revenue of approximately $299,000 attributable to stations we did not own and operate for the entire comparable period. We had a decrease of approximately $811,000 in revenue generated by radio stations that we owned or operated for the comparable period in 2007 ("same station"). The decrease in same station revenue was primarily attributable to same station gross local revenue decreases of approximately $1,320,000, partially offset by an increase in same station gross political revenue of $400,000. The decrease in local revenue was primarily the result of the significant declines in gross local revenue of our radio stations in the Norfolk (18%) and Columbus (23%) markets. These declines are attributable to the significant declines in radio advertising spending in these specific markets. We do not expect any significant improvements in these markets in the foreseeable future. The increase in political revenue was directly attributable to advertising for the 2008 presidential race's early primaries and congressional, senatorial and local races as well. We expect political revenue for 2008 to continue to trend upward for the year.

Station operating expense for the radio segment was $21,913,000 for the three months ended March 31, 2008, compared with $22,513,000 for the three months ended March 31, 2007, a decrease of approximately $600,000 or 3%. The decrease resulted from a decrease of $828,000 in same station operating expense, offset by an increase of $228,000 from the operation of radio stations that we did not own or operate for the comparable period in 2007. The decrease in radio same station operating expense was the direct result of the expense reductions in our radio segment we began instituting in 2007 as a result of declines in revenue, particularly in programming and advertising and promotions. We also had a decline in selling and commission expense directly attributable to the decrease in revenue.

Operating income in the radio segment for the three months ended March 31, 2008 was $5,468,000 compared to $5,380,000 for the three months ended March 31, 2007, an increase of approximately $88,000 or 2%. The increase was attributable to stations we did not own and operate for the entire comparable period.

Television Segment

For the three months ended March 31, 2008, net operating revenue of our television segment was $4,151,000 compared with $3,990,000 for the three months ended March 31, 2007, an increase of $161,000 or 4%. The improvement in net operating revenue was attributable to an increase in gross political revenue of $179,000 as compared to the prior year period. The increase in political revenue was directly attributable to advertising for the 2008 presidential race's early primaries and congressional, senatorial and local races as well. We expect political revenue for 2008 to continue to trend upward for the year.

Station operating expense in the television segment for the three months ended March 31, 2008 was $3,508,000, compared with $3,482,000 for the three months ended March 31, 2007, an increase of approximately $26,000 or 1%.

Operating income in the television segment for the three months ended March 31, 2008 was $643,000 compared to $508,000 for the three months ended March 31, 2007, an increase of approximately $135,000 or 27%. The increase was primarily the result of higher political 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 2008 and beyond to differ materially from those expressed in any forward-looking statements made by or on our behalf. Forward-looking statements are not guarantees of future performance as they involve a number of risks, uncertainties and assumptions that may prove to be incorrect and that may cause our actual results and experiences to differ materially from the anticipated results or other expectations expressed in such forward-looking statements. The risks, uncertainties and assumptions that may affect our performance include our financial leverage and debt service requirements, dependence on key personnel, dependence on key stations, U.S. and local economic conditions, our ability to successfully integrate acquired stations, regulatory requirements, new technologies, natural disasters and terrorist attacks. We cannot be sure that we will be able to anticipate or respond timely to changes in any of these factors, which could adversely affect the operating results in one or more fiscal quarters. Results of operations in any past period should not be considered, in and of itself, indicative of the results to be expected for future periods. Fluctuations in operating results may also result in fluctuations in the price of our stock.

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

Liquidity and Capital Resources

Debt Arrangements and Debt Service Requirements

As of March 31, 2008, we had $134,411,000 of long-term debt (including the current portion thereof) outstanding and approximately $60,400,000 of unused borrowing capacity under our Credit Agreement.

The Credit Agreement is a $193,750,000 reducing revolving line of credit maturing on July 29, 2012. Our indebtedness under the Credit Agreement is secured by a first priority lien on substantially all of our assets and of our subsidiaries, by a pledge of our subsidiaries' stock and by a guarantee of our subsidiaries.

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

The Credit Agreement contains a number of financial covenants (all of which we were in compliance with at March 31, 2008) that, among other things, requires us to maintain specified financial ratios and impose certain limitations on us with respect to (i) the incurrence of additional indebtedness; (ii) acquisitions, except under specified conditions; (iii) the incurrence of additional liens, except those relating to capital leases and purchase money indebtedness; (iv) the disposition of assets; (v) the payment of cash dividends; and (vi) mergers, changes in business and management, investments and transactions with affiliates. The financial covenants become more restrictive over the life of the Credit Agreement. The Credit Agreement allows for the payment of dividends provided certain requirements are met.

Sources and Uses of Cash

During the three months ended March 31, 2008 and 2007, we had net cash flows from operating activities of $4,042,000 and $4,268,000, 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.

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

In January 2008, our board of directors authorized an increase to our Stock Buy-Back Program so that we may purchase a total of $60,000,000 of our Class A Common Stock. From the inception of the Stock Buy-Back program in 1998 through March 31, 2008, we have repurchased 2,146,323 shares of our Class A Common Stock for approximately $27,651,000. Approximately 239,113 shares were repurchased during the three months ended March 31, 2008 for $1,399,000.

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 three months ended March 31, 2008 were approximately $2,046,000 ($2,414,000 in 2007). We anticipate capital expenditures in 2008 to be approximately $9,000,000, which we expect to finance through funds generated from operations or additional borrowings under the Credit Agreement.

Summary Disclosures About Contractual Obligations and Commercial Commitments

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

There have been no material changes to such contracts/commitments during the three months ended March 31, 2008. We anticipate that the above contractual cash obligations will be financed through funds generated from operations or additional borrowings under the Credit Agreement, or a combination thereof.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require us to make estimates, judgments and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures and contingencies. We evaluate estimates used in preparation of our financial statements on a continual basis. There have been no significant changes to our critical accounting policies that are described in Item 7. “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, 2007.

Inflation

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

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

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

Item 4. *Controls and Procedures*

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company’s management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective to cause the material information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 to be recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms. There were no changes in the Company’s internal controls over financial reporting during the quarter ended March 31, 2008, that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

PART II — OTHER INFORMATION

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

The following table summarizes our repurchases of our Class A Common Stock during the three months ended March 31, 2008. All shares repurchased during the quarter were repurchased in block purchases, open market transactions on the New York Stock Exchange and 16,129 shares were from the retention of shares for the payment of withholding taxes related to the vesting of restricted stock.

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)
January 1 — January 31, 2008	2,319	$ 5.888	2,319	$ 33,734,570
February 1 — February 29, 2008	78,137	$ 5.980	78,137	$ 33,267,295
March 1 — March 31, 2008	158,657	$ 5.788	158,657	$ 32,348,987
Total	239,113	$ 5.852	239,113	$ 32,348,987

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

Item 6. ***Exhibits***

4(d) Amendment No. 1, dated as of May 24, 2005, under the Credit Agreement, dated as of July 29, 2003, among the Company, the Lenders party thereto, Union Bank of California, N.A., as Syndication Agent, Fleet National Bank, as Documentation Agent, and The Bank of New York, as Administrative Agent.

4(e) Amendment No. 2, dated as of May 16, 2006 under the Credit Agreement, dated as of July 29, 2003, between the Company, the Lenders party thereto, Bank of America, N.A., as Documentation Agent, and The Bank of New York, as Administrative Agent.

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: May 12, 2008

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

Date: May 12, 2008

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

EXECUTION COPY

AMENDMENT NO. 1 AND WAIVER NO. 1

AMENDMENT NO. 1 (this "Amendment and Waiver"), dated as of May 24, 2005, under the Credit Agreement, dated as of July 29, 2003, among Saga Communications, Inc. (the "Borrower"), the Lenders party thereto, Union Bank of California, N.A., as Syndication Agent, Fleet National Bank, as Documentation Agent, and The Bank of New York, as Administrative Agent (as amended, supplemented or otherwise modified, the "Credit Agreement").

RECITALS

A. Capitalized terms used herein that are defined in the Credit Agreement shall have the same meanings as therein defined.

B. On March 8, 2005, Tidewater Communications, LLC, a wholly-owned Subsidiary of the Borrower and a Subsidiary Guarantor, formed Force 5 Licenses LLC ("Force 5") as a Delaware limited liability company but did not notify the Administrative Agent thereof within the ten day period required by Section 6.12 of the Credit Agreement. The Borrower intends to designate Force 5 as an Unrestricted Subsidiary and accordingly has requested that the Required Lenders and the Administrative Agent agree to waive the failure of the Borrower to comply with such notice requirement. In addition, in view of the fact that the Compliance Certificate in respect of the fiscal quarter ending March 31, 2005 will be delivered on or before May 31, 2005, the Borrower has requested that the Required Lenders and the Administrative Agent agree to waive the requirement of Section 7.4(k)(iv) of the Credit Agreement that the Borrower deliver a certificate of a Financial Officer attaching a calculation (in reasonable detail) of the covenants contained in Sections 7.12 of the Credit Agreement on a pro forma basis giving effect to the designation of Force 5 as an Unrestricted Subsidiary.

C. The Borrower has requested that the Lenders and the Administrative Agent agree to amend the Credit Agreement upon the terms and conditions contained in this Amendment and Waiver, and the Lenders and the Administrative Agent are willing so to agree.

Accordingly, in consideration of the Recitals and the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Borrower and the Administrative Agent hereby agree as follows:

1. The Lenders signing below hereby waive (i) the failure of the Borrower to notify the Administrative Agent of the formation of Force 5 within the ten day period required by Section 6.12 of the Credit Agreement and (ii) the requirement of Section 7.4(k)(iv) of the Credit Agreement that the Borrower deliver a certificate of a Financial Officer attaching a calculation (in reasonable detail) of the covenants contained in Section 7.12 of the Credit Agreement on a pro forma basis giving effect to the designation of Force 5 as an Unrestricted Subsidiary.

2. The following definition is hereby added to Section 1.1 of the Credit Agreement in its appropriate alphabetical order:

"Amendment No. 1 and Waiver No. 1 Effective Date" means the date on which Amendment No. 1 and Waiver No. 1, dated as of May 24, 2005, to the Credit Agreement is effective in accordance with its terms.

3. The pricing grid in the definition of "Applicable Margin" contained in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

When the Leverage Ratio is:

greater than or equal to	and less than	ABR Margin	Eurodollar Margin and LC Fee
4.50:1.00		0.375%	1.625%
4.00:1.00	4.50:1.00	0.125%	1.375%
3.50:1.00	4.00:1.00	0.000%	1.250%
3.00:1.00	3.50:1.00	0.000%	1.125%
2.50:1.00	3.00:1.00	0.000%	1.000%
	2.50:1.00	0.000%	0.750%

4. Section 7.8(c)(i) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(i) the Borrower may declare and pay cash dividends in respect of its Equity Interests and/or repurchase its Equity Interests in an aggregate amount not in excess of $40,000,000 during the period from the Amendment No. 1 and Waiver No. 1 Effective Date through the Maturity Date; provided that the Administrative Agent shall have received a certificate of a Financial Officer, attaching a calculation (in reasonable detail) of the covenants contained in Sections 7.12 on a pro forma basis giving effect to the payment of such dividend or the repurchase of such Equity Interests; and

5. Paragraph 1 hereof shall not be effective until such time as the following conditions are satisfied:

(a) the Administrative Agent (or its counsel) shall have received from the Borrower, each other Loan Party and Required Lenders either (i) a counterpart of this Amendment and Waiver signed on behalf of such Person or (ii) written evidence satisfactory to the Administrative Agent (which may include facsimile transmission of a signed signature page of this Amendment and Waiver) that such Person has signed a counterpart of this Amendment and Waiver;

(b) the Administrative Agent (or its counsel) shall have received from the Borrower a certificate of a Financial Officer (i) attaching a copy of a resolution of the Borrower's board of directors designating Force 5 as an Unrestricted Subsidiary, (ii) certifying that the conditions set forth in Section 10.14 of the Credit Agreement have been satisfied (or waived in accordance with the provisions of this Amendment and Waiver) with respect to such designation, (iii) certifying that no Default shall have occurred and be continuing (after giving effect to this Amendment and Waiver), and (iv) the Borrower would be in compliance with Section 7.4(k) of the Credit Agreement (other than the provisions of Section 7.4(k)(iv) of the Credit Agreement which have been waived pursuant to this Amendment and Waiver).

6. Paragraphs 2 through and including 4 hereof shall not be effective until such time as the following conditions are satisfied:

(a) the Administrative Agent (or its counsel) shall have received from the Borrower, each other Loan Party and each Credit Party either (i) a counterpart of this Amendment and Waiver signed on behalf of such Person or (ii) written evidence satisfactory to the Administrative

Agent (which may include facsimile transmission of a signed signature page of this Amendment and Waiver) that such Person has signed a counterpart of this Amendment and Waiver;

(b) the Administrative Agent (or its counsel) shall have received, for the account of each Lender which has executed and delivered this Amendment and Waiver on or before 5:00 p.m. (New York time) on the date hereof, an amendment fee equal to 0.05% of such Lender's Revolving Commitment as in effect on the date hereof;

(c) all other fees and expenses payable in connection with this Amendment and Waiver, including, without limitation, the reasonable fees and expenses of counsel to the Administrative Agent to the extent invoiced, shall have been paid; and

(d) the Administrative Agent shall have received such other documentation and assurances as it shall reasonably request in connection with this Amendment and Waiver.

7. The Borrower hereby (a) reaffirms and admits the validity and enforceability of each Loan Document to which it is a party and its obligations thereunder, and agrees and admits that it has no defense to or offset against any such obligation, (b) represents and warrants that after giving effect to this Amendment and Waiver, no Default has occurred and is continuing, and (c) represents and warrants that all of the representations and warranties made by it in the Loan Documents are true and correct in all material respects, both immediately before and after giving effect to this Amendment and Waiver (except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date). By signing below, each Subsidiary Guarantor consents to this Amendment and Waiver.

8. This Amendment may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute one agreement. It shall not be necessary in making proof of this Amendment and Waiver to produce or account for more than one counterpart signed by the party to be charged. Delivery of an executed counterpart by facsimile transmission shall be effective as delivery of a manually executed counterpart.

9. The Credit Agreement and the other Loan Documents shall in all other respects remain in full force and effect, and no waiver herein in respect of any term or condition of any Loan Document shall be deemed to be a waiver or other modification in respect of any other term or condition of any Loan Document.

10. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Waiver No. 1 to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

SAGA COMMUNICATIONS, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

CONSENTED TO AND AGREED:

SAGA RADIO NETWORKS, LLC
SAGA BROADCASTING, LLC
SAGA COMMUNICATIONS OF NEW ENGLAND, LLC
SAGA QUAD STATES COMMUNICATIONS, LLC
TIDEWATER COMMUNICATIONS, LLC
FRANKLIN COMMUNICATIONS, INC.
SAGA COMMUNICATIONS OF ILLINOIS, LLC
LAKEFRONT COMMUNICATIONS, LLC
SAGA COMMUNICATIONS OF SOUTH DAKOTA, LLC
SAGA COMMUNICATIONS OF NEW HAMPSHIRE, LLC
SAGA COMMUNICATIONS OF ARKANSAS, LLC
SAGA COMMUNICATIONS OF NORTH CAROLINA, LLC
SAGA COMMUNICATIONS OF TUCKESSEE, LLC
SAGA COMMUNICATIONS OF MILWAUKEE, LLC
SAGA COMMUNICATIONS OF IOWA, LLC
SAGA COMMUNICATIONS OF CHARLOTTESVILLE, LLC

By: ______________________________
Name: ______________________________
Title: ______________________________

SAGA COMMUNICATIONS, INC.
AMENDMENT NO. 1 AND WAIVER NO. 1

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

By: ______________________________
Name: ______________________________
Title: ______________________________

SAGA COMMUNICATIONS, INC.
AMENDMENT NO. 1 AND WAIVER NO. 1

UNION BANK OF CALIFORNIA, N.A., individually
and as Syndication Agent

By: ________________________
Name: ________________________
Title: ________________________

SAGA COMMUNICATIONS, INC.
AMENDMENT NO. 1 AND WAIVER NO. 1

FLEET NATIONAL BANK,
individually and as Documentation Agent

By: ________________________
Name: ________________________
Title: ________________________

SAGA COMMUNICATIONS, INC.
AMENDMENT NO. 1 AND WAIVER NO. 1

BANK OF SCOTLAND

By: ______________________________
Name: ______________________________
Title: ______________________________

SAGA COMMUNICATIONS, INC.
AMENDMENT NO. 1 AND WAIVER NO. 1

NATIONAL CITY BANK OF
THE MIDWEST

By: ____________________________
Name: ____________________________
Title: ____________________________

SAGA COMMUNICATIONS, INC.
AMENDMENT NO. 1 AND WAIVER NO. 1

STANDARD FEDERAL BANK N.A.

By: ______________________________
Name: ______________________________
Title: ______________________________

SAGA COMMUNICATIONS, INC.
AMENDMENT NO. 1 AND WAIVER NO. 1

SUNTRUST BANK

By: ______________________
Name: ______________________
Title: ______________________

SAGA COMMUNICATIONS, INC.
AMENDMENT NO. 1 AND WAIVER NO. 1

HARRIS NESBITT FINANCING, INC.

By: ______________________________
Name: ______________________________
Title: ______________________________

EXECUTION COPY

AMENDMENT NO. 2

AMENDMENT NO. 2 (this "Amendment"), dated as of May 16, 2006, under the Credit Agreement, dated as of July 29, 2003, among Saga Communications, Inc. (the "Borrower"), the Lenders party thereto, Bank of America, N.A., as Documentation Agent, and The Bank of New York, as Administrative Agent, as amended by Amendment No. 1, dated as of May 24, 2005 (as so amended and as hereafter amended, supplemented or otherwise modified, the "Credit Agreement").

RECITALS

A. Capitalized terms used herein that are defined in the Credit Agreement shall have the same meanings as therein defined.

B. Pursuant to Section 2.5(b) of the Credit Agreement, on March 31, 2006, the Revolving Commitments were reduced by $6,250,000 to $193,750,000. The Borrower has requested that the Revolving Commitments be increased by $6,250,000 to $200,000,000 and that such increase not be deemed a utilization of available increase provided by Section 2.5(f) of the Credit Agreement.

C. Pursuant to a Master Assignment and Acceptance Agreement, dated as of May 16, 2006 (the "Master Assignment"), immediately prior to the effectiveness of this Amendment, Union Bank of California, N.A. (the "Exiting Lender") assigned its Commitment and outstanding Loans to the assignees named therein. In connection therewith, the Exiting Lender resigned as Syndication Agent.

D. In addition to the increase to the Revolving Commitments as set forth above, the Borrower has requested that the Lenders and the Administrative Agent agree to certain other amendments to the Credit Agreement as hereinafter set forth. The Lenders and the Administrative Agent are willing so to agree to such increase and other amendments upon the terms and conditions contained in this Amendment.

Accordingly, in consideration of the Recitals and the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Borrower and the Administrative Agent hereby agree as follows:

1. The Revolving Commitments are hereby increased by $6,250,000 to $200,000,000 and such increase shall not be deemed a utilization of available increase provided by Section 2.5(f) of the Credit Agreement. Schedule 2.1 in the form annexed hereto is hereby substituted for Schedule 2.1 to the Credit Agreement.

2. The definition of "Syndication Agent" contained in Section 1.1 of the Credit Agreement is hereby deleted. All references to the Exiting Lender and the Syndication Agent in each Loan Document are hereby deleted.

3. The following definitions are hereby added to Section 1.1 of the Credit Agreement in their appropriate alphabetical order:

"Amendment No. 2 Effective Date" means the date on which Amendment No. 2, dated as of May 16, 2006, to the Credit Agreement is effective in accordance with its terms.

"Patriot Act" has the meaning assigned to such term in Section 10.16.

4. Clause (ii) of the definition of “Adjusted Net Income” contained in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read “(ii) any net gain or loss arising from any write-up or write-down of assets;”.

5. The definition of “Applicable Margin” contained in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Applicable Margin” means, at all times from and after the Amendment No. 2 Effective Date and during the applicable periods set forth in the following table: (i) with respect to ABR Borrowings, the percentage set forth below under the heading “ABR Margin”, and (ii) with respect to Eurodollar Borrowings and fees payable under Section 3.3(b), the percentage set forth below under the heading “Eurodollar Margin and LC Fee”:

When the Leverage Ratio is:

greater than or equal to	and less than	ABR Margin	Eurodollar Margin and LC Fee
4.50:1.00		0.000%	1.250%
4.00:1.00	4.50:1.00	0.000%	1.000%
3.00:1.00	4.00:1.00	0.000%	0.875%
	3.00:1.00	0.000%	0.750%

Changes in the Applicable Margin resulting from a change in the Leverage Ratio shall be based upon the Compliance Certificate most recently delivered under Section 6.1(e) and shall become effective three Business Days after the delivery of such Compliance Certificate to the Administrative Agent. Notwithstanding anything to the contrary in this definition, (i) if the Borrower shall fail to deliver to the Administrative Agent a Compliance Certificate on or prior to any date required hereby, the Leverage Ratio for purposes of this defined term only shall be deemed to be greater than or equal to 4.50:1.00 from and including such date to the third Business Day following the date of delivery to the Administrative Agent of such Compliance Certificate and (ii) during the period commencing on the Amendment No. 2 Effective Date and ending on the third Business Day after the date the Compliance Certificate in respect of the fiscal quarter ending March 31, 2006 is delivered to the Administrative Agent, the Leverage Ratio for purposes of this defined term only shall be deemed to be greater than or equal to 3.00:1.00 and less than 4.00:1.00.

6. The definition of “Commitment Fee Percentage” contained in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Commitment Fee Percentage” means, at all times from and after the Amendment No. 2 Effective Date and during the applicable periods set forth below, the percentage set forth below under the heading “Commitment Fee Percentage”:

When the Leverage Ratio is:

greater than or equal to	and less than	
4.00:1.00		0.375%
	4.00:1.00	0.250%

Changes in the Commitment Fee Percentage resulting from a change in the Leverage Ratio shall be based upon the Compliance Certificate most recently delivered under Section 6.1(e) and shall become effective three Business Days after the delivery of such Compliance Certificate to the Administrative Agent. Notwithstanding anything to the contrary in this definition, (i) if the Borrower shall fail to deliver to the Administrative Agent a Compliance Certificate on or prior to any date required hereby, the Leverage Ratio for purposes of this defined term only shall be deemed to be greater than or equal to 4.00:1.00 from and including such date to the third Business Day following the date of delivery to the Administrative Agent of such Compliance Certificate and (ii) during the period commencing on the Amendment No. 2 Effective Date and ending on the third Business Day after the date the Compliance Certificate in respect of the fiscal quarter ending March 31, 2006 is delivered to the Administrative Agent, the Leverage Ratio for purposes of this defined term only shall be deemed to be less than 4.00:1.00.

7. Clause (v) of the definition of “EBITDA” contained in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read “(v) the aggregate amount of any non-cash charges of the Borrower during such period relating to the issuance or vesting of stock options, restricted stock, restricted stock units and performance awards granted by the Borrower to its employees or directors,”.

8. Clause (vi) of the definition of “Fixed Charges” contained in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read “(vi) the aggregate amount of all Restricted Payments made by the Borrower on or after January 1, 2006 and during such period in respect of its common stock (other than Restricted Payments paid in additional common stock).”

9. The definition of “Maturity Date” contained in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Maturity Date” means July 29, 2012.

10. Section 2.5(b) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(b) Scheduled Reductions. Subject to Section 2.5(e), commencing on March 31, 2008, on each date below, the Revolving Commitments shall be automatically and permanently reduced by an amount equal to the total Revolving Commitments as in effect on March 31, 2008 multiplied by the percentage set forth in the following table adjacent to such date and under the heading “Percentage”:

Date	Percentage	Date	Percentage
March 31, 2008	3.125%	June 30, 2010	5.000%
June 30, 2008	3.125%	September 30, 2010	5.000%
September 30, 2008	3.125%	December 31, 2010	5.000%
December 31, 2008	3.125%	March 31, 2011	6.250%
March 31, 2009	4.375%	June 30, 2011	6.250%
June 30, 2009	4.375%	September 30, 2011	6.250%
September 30, 2009	4.375%	December 31, 2011	6.250%
December 31, 2009	4.375%	March 31, 2012	12.500%
March 31, 2010	5.000%	Maturity Date	12.500%

11. Clauses (i) and (ii) of Section 2.5(d) of the Credit Agreement are hereby amended in their entirety to read as follows:

(i) Receipt of Net Proceeds. In the event and on each occasion that any Net Proceeds are received by or on behalf of the Borrower or any Restricted Subsidiary in respect of any Reduction Event, then, immediately after such Net Proceeds are received, the Revolving Commitments shall be automatically reduced in an aggregate amount equal to such Net Proceeds, provided, however, that in the case of a Reduction Event described in clause (a) of the definition thereof, no such reduction shall be required if, at the time of the receipt of the Net Proceeds of such Reduction Event, the Leverage Ratio is less than or equal to 4.50:1.00.

(ii) Excess Cash Flow. On the last day of the first fiscal quarter of each year (commencing on March 31, 2007), the Revolving Commitments shall be automatically reduced in an aggregate amount equal to 40% of the Excess Cash Flow for the most recently completed fiscal year of the Borrower, in the event that the Leverage Ratio as at the end of such fiscal year is greater than or equal to 4.50:1.00.

12. Section 2.5(f) of the Credit Agreement is hereby amended by substituting “March 31, 2008” for “March 31, 2006” on the second line thereof.

13. Section 4.19 of the Credit Agreement is hereby deleted.

14. Section 6.1 of the Credit Agreement is hereby amended by inserting the following new subsection (j) and by relettering existing subsection (j) as subsection (k):

(j) furnish to the Administrative Agent or any Lender promptly such other information with documentation required by bank regulatory authorities under applicable “know your customer” and Anti-Money Laundering rules and regulations (including, without limitation, the Patriot Act), as from time to time may be reasonably requested by the Administrative Agent or such Lender; and

15. Section 6.2(d) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(d) Intentionally Omitted;

16. Section 7.1(a) of the Credit Agreement is hereby amended by (i) deleting the word “and” at the end of clause (vi) thereof, (ii) substituting “; and” for the period at the end of clause (vii) thereof and (iii) adding a new clause (viii) to the end thereof to read as follows:

(viii) provided that at the time thereof and immediately after giving effect thereto, no Default shall or would have occurred and be continuing, unsecured Indebtedness incurred by a Loan Party to Ashville Radio Partners, LLC and Liberty Productions, a Limited Partnership, in respect of the acquisition by such Loan Party from such parties, in an aggregate amount not in excess of $8,000,000 on terms satisfactory to the Administrative Agent.

17. Section 7.4(j) of the Credit Agreement is hereby amended by substituting “$300,000” for “$ 250,000” in clause (ii) thereof.

18. Section 7.4(k)(ii) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(ii) the sum, without duplication, of the aggregate amount of all such investments shall not exceed lesser of (x) $25,000,000 at any time outstanding and (y) 15% of EBITDA for the immediately preceding four fiscal quarters for all such investments,

19. Section 7.8(c)(i) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(i) the Borrower may declare and pay cash dividends in respect of its Equity Interests and/or repurchase its Equity Interests, provided that the aggregate amount of such dividends paid and/or repurchases of Equity Interests made from the Amendment No. 2 Effective Date through the Maturity Date when the Leverage Ratio immediately before or after giving effect thereto exceeds 2.50:1.00 shall not exceed $50,000,000, and

20. Section 7.12(a) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(a) Interest Coverage Ratio. The Borrower will not permit the Interest Coverage Ratio as of the last day of any fiscal quarter to be less than 3.00:1.00.

21. Section 7.12(c) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

(c) Leverage Ratio. The Borrower will not permit the Leverage Ratio at any time during any period set forth in the following table to be greater than the ratio set forth below with respect to such period:

Period	Ratio
Amendment No. 2 Effective Date through June 29, 2007	5.00:1.00
June 30, 2007 through June 29, 2008	4.75:1.00
June 30, 2008 through June 29, 2009	4.50:1.00
June 30, 2009 through June 29, 2010	4.00:1.00
June 30, 2010 and thereafter	3.50:1.00

22. The last sentence of Article 9 of the Credit Agreement is hereby amended and restated it its entirety to read as follows:

Notwithstanding anything in any Loan Document to the contrary, the Documentation Agent shall not have any duty or obligation under the Loan Documents other than in its capacity as a Lender hereunder.

23. Section 10.1(b) of the Credit Agreement is hereby amended and restated it its entirety to read as follows:

(b) if to the Administrative Agent, or BNY as Issuing Bank to it at One Wall Street, New York, New York 10286, Attention of: Ramona Washington (Telephone No. (212) 635-4699; Facsimile No. (212) 635-6365 or 6366 or 6367), with a copy to The Bank of New York, at One Wall Street, New York, New York 10286, Attention of: Laura Neenan (Telephone No. (212) 635-1868; Facsimile No. (212) 635-8595); and

24. Article 10 of the Credit Agreement is hereby amended by adding the following new section to the end thereof:

Section 10.16 USA Patriot Act Notice

Each Lender that is subject to the Patriot Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of each Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify each Loan Party in accordance with the Patriot Act.

25. Schedule 4.17 to the Credit Agreement is hereby amended by adding the following to the end thereof:

On May 4, 2005, the FCC, by delegated authority, granted applications (File Numbers BAL-20040603AAO, BALH-20040603AAP, BAL-20040603AAK, BALH-20040603AAL, BALFT-20040603AAM and

BALFT-20040603AAQ) for consent to assignment of the licenses of WHCU(AM), WYXL(FM), WNYY(AM), WQNY(FM), W238AA, and W276AO, all licensed to Ithaca, New York, from Eagle Broadcasting Company, Inc., and Eagle II Broadcasting Corporation, to Saga Communications of New England, LLC ("Saga-New England"). An "Application for Review" was filed June 3, 2005, by "Finger Lakes Alliance for Independent Media" seeking review by the full FCC of the action taken by the FCC's staff under delegated authority. The application for review is currently pending. Notwithstanding the fact that the FCC's consent has not become a "final action," Saga-New England has consummated the acquisitions.

On July 7, 2005, the FCC, by delegated authority, granted an application (File No. BALH-20040116ACT) for consent to assignment of license of WOXL-FM, Biltmore Forest, North Carolina, from Liberty Productions, a Limited Partnership, to Saga Communications of North Carolina, LLC ("Saga NC"). On July 17, 2005, Willsyr Communications, Limited Partnership ("Willsyr"), filed a petition for reconsideration of the action; and on August 8, 2005, Sutton Radiocasting Corporation ("Sutton") filed a petition for reconsideration of the action. On October 17, 2005, the Sutton petition for reconsideration was dismissed pursuant to a settlement agreement among the parties. On October 24, 2005, Willsyr filed a petition for reconsideration of the approval of the settlement agreement with Sutton. On March 21, 2006, David T. Murray, limited partner of Liberty Productions, a Limited Partnership, filed a "Section 1.41 Request for Commission Action" seeking rescission of the grant of the consent to assignment of licensed. Mr. Murray is now deceased, and the status of his request is unclear. The FCC's consent has not yet become a "final action," and Saga NC has not yet consummated the acquisition.

26. Paragraphs 1 through 25 hereof shall not be effective until such time as the following conditions are satisfied:

(a) the Administrative Agent (or its counsel) shall have received from the Borrower, each other Loan Party and the Lenders either (i) a counterpart of this Amendment signed on behalf of such Person or (ii) written evidence satisfactory to the Administrative Agent (which may include facsimile transmission of a signed signature page of this Amendment) that such Person has signed a counterpart of this Amendment;

(b) the Administrative Agent (or its counsel) shall have received a certificate or certificates, signed by the secretary or assistant secretary of each of the Borrower and each Subsidiary Guarantor, attaching a true and complete copy of the resolutions or other authorizations authorizing this Amendment and specifying the incumbency of each officer executing this Amendment, including therein a signature specimen of each such officer;

(c) the transactions contemplated by the Master Assignment shall have been consummated;

(d) the Administrative Agent shall have received for the account of the Lenders (including the Exiting Lender), all interest on the Loans, all commitment fees (as provided in

Section 3.3(a) of the Credit Agreement) and all letter of credit fees (as provided in Section 3.3(b) of the Credit Agreement), in each case accrued to, but excluding, the Amendment No. 2 Effective Date;

(e) the Administrative Agent shall have received, for the account of each Lender which has executed and delivered this Amendment on or before 5:00 p.m. (New York time) on the date hereof, an amendment fee equal to 0.10% of such Lender's Revolving Commitment as in effect on the date hereof (and after giving effect to the Master Assignment);

(f) all other fees and expenses payable in connection with this Amendment, including, without limitation, the reasonable fees and expenses of counsel to the Administrative Agent to the extent invoiced, shall have been paid; and

(g) the Administrative Agent shall have received such other documentation and assurances as it shall reasonably request in connection with this Amendment.

27. The Borrower acknowledges that if the Adjusted LIBO Rate on the Assignment Date (as defined in the Master Assignment) is higher than the Adjusted LIBO Rate applicable to the outstanding Eurodollar Borrowings, notwithstanding anything in the Credit Agreement to the contrary, with respect to that portion of the Loans that each Assignee (as defined in the Master Assignment) assumes from the Exiting Lender, the interest rate on such portion will be the Adjusted LIBO Rate as determined by the Administrative Agent at approximately 11:00 a.m., London time, two Business Days prior to the Assignment Date plus the Applicable Margin.

28. The Borrower hereby (a) reaffirms and admits the validity and enforceability of each Loan Document to which it is a party and its obligations thereunder, and agrees and admits that it has no defense to or offset against any such obligation, (b) represents and warrants that no Default has occurred and is continuing, and (c) represents and warrants that all of the representations and warranties made by it in the Loan Documents are true and correct in all material respects, both immediately before and after giving effect to this Amendment (except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date). By signing below, each Subsidiary Guarantor consents to this Amendment.

29. This Amendment may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute one agreement. It shall not be necessary in making proof of this Amendment to produce or account for more than one counterpart signed by the party to be charged. Delivery of an executed counterpart by facsimile transmission shall be effective as delivery of a manually executed counterpart.

30. The Credit Agreement and the other Loan Documents shall in all other respects remain in full force and effect, and no waiver herein in respect of any term or condition of any Loan Document shall be deemed to be a waiver or other modification in respect of any other term or condition of any Loan Document.

31. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

[Remainder of Page is Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

SAGA COMMUNICATIONS, INC.

By: /s/ Samuel D. Bush
Name: Samuel D. Bush
Title: Senior Vice President, Treasurer and Chief Financial Officer

CONSENTED TO AND AGREED:

SAGA RADIO NETWORKS, LLC
SAGA BROADCASTING, LLC
SAGA COMMUNICATIONS OF NEW ENGLAND, LLC
SAGA QUAD STATES COMMUNICATIONS, LLC
TIDEWATER COMMUNICATIONS, LLC
FRANKLIN COMMUNICATIONS, INC.
SAGA COMMUNICATIONS OF ILLINOIS, LLC
LAKEFRONT COMMUNICATIONS, LLC
SAGA COMMUNICATIONS OF SOUTH DAKOTA, LLC
SAGA COMMUNICATIONS OF NEW HAMPSHIRE, LLC
SAGA COMMUNICATIONS OF ARKANSAS, LLC
SAGA COMMUNICATIONS OF NORTH CAROLINA, LLC
SAGA COMMUNICATIONS OF TUCKESSEE, LLC
SAGA COMMUNICATIONS OF MILWAUKEE, LLC
SAGA COMMUNICATIONS OF IOWA, LLC
SAGA COMMUNICATIONS OF CHARLOTTESVILLE, LLC

By: /s/ Samuel D. Bush
Name: Samuel D. Bush
Title: Treasurer

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

By: /s/ Laura Neenan
Name: Laura Neenan
Title: Vice President

BANK OF AMERICA, N.A.,
individually and as Documentation Agent

By: /s/ Signature
Name:
Title: Vice President

NATIONAL CITY BANK OF THE MIDWEST

By: /s/ Oliver Glenn
Name: Oliver Glenn
Title: Vice President

SUNTRUST BANK

By: Jill White
Name: Jill White
Title: Vice President

BANK OF SCOTLAND

By: /s/ Karen Weich
Name: Karen Weich
Title: Vice President

Saga Communications, Inc. Amendment No. 2

LASALLE BANK MIDWEST NATIONAL ASSOCIATION

By: /s/ Eric Haege
Name: Eric Haege
Title: Vice President

HARRIS NESBITT FINANCING, INC.

By: /s/ Sarah Kim
Name: Sarah Kim
Title: Managing Director

U.S. BANK, NATIONAL ASSOCIATION

By: /s/ Susan Kreutz
Name: Susan Kreutz
Title: Assistant Vice President

Saga Communications, Inc. Amendment No. 2

SAGA COMMUNICATIONS SCHEDULE 2.1

REVOLVING COMMITMENTS

Name of Lender	Revolving Commitment
The Bank of New York	$35,000,000
Bank of America, N.A.	$35,000,000
National City Bank of the Midwest	$25,000,000
SunTrust Bank	$25,000,000
Bank of Scotland	$20,000,000
LaSalle Bank Midwest National Association	$20,000,000
Harris Nesbitt Financing, Inc.	$20,000,000
U.S. Bank, National Association	$20,000,000
TOTAL	**$200,000,000**

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.

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

Date: May 12, 2008

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.

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

Date: May 12, 2008

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 March 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Edward K. Christian, Chief Executive Officer of the Company, and Samuel D. Bush, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) 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.

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

Dated: May 12, 2008

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

Dated: May 12, 2008