SAGA COMMUNICATIONS INC
Form 10-Q
May 11, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

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

For the Quarterly Period ended March 31, 2009

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes o 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 þ	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 þ

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 4, 2009 was 3,664,552 and 599,614, respectively.

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PART I FINANCIAL INFORMATION

Item 1. *Financial Statements*

SAGA COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2009 (Unaudited)	December 31, 2008 (Note)
	(In thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 8,020	$ 6,992
Accounts receivable, net	16,346	20,091
Prepaid expenses and other current assets	3,434	5,072
Barter transactions	1,804	1,532
Deferred income taxes	1,118	1,114
Total current assets	30,722	34,801
Property and equipment	158,804	157,829
Less accumulated depreciation	86,594	84,446
Net property and equipment	72,210	73,383
Other assets:		
Broadcast licenses, net	107,673	107,673
Other intangibles, deferred costs and investments, net	6,242	5,603
Total other assets	113,915	113,276
	$ 216,847	$ 221,460
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 1,374	$ 1,447
Payroll and payroll taxes	5,430	7,326
Other accrued expenses	3,181	3,804
Barter transactions	2,083	1,786
Current portion of long-term debt	2,350	1,061
Total current liabilities	14,418	15,424
Deferred income taxes	3,083	3,294
Long-term debt	131,061	134,350
Other liabilities	3,052	3,295
Stockholders equity		
Common stock	53	53
Additional paid-in capital	48,292	51,951
Retained earnings	45,283	45,645
Treasury stock	(28,395)	(32,552)

Total stockholders equity	65,233	65,097
	$ 216,847	$ 221,460

Note: The balance sheet at December 31, 2008 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 OPERATIONS

	Three Months Ended March 31, 2009	2008
	(Unaudited) (In thousands, except per share data)	
Net operating revenue	**$ 26,124**	$ 31,532
Station operating expenses	**23,940**	25,421
Corporate general and administrative	**2,067**	2,552
Operating income	**117**	3,559
Other expenses, net:		
Interest expense	**773**	1,995
Other (income) expense, net	**(4)**	20
Income (loss) before income tax	**(652)**	1,544
Income tax provision (benefit)	**(290)**	634
Net income (loss)	**$ (362)**	$ 910
Earnings (loss) per share		
Basic	**$ (.09)**	$ .18
Diluted	**$ (.09)**	$ .18
Weighted average common shares	**4,161**	5,020
Weighted average common and common equivalent shares	**4,161**	5,022

See notes to unaudited condensed consolidated financial statements.

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SAGA COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
	(Unaudited) (In thousands)	
Cash flows from operating activities:		
Cash provided by operating activities	$ 5,053	$ 4,042
Cash flows from investing activities:		
Acquisition of property and equipment	(1,065)	(2,046)
Acquisition of stations		(10,729)
Other investing activities	27	33
Net cash used in investing activities	(1,038)	(12,742)
Cash flows from financing activities:		
Payments on long-term debt	(2,000)	(1,000)
Proceeds from long-term debt		5,500
Payments for debt issuance costs	(967)	
Purchase of shares held in treasury	(20)	(1,399)
Other financing activities		(42)
Net cash (used in) provided by financing activities	(2,987)	3,059
Net increase (decrease) in cash and cash equivalents	1,028	(5,641)
Cash and cash equivalents, beginning of period	6,992	13,343
Cash and cash equivalents, end of period	$ 8,020	$ 7,702

See notes to unaudited condensed consolidated financial statements.

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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, 2009 and the results of operations for the three months ended March 31, 2009 and 2008. Results of operations for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

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, 2008.

Earnings Per Share Information and Reverse Stock Split

On January 27, 2009 the Company declared a one-for-four reverse stock split of its Class A and Class B Common Stock, effective January 28, 2009. The reverse stock split reduced the Company s issued and outstanding shares of common stock from approximately 14,425,104 shares of Class A Common Stock and 2,402,338 shares of Class B Common Stock to approximately 3,606,932 and 600,585 shares, respectively.

All 2008 share and per share information in the accompanying financial statements has been restated retroactively to reflect the reverse stock split. The common stock and additional paid-in capital accounts at December 31, 2008 reflect the retroactive capitalization of the 2009 reverse stock split.

Approximately 3,500 incremental shares were not included in the diluted loss per share calculation for the three months ended March 31, 2009 as the shares were antidilutive since the Company reported a net loss for the quarter.

The number of stock options outstanding that had an antidilutive effect on our earnings per share calculation was 450,000 and 670,000 for the three months ended March 31, 2009 and 2008, respectively. The actual effect of these shares, if any, on the diluted earnings per share calculation will vary significantly depending on the fluctuation in the stock price.

Change in Accounting Estimate

In the second quarter of 2008, the Company reviewed the estimated useful lives of its television analog equipment. This review was performed because of the Federal Communications Commission s (FCC) mandatory requirement that all television stations convert from analog to digital spectrum by February 2009. As a result of this review, the Company s depreciation rate of its analog equipment was increased to reflect the estimated period during which these assets will remain in service. In accordance with FASB 154, *Accounting Changes and Error Corrections,* this change of estimated useful lives is deemed as a change in accounting estimate and has been accounted for prospectively, effective April 1, 2008. The effect of this change in estimate was to decrease net income approximately $201,000, and decrease basic and diluted earnings per share by $.05 for the three months ended March 31, 2009.

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SAGA COMMUNICATIONS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.*

Income Taxes

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

Time Brokerage Agreements

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

Nonmonetary Asset Exchanges

In 2006, the FCC granted to Sprint Nextel Corporation (Nextel) the right to reclaim from broadcasters in each market across the country the 1.9 GHz spectrum to use for an emergency communications system. In order to reclaim this signal, Nextel must replace all analog equipment currently using this spectrum with digital equipment. All broadcasters have agreed to use the digital substitute that Nextel will provide. The exchange of equipment will be completed on a market by market basis. As the equipment is exchanged and put into service in each of our markets we have and expect to continue to record gains to the extent that the fair market value of the equipment we receive exceeds the book value of the analog equipment we exchange. There were no asset exchanges during the three months ended March 31, 2009 or 2008.

2. Recent Accounting Pronouncements

In April 2008, the Financial Accounting Standards Board (FASB) issued FSP FAS 142-3, "*Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3). The FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets . The intent of the FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under other accounting principles generally accepted in the United States of America. The guidance for determining the useful life of a recognized intangible asset shall be applied prospectively to intangible assets acquired after the effective date. Certain disclosure requirements shall be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. We adopted FSP FAS 142-3 effective January 1, 2009, which did not have a material impact on our consolidated financial position, results of operations and cash flows.

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. We adopted SFAS 141R effective January 1, 2009, which did not have a material impact on our consolidated financial position, results of operations and cash flows.

SAGA COMMUNICATIONS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On January 1, 2009, we adopted the provisions of SFAS No. 157, *Fair Value Measurements* (SFAS 157), related to nonfinancial assets and liabilities on a prospective basis. SFAS 157 establishes the authoritative definition of fair value, sets out a framework for measuring fair value and expands the required disclosures about fair value measurement. On January 1, 2008, we adopted the provisions of SFAS 157 related to financial assets and liabilities as well as other assets and liabilities carried at fair value on a recurring basis. The adoption of the provisions of SFAS 157 did not have a material impact 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 frequently 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. If actual market conditions are less favorable than those estimated by the Company or if economic conditions continue to deteriorate, the fair value of the Company s broadcast licenses could decline and the Company may be required to recognize impairment charges in future periods. Such a charge could have a material effect on the consolidated financial statements.

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, 2009:

	Common Stock Issued	
	Class A	**Class B**
	(Shares in thousands)	
Balance, January 1, 2008	4,744	598
Exercised options	5	
Conversion of shares	1	(1)
Issuance of restricted stock	23	3
Forfeiture of restricted stock	(3)	
Balance, December 31, 2008	4,770	600
Conversion of shares	1	(1)

Forfeiture of restricted stock	(1)	
Balance, March 31, 2009	4,770	599

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, 2009, we have repurchased 1,382,085 shares of our Class A Common Stock for approximately $45,482,000. The terms of the Credit Agreement, as amended on March 9, 2009, restrict our ability to repurchase our Class A Common Stock.

SAGA COMMUNICATIONS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Acquisitions

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

2008 Acquisitions

On September 5, 2008, in connection with a city of license change for WJZK(FM), we exchanged $242,000 in cash and a tower, antenna, and transmitter with a fair market value (which approximates cost) of approximately $1,591,000, with another radio station for a broadcast license.

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. Since WOXL was operated under a TBA and we recognized the related interest expense, there is no pro forma effect of this acquisition.

On January 31, 2008, we paid $1,350,000 in connection with the 2006 acquisition of one FM radio station (WTMT-FM) serving the Tazewell, Tennessee market.

6. Stock-Based Compensation

2005 Incentive Compensation Plan

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

Stock-Based Compensation

The Company accounts for stock-based awards under the provisions of SFAS No. 123R, *Share-Based Payment* (SFAS 123R). Compensation expense of approximately $202,000 and $253,000 was recognized for the three months ended March 31, 2009 and 2008, 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, 2009 and 2008 was approximately $90,000 and $104,000, respectively.

The following summarizes the stock option transactions for the 2005 and 2003 Plans and the 1992 Stock Option Plan (the 1992 Plan) for the three months ended March 31, 2009:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2009	450,059	$ 54.11	4.7	$
Granted				
Exercised				
Expired				
Forfeited	(2,516)	40.92		
Outstanding at March 31, 2009	447,543	$ 54.18	4.4	$

Exercisable at March 31, 2009	366,013	$	57.43	3.8	$

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SAGA COMMUNICATIONS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following summarizes the non-vested stock option transactions for the 2005, 2003 and 1992 Plans for the three months ended March 31, 2009:

	Number of Options	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2009	126,325	$ 20.13
Granted		
Vested	(42,279)	20.87
Forfeited/canceled	(2,516)	20.27
Non-vested at March 31, 2009	81,530	$ 19.74

The following summarizes the restricted stock transactions for the three months ended March 31, 2009:

	Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2009	53,649	$ 32.60
Granted		
Vested	(14,356)	35.82
Forfeited	(1,185)	31.98
Non-vested and outstanding at March 31, 2009	38,108	$ 31.40

For the three months ended March 31, 2009 and 2008, we had approximately $126,000 and $113,000, respectively, of total compensation expense related to restricted stock-based compensation arrangements.

1997 Non-Employee Director Stock Option Plan

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

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

The following summarizes the stock option transactions for the Directors Plan for the three months ended March 31, 2009:

	Number of Options	Weighted Average Price per Share	Aggregate Intrinsic Value
Outstanding at January 1, 2009	1,036	$ 0.035	$ 6,802
Granted			

Exercised				
Outstanding and exercisable at March 31, 2009	1,036	$ 0.035	$	3,911

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SAGA COMMUNICATIONS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Long-Term Debt

Long-term debt consisted of the following:

	March 31, 2009	December 31, 2008
	(In thousands)	
Credit Agreement:		
Reducing revolver facility	$ 132,350	$ 134,350
Secured debt of affiliate	1,061	1,061
	133,411	135,411
Amounts payable within one year	2,350	1,061
	$ 131,061	$ 134,350

Our Credit Agreement is a $150,000,000 reducing revolving line of credit maturing on July 29, 2012. On September 30, 2009, the Revolving Commitments (as defined in the Credit Agreement) will be permanently reduced by $1,250,000 and will continue to be permanently reduced at the end of each calendar quarter thereafter in amounts ranging from 4.375% to 12.5% of the original total Revolving Commitments of $200,000,000. In addition, the Revolving Commitments shall be further reduced by specified percentages of Excess Cash Flow (as defined in the Credit Agreement) based on leverage ratios. Any outstanding balance under the Credit Agreement will be due on the maturity date of July 29, 2012.

On March 9, 2009, we amended our Credit Agreement to (i) exclude certain items from the definition of Fixed Charges effective December 31, 2008, (ii) increase the minimum Fixed Charge Coverage ratio effective December 31, 2008, (iii) increase the maximum Leverage Ratio effective December 31, 2008, (iv) reduce the Revolving Commitments to $150,000,000, (v) revise the interest rates and commitment fees and (vi) impose certain other limitations on the Company with respect to restricted payments, acquisitions and stock purchases. In addition, we agreed to pay each lender a fee. The lender fee plus amendment costs were approximately $1 million, which were capitalized as deferred financing costs and will be amortized over the remaining life of the Credit Agreement.

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 $17,650,000 of unused borrowing capacity under the Credit Agreement at March 31, 2009.

The Credit Agreement contains a number of financial covenants (all of which we were in compliance with at March 31, 2009) 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; (vi) repurchases of our Class A Common Stock; and (vii) mergers, changes in business and management, investments and transactions with affiliates. The financial covenants become more restrictive over the life of the Credit Agreement.

Approximately $1,061,000 of secured debt of affiliate was refinanced in April 2009 for a term of one year.

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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, 2009:				
Net operating revenue	$ 22,697	$ 3,427	$	$ 26,124
Station operating expense	20,317	3,623		23,940
Corporate general and administrative			2,067	2,067
Operating income (loss)	$ 2,380	$ (196)	$ (2,067)	$ 117
Depreciation and amortization	$ 1,531	$ 666	$ 61	$ 2,258
Total assets	$ 172,280	$ 29,587	$ 14,980	$ 216,847

	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

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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, 2008. 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 (benefit) are managed on a consolidated basis and are 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 developing and operating radio and television stations.

Radio Segment

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

Most advertising contracts are short-term, and generally run only for a few weeks. The majority of our revenue is generated from local advertising, which is sold primarily by each radio markets sales staff. For the three months ended March 31, 2009 and 2008, approximately 88% and 86%, respectively, of our radio segment s gross revenue was from local advertising. To generate national advertising sales, we engage independent advertising sales representative firms that specialize 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. The downturn in the U.S. economy has had a significant adverse effect on our revenue for the first quarter of 2009, and our revenue for the first half of 2009 is continuing to trend downward.

In 2008 we had a considerable increase in revenue due to political advertising. Since 2009 is not an election year, we expect political revenue to significantly decline in 2009.

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

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

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

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

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

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

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

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

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

In response to the declining trend in revenue caused by the global economic crisis, we have continued to evaluate and reduce operating expenses. We have made reductions in our workforce, implemented a companywide 5% salary decrease, renegotiated and/or eliminated certain contracts, and are continuing to evaluate every area of our operations for additional savings in expenses. Given the current economic environment, we anticipate these reductions to decrease our operating expenses by at least 5%.

During the three months ended March 31, 2009 and 2008 and the years ended December 31, 2008 and 2007, our Columbus, Ohio; Manchester, New Hampshire; Milwaukee, Wisconsin; and Norfolk, Virginia markets, when combined, represented approximately 30%, 32%, 30% and 32%, respectively, of our consolidated net operating revenue. 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.

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A significant decline in the total available radio advertising dollars in our major markets has resulted in a significant decline in our net operating revenue for the three months ended March 31, 2009 as compared to the corresponding period of 2008. This decline in net operating revenue has directly affected the operating income of our radio stations in these markets. We do not expect any significant improvements in revenue until there are considerable improvements in the economy.

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

	Percentage of Consolidated Net Operating Revenue for the Three Months Ended March 31,		Percentage of Consolidated Net Operating Revenue for the Years Ended December 31,	
	2009	**2008**	**2008**	**2007**
Market:				
Columbus, Ohio	7%	6%	6%	7%
Manchester, New Hampshire	5%	7%	6%	6%
Milwaukee, Wisconsin	14%	14%	14%	14%
Norfolk, Virginia	4%	5%	4%	5%

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, 2009 and 2008 and the years ended December 31, 2008 and 2007, the radio stations in our four largest markets when combined, represented approximately 36%, 38%, 37% and 40%, 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,**	
	2009	**2008**	**2008**	**2007**
Market:				
Columbus, Ohio	5%	2%	4%	6%
Manchester, New Hampshire	10%	12%	11%	10%

Milwaukee, Wisconsin	25%	22%	20%	20%
Norfolk, Virginia	(4)%	2%	2%	4%

* Operating income (excluding non-cash impairment charge) plus corporate general and administrative expenses, 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 the number of advertisements to be broadcast in locally produced programs only, 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 rate a station can charge, including the general strength of the local and national economies, population growth, ability to provide popular programming through locally produced news, sports and weather and as a result of syndication and network affiliation agreements, local market competition, the ability of television broadcasting to reach a mass appeal market compared to other advertising media, and signal strength including cable/satellite coverage, and government regulation and policies.

For the period commencing on January 1, 2009, we generally elected retransmission consent in notifying the Multichannel Video Programming Distributors (MVPDs) that carry our television programming in our television markets. We have been in negotiations with the MVPDs as to the terms of the carriage of our television stations and the compensation we receive for granting such carriage rights. These negotiations resulted in agreements that will provide approximately $600,000 in revenue in 2009.

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, 2009 and 2008, approximately 83% and 82%, respectively, of our television segment s gross 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 downturn in the U.S. economy has had a significant adverse effect on our revenue for the first quarter of 2009, and our revenue for the first half of 2009 is continuing to trend downward.

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In 2008 we had a considerable increase in revenue due to political advertising. Since 2009 is not an election year, we expect political revenue to significantly decline in 2009.

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%, 14% and 9%, respectively, of our consolidated operating income (excluding non-cash impairment charge) for the three months ended March 31, 2008 and 2007 and the years ended December 31, 2008 and 2007. As a result of the depressed economy in the first quarter of 2009, our consolidated operating income for the Joplin market is not meaningful for the three months ended March 31, 2009.

Three Months Ended March 31, 2009 Compared to Three Months Ended March 31, 2008

Results of Operations

The following tables summarize our results of operations for the three months ended March 31, 2009 and 2008.

Consolidated Results of Operations

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages and per share information)			
Net operating revenue	$ 26,124	$ 31,532	$ (5,408)	(17.2)%
Station operating expense	23,940	25,421	(1,481)	(5.8)%
Corporate G&A	2,067	2,552	(485)	(19.0)%
Operating income	117	3,559	(3,442)	(96.7)%
Interest expense	773	1,995	(1,222)	(61.3)%
Other expense (income), net	(4)	20	(24)	N/M
Income taxes	(290)	634	(924)	(145.7)%
Net income (loss)	$ (362)	$ 910	$ (1,272)	(139.8)%
Earnings (loss) per share (basic and diluted)	$ (.09)	$ .18	$ (.27)	(150.0)%

Radio Broadcasting Segment

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$ 22,697	$ 27,381	$ (4,684)	(17.1)%
Station operating expense	20,317	21,913	(1,596)	(7.3)%
Operating income	$ 2,380	$ 5,468	$ (3,088)	(56.5)%

Television Broadcasting Segment

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	$ Increase (Decrease)	% Increase (Decrease)
	(In thousands, except percentages)			
Net operating revenue	$ 3,427	$ 4,151	$ (724)	(17.4)%
Station operating expense	3,623	3,508	115	3.3%
Operating income (loss)	$ (196)	$ 643	$ (839)	(130.5)%

N/M = Not Meaningful

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Reconciliation of segment operating income (loss) to consolidated operating income:

	Radio	Television	Corporate and Other	Consolidated
		(In thousands)		
Three Months Ended March 31, 2009:				
Net operating revenue	$ 22,697	$ 3,427	$	$ 26,124
Station operating expense	20,317	3,623		23,940
Corporate general and administrative			2,067	2,067
Operating income (loss)	$ 2,380	$ (196)	$ (2,067)	$ 117

	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

Consolidated

For the three months ended March 31, 2009, consolidated net operating revenue was $26,124,000 compared with $31,532,000 for the three months ended March 31, 2008, a decline of approximately $5,408,000 or 17%. We had a decrease of approximately $5,592,000 in net operating revenue generated by stations that we owned or operated for the comparable period in 2008 (same station), and an increase in net operating revenue of approximately $184,000 attributable to stations we did not own and operate for the entire comparable period. Same station gross national revenue and same station gross local revenue decreased approximately $1,398,000 and $4,408,000, respectively. Same station gross political revenue decreased approximately $613,000. The decrease in both gross local and national revenue was primarily the result of revenue downturns in all of our markets. The most considerable declines were in our Des Moines, IA (21%), Manchester, NH (37%), Milwaukee, WI (20%), Norfolk, VA (37%), and Victoria, TX (24%) markets. Our revenue has been directly affected by the recent and ongoing economic conditions. There has been an overall decline in advertising revenue as a result of the slowdown in the economy and advertising spending in general. We expect this trend will continue throughout 2009. The decrease in gross political revenue was directly attributable to advertising in the prior year for the 2008 presidential, congressional, senatorial and local races.

Station operating expense was $23,940,000 for the three months ended March 31, 2009, compared with $25,421,000 for the three months ended March 31, 2008, a decrease of $1,481,000 or 6%. Same station operating expense decreased $1,626,000 from the prior year quarter. The decrease in same station operating expense was a result of the decline in net operating revenue as well as expense reductions implemented in the quarter. These reductions were partially offset by increased depreciation expense as a result of a change in estimated useful lives of television analog equipment. Station operating expense increased approximately $145,000 from stations that we did not own or operate for the comparable period in 2008.

Operating income for the three months ended March 31, 2009 was $117,000 compared to $3,559,000 for the three months ended March 31, 2008, a decrease of approximately $3,442,000. The decrease was the result of the significant decline in net operating revenue described in detail above, partially offset by a $485,000 or 19% decrease in corporate general and administrative charges. The decrease in corporate general and administrative charges was primarily attributable to reductions in compensation related costs of $253,000 and overall expense reductions, including a decline in audit fees, interactive fees, and travel expenses.

We reported a net loss of approximately $362,000 ($.09 per share on a fully diluted basis) during the three months ended March 31, 2009, compared to net income of $910,000 ($.18 per share on a fully diluted basis) for the three months ended March 31, 2008, a decrease of approximately $1,272,000. The decrease was primarily the result of a decline in operating income of $3,442,000, offset by decreases in interest expense and income tax expense of $1,222,000 and $924,000, respectively. The decrease in interest expense was attributable to an average reduction in market interest rates of approximately 3.6%. We expect interest expense to increase in the second quarter as a result of the amendment to our debt agreement on March 9, 2009. The decrease in income tax expense was directly attributable to operating performance.

Radio Segment

For the three months ended March 31, 2009, net operating revenue of the radio segment was $22,697,000 compared with $27,381,000 for the three months ended March 31, 2008, which represents a decrease of $4,684,000 or 17%. During the current quarter we had an increase in net operating revenue of approximately $184,000 that was attributable to stations we did not own and operate for the entire comparable period. We had a decrease of approximately $4,868,000 in net operating revenue generated by radio stations that we owned or operated for the comparable period in 2008 (same station). Same station gross national revenue and same station gross local revenue decreased approximately $1,192,000 and $3,964,000, respectively. Same station gross political revenue decreased approximately $426,000 in the current quarter as compared to the prior year period. The decrease in both gross local and national revenue was primarily the result of revenue downturns in all of our radio markets. The most considerable declines were in our Des Moines, IA (21%), Manchester, NH (37%), Milwaukee, WI (20%), and Norfolk, VA (37%) markets. Our revenue has been directly affected by the recent and ongoing economic conditions. There has been an overall decline in advertising revenue as a result of the slowdown in the economy and advertising spending in general. We expect this trend will continue throughout 2009. The decrease in gross political revenue was directly attributable to advertising in the prior year for the 2008 presidential, congressional, senatorial and local races.

Station operating expense for the radio segment was $20,317,000 for the three months ended March 31, 2009, compared with $21,913,000 for the three months ended March 31, 2008, a decline of approximately $1,596,000 or 7%. Same station operating expense decreased $1,741,000 from the prior year quarter. The decrease in same station operating expense was a direct result of the decline in net operating revenue as well as expense reductions implemented in the quarter. During the current quarter we had an increase in station operating expense of approximately $145,000 attributable to stations we did not own and operate for the entire comparable period.

Operating income in the radio segment decreased $3,088,000 or 56%, to $2,380,000 for the three months ended March 31, 2009, from $5,468,000 for the three months ended March 31, 2008. The decrease was primarily the result of lower same station net operating revenue as described in detail above.

Television Segment

For the three months ended March 31, 2009, net operating revenue of our television segment was $3,427,000 compared with $4,151,000 for the three months ended March 31, 2008, a decrease of $724,000 or 17%. Gross national revenue and gross local revenue decreased $206,000 and $444,000, respectively. Gross political revenue decreased $187,000 in the current quarter as compared to the prior year period. All of our television markets have been directly affected by the recent and ongoing economic conditions. There has been an overall decline in advertising revenue as a result of the slowdown in the economy and advertising spending in general. We expect this trend will continue throughout 2009. The decrease in gross political revenue was directly attributable to advertising in the prior year for the 2008 presidential, congressional, senatorial and local races.

Station operating expense in the television segment for the three months ended March 31, 2009 was $3,623,000, compared with $3,508,000 for the three months ended March 31, 2008, an increase of approximately $115,000 or 3%. Station operating expense decreased $156,000 as a result of cost reductions and declines in net operating revenue. However, this decrease was offset by an increase in depreciation expense in the current quarter as a result of a change in the estimated useful life of television analog equipment.

Operating loss in the television segment for the three months ended March 31, 2009 was $196,000 compared to operating income of $643,000 for the three months ended March 31, 2008, a decrease of approximately $839,000. The decrease was the result of the declines in net operating revenue and an increase in depreciation expense, as discussed above.

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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 2009 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 Annual Report on Form 10-K for the year ended December 31, 2008.

Liquidity and Capital Resources

Debt Arrangements and Debt Service Requirements

As of March 31, 2009, we had $133,411,000 of long-term debt (including the current portion thereof) outstanding and approximately $17,650,000 of unused borrowing capacity under our Credit Agreement.

The Credit Agreement is a $150,000,000 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 and capital expenditures.

On March 9, 2009, we amended our Credit Agreement to (i) exclude certain items from the definition of Fixed Charges effective December 31, 2008, (ii) increase the minimum Fixed Charge Coverage ratio effective December 31, 2008, (iii) increase the maximum Leverage Ratio effective December 31, 2008, (iv) reduce the Revolving Commitments to $150,000,000, (v) revise the interest rates and commitment fees and (vi) impose certain other limitations on the Company with respect to restricted payments, acquisitions and stock purchases. In addition, we agreed to pay each lender a fee. The lender fee plus amendment costs were approximately $1 million.

On September 30, 2009, the Revolving Commitments will be permanently reduced by $1,250,000 and will continue to be permanently reduced at the end of each calendar quarter thereafter in amounts ranging from 4.375% to 12.5% of the original total Revolving Commitments of $200,000,000. In addition, the Revolving Commitments shall be further reduced by specified percentages of Excess Cash Flow (as defined in the Credit Agreement) based on leverage ratios. Any outstanding balance under the Credit Agreement will be due on the maturity date of July 29, 2012.

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The Credit Agreement contains a number of financial covenants (all of which we were in compliance with at March 31, 2009) that, among other things, requires us to maintain specified financial ratios and impose certain limitations on us with respect to additional indebtedness, acquisitions, the incurrence of additional liens, the disposition of assets, the payment of cash dividends, repurchases of our Class A Common Stock, mergers, changes in business and management, investments and transactions with affiliates. The financial covenants become more restrictive over the life of the Credit Agreement.

Sources and Uses of Cash

During the three months ended March 31, 2009 and 2008, we had net cash flows from operating activities of $5,053,000 and $4,042,000, 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.

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, 2009, we have repurchased 1,382,085 shares of our Class A Common Stock for approximately $45,482,000. Approximately 5,700 shares were retained for payment of withholding taxes related to the vesting of restricted stock during the three months ended March 31, 2009 for $20,000.

Our capital expenditures, exclusive of acquisitions, for the three months ended March 31, 2009 were approximately $1,065,000 ($2,046,000 in 2008). We anticipate capital expenditures in 2009 to be approximately $3,500,000, which we expect to finance through funds generated from operations or additional borrowings under the Credit Agreement.

Summary Disclosures About Contractual Obligations and Commercial Commitments

We have future cash obligations under various types of contracts under the terms of our Credit Agreement, operating leases, programming contracts, employment agreements, and other operating contracts. For additional information concerning our future cash obligations see Item 7. 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, 2008.

There have been no material changes to such contracts/commitments during the three months ended March 31, 2009. On March 9, 2009, we amended our Credit Agreement; however, there were no material changes to our cash obligations. See Debt Arrangements and Debt Service Requirements above for additional information regarding the amendment to the Credit Agreement.

We anticipate that our contractual cash obligations will be financed through funds generated from operations or refinance our obligations under the Credit Agreement, or a combination thereof.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States, which require us to make estimates, judgments and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosures and contingencies. We evaluate estimates used in preparation of our financial statements on a continual basis. There have been no significant changes to our critical accounting policies that are described in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies in our Annual Report on Form 10-K for the year ended December 31, 2008.

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.

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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, 2008 for a complete discussion of our market risk. There have been no material changes to the market risk information included in our 2008 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, 2009, that have materially affected, or are reasonably likely to materially affect, the Company s internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1. ***Legal Proceedings***

We currently and from time to time are involved in litigation incidental to the conduct of our business. We are not a party to any lawsuit or proceeding which, in the opinion of management, is likely to have a material adverse effect on our financial position, cash flows or results of operations.

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, 2009. All shares repurchased during the quarter 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, 2009		$		$ 14,538,204
February 1 February 28, 2009		$		$ 14,538,204
March 1 March 31, 2009	5,682	$ 3.50	5,682	$ 14,518,317
Total	5,682	$ 3.50	5,682	$ 14,518,317

(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***

31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-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 Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act1934, 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 11, 2009

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

Date: May 11, 2009

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