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Attention Business/Entertainment Editors:
Newfoundland Capital Corporation Limited - First Quarter 2010 - Period Ended March 31 (unaudited)

DARTMOUTH, NS, May 5 /CNW/ - Newfoundland Capital Corporation Limited ("Company") today announces its financial results for the first quarter ending March 31, 2010.

Highlights

Double digit revenue growth propelled the Company to one of its best first quarter's ever.

- Revenue of $25.7 million was $3.0 million, or 13% higher than last year. This increase was almost entirely attributable to organic (same-station) revenue growth.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA"(1)) of $4.4 million in the quarter were $2.3 million, or 115% higher than last year, primarily attributable to improved revenue.
- Net income of $1.2 million was $0.7 million, or 124% better than the same quarter last year primarily due to increased revenue.

Significant events

- The Company launched four repeater stations in Prince Edward Island.
- Approval was received to convert the Westlock, Alberta station from AM to FM.
- Subsequent to quarter end, approval was received to convert the AM station in Brooks, Alberta to FM.

"Local revenue has continued to drive our success and we are very pleased to see a rebound in national advertising. Both local and national advertising revenue grew over 2009 by 14% which is significantly higher than industry results", commented Rob Steele, President and Chief Executive Officer. "Our realigned strategy to narrow our focus on maximizing existing operations and paying down debt has solidified our financial position and we are well positioned for future growth."

Financial Highlights - First Quarter

(thousands of dollars except share information)	2010	2009
Revenue	$ 25,706	22,660
EBITDA(1)	4,392	2,044
Net income	1,237	552
Earnings per share - basic and diluted	0.04	0.02
Share price, NCC.A (closing)	6.90	6.33
Weighted average number of shares outstanding (in thousands)	32,972	32,972
Total assets	228,701	232,327
Long-term debt (classified as current in 2010)	56,000	71,840
Shareholders' equity	105,349	89,675

(1) Refer to page 16 for the reconciliation of EBITDA to net income.

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Management's Discussion and Analysis

The purpose of the Management's Discussion and Analysis ("MD&A"), dated May 5, 2010, is to provide readers with additional complementary information regarding the financial condition and results of operations for Newfoundland Capital Corporation Limited (the "Company") and should be read in conjunction with the unaudited interim consolidated financial statements and related notes for the periods ended March 31, 2010 and 2009 as well as the annual audited consolidated financial statements and related notes and the MD&A contained in the Company's 2009 Annual Report. These documents along with the Company's Annual Information Form and other public information are filed electronically with various securities commissions in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed at www.sedar.com. All amounts are stated in Canadian dollars. Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in Fiscal 2010.

Management's Discussion and Analysis of financial condition and results of operations contains forward-looking statements. These forward-looking statements are based on current expectations. The use of terminology such as "expect", "intend", "anticipate", "believe", "may", "will", and other similar terminology relate to, but are not limited to, our objectives, goals, plans, strategies, intentions, outlook and estimates. By their very nature, these statements involve inherent risks and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from those expressed in such forward-looking statements. Readers are cautioned not to place undue reliance on these statements. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE PROFILE

Newfoundland Capital Corporation Limited (the "Company") is Canada's largest pure-play radio company, employing approximately 800 of the best radio professionals across the country. The Company's portfolio of radio assets includes 60 FM and 19 AM licences which can be heard throughout Canada. The Company reaches millions of listeners each week through a variety of formats and is a recognized industry leader in radio programming, sales and networking.

STRATEGY AND OBJECTIVES

The Company's long-term strategy is to maximize returns on existing operations, convert AM stations to FM, and add new licences through business and licence acquisitions and through the Canadian Radio-television and Telecommunications Commission ("CRTC") licence application process.

As stated in the 2009 Annual Report, this year the Company will continue to grow its existing operations by increasing advertising revenue and remaining focused on controlling discretionary costs to drive EBITDA margins. It will launch recently awarded AM to FM conversions - four in Alberta and two in Newfoundland and Labrador. Management continues to explore acquisition and expansion opportunities that fit the Company's acquisition objectives and it will make applications to the CRTC for new licences and additional AM to FM conversions. The Company's commitment to its talented employees, its customers, its listeners and to the communities it serves remains critical to its success.

CORPORATE DEVELOPMENTS

The following is a review of the key corporate developments which should be considered when reviewing the "Consolidated Financial Review" section. The results of the acquired or launched stations have been included in the consolidated financial statements since the respective acquisition and launch dates.

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2010 Developments:

- February - launched the four repeater signals in Prince Edward Island.
- February - CFCB in Corner Brook, Newfoundland and Labrador celebrated its 50th anniversary.
- February - received CRTC approval to convert the AM station in Westlock, Alberta to FM.
- March - CFRQ-FM, otherwise known as Q104, serving Halifax, Nova Scotia was named mid-market station of the year during Canada Music Week.
- April - received CRTC approval to convert the AM station in Brooks, Alberta to FM.

2009 Developments:

- January - Launched the new FM station in Pincher Creek, Alberta playing country music.
- April - CRTC approved two AM to FM conversions for stations in St. Paul and High Prairie, Alberta. Planning for the conversions is underway.
- June - CRTC approved the Company's applications to convert AM stations to FM in Wabush and Goose Bay, Newfoundland and Labrador. Anticipated on-air dates are mid 2010.
- June - Re-branded CFUL in Calgary, Alberta as a Contemporary Hits Radio format, branded as AMP Radio. This format is similar to the very popular Ottawa station, Hot 89.9, which was named the 2008 Contemporary Hits Radio station of the year.
- July - Completed the previously announced exchange of assets with Rogers Broadcasting Limited. The Company's Halifax AM licence was exchanged for Rogers' AM licence in Sudbury, Ontario plus $5.0 million.
- August - Launched Hot 93.5, the newly acquired Sudbury, Ontario radio station which was converted to FM. Its format is Top 40 and has been met with a very positive response from both listeners and clients.
- August - Launched the converted FM radio station in Athabasca, Alberta. 94.1 FM The River plays Classic Hits.
- November - The Company's stock was split on a three-for-one basis.
- December - Completed the previously announced sale of the broadcasting assets related to the two FM stations in Thunder Bay, Ontario for $4.5 million.

CONSOLIDATED FINANCIAL REVIEW

Consolidated Financial Results of Operation

(thousands of dollars, except percentages)	March 31, 2010	March 31, 2009	% Change
Revenue	$ 25,706	22,660	13%
Operating expenses	21,314	20,616	3%
EBITDA(1)	4,392	2,044	115%
Depreciation and amortization	876	901	(3%)
Interest expense	764	1,008	(24%)
Accretion of other liabilities	190	227	(16%)
Other expense (income)	545	(1,007)	-
Earnings from continuing operations	2,017	915	120%
Provision for income taxes	780	332	135%
Net income from continuing operations	1,237	583	112%

Loss from discontinued operations	-	31	(100%)
Net income	1,237	552	124%

(1) EBITDA - Earnings before interest, taxes, depreciation and amortization - refer to page 16 for reconciliation to net income

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Revenue

In the quarter, consolidated revenue of $25.7 million was $3.0 million or 13% higher than last year; this improvement came exclusively from the broadcasting segment.

Operating expenses

Consolidated operating expenses of $21.3 million were $0.7 million or 3% higher than the first quarter last year. The increase was primarily due to higher variable costs in the Broadcasting segment.

EBITDA

Consolidated EBITDA in the quarter of $4.4 million was $2.3 million or 115% higher than last year. The improved EBITDA was due to growth in the broadcasting segment.

A more detailed discussion on revenue, operating expenses and EBITDA are described in the section entitled "Financial Review by Segment".

Depreciation and amortization

In the quarter, depreciation and amortization expense was just slightly lower than 2009.

Interest expense

Interest expense in the first quarter was less than the prior year due to the lower debt balance.

Accretion of other liabilities

Accretion of other liabilities arises from discounting Canadian Content Development ("CCD") commitments to reflect the fair value of the obligations. The expense decreases as CCD obligations are drawn down.

Other expense (income)

Other expense (income) generally consists of gains and losses, realized and unrealized, on the Company's marketable securities. During the first quarter of 2010, the Company has had minimal activity in its holdings. Other expense (income) was a net expense this year partially due to a small realized loss while in 2009 unrealized mark-to-market gains were $1.0 million.

Discontinued operations

In 2009, the Company disposed of its net assets associated with the two FM radio stations in Thunder Bay, Ontario and therefore, the 2009 comparative financial results of operations from this component were treated as discontinued operations.

Provision for income taxes

The provision for income taxes is higher than 2009 due to improved pre-tax earnings. The effective income tax rate was 39% which is higher than the statutory rate of 34% primarily due to the non-taxable portion of realized capital losses.

Net income

First quarter net income of $1.2 million was $0.7 million or 124% higher than last year. The increase was all due to improved financial results in the broadcasting segment.

Other comprehensive income ("OCI")

OCI consists of the net change in the fair value of the Company's cash flow hedges. These include interest rate swaps and an equity total return swap. The net change in the fair value of the interest rate swaps recorded in OCI in the quarter was after-tax income of $0.3 million (2009 - $0.1 million). The net change in the fair value of the equity total return swap recorded in OCI was an after-tax expense of $0.1 million (2009 - $0.4 million after-tax income).

FINANCIAL REVIEW BY SEGMENT

Consolidated financial figures include the results of operation of the Company's two separately reported segments - Broadcasting and Corporate and Other. The Company provides information about segment revenue, segment EBITDA and operating income because these financial measures are used by its key decision makers in making operating decisions and evaluating performance. For additional information about the Company's segmented information, see note 10 of the Company's unaudited interim consolidated financial statements.

Broadcasting Segment

The broadcasting segment derives its revenue from the sale of broadcast advertising from its licences across the country. Advertising revenue can vary based on market and economic conditions, the audience share of a radio station, the quality of programming and the effectiveness of a company's team of sales professionals.

Reporting units within the broadcasting segment are managed and evaluated based on their revenue and EBITDA. Here are the key operating results of the broadcasting segment.

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Broadcasting Financial Results of Operation

(thousands of dollars, except percentages)	March 31, 2010	March 31, 2009	% Change
Revenue	$ 24,896	21,797	14%
Operating expenses	18,833	18,368	3%
EBITDA	6,063	3,429	77%
EBITDA margin	24%	16%	8%

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Revenue

Broadcasting revenue in the quarter of $24.9 million was $3.1 million or 14% better than last year. The increase came almost entirely from organic (same-station) revenue growth.

The Company achieved increases over the same period last year of 8% in its Western Canadian properties, a 38% increase in Central Canada and a 16% improvement in Atlantic Canada. These rates have exceeded industry growth. Local advertising revenue contributed significantly to the double digit growth. The Company also saw a solid rebound in national ad revenue contributing to the overall increase.

The Company enjoyed some of its best ratings results in late 2009 and the effect of these results has contributed to revenue growth and is expected to continue to impact revenue bookings in 2010. The improved outlook in the Canadian economy has also had a positive impact on revenue.

Operating expenses

For the quarter, broadcasting operating expenses were $18.8 million, up $0.5 million or 3% over last year. The increase in operating expenses was all due to higher variable costs. Fixed costs were 5% lower than 2009 due to management's efforts at reducing discretionary costs.

EBITDA

One of the Company's main objectives is to improve organic EBITDA margins. While variable costs have fluctuated with increased revenue, discretionary spending was closely monitored which led to a 77% or $2.6 million increase in EBITDA. Margins of 24% were also greatly improved compared to 16% for the same period last year.

Corporate and Other Segment

The Corporate and Other segment derives its revenue from hotel operations. Corporate and other expenses are related to head office functions and hotel operations.

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Corporate and Other Financial Results of Operation

(thousands of dollars, except percentages)	March 31, 2010	March 31, 2009	% Change
Revenue	$ 810	863	(6%)
Operating expenses	2,481	2,248	10%
EBITDA	(1,671)	(1,385)	(21%)

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Revenue

Revenue in the first quarter of $0.8 million was $0.1 million or 6% lower than last year, due to decreased hotel revenue.

Operating expenses

Corporate and Other operating expenses of $2.5 million were $0.2 million higher than 2009 due to a slight increase in corporate costs for head office.

EBITDA

EBITDA was $0.3 million lower than the same period last year because of the higher operating expenses.

SELECTED QUARTERLY FINANCIAL INFORMATION

The Company's revenue and operating results vary depending on the quarter. The first quarter is generally a period of lower retail spending and as a result, advertising revenue is generally lower. The fourth quarter tends to be a period of higher retail spending. In 2009, a gain on the disposal of a broadcasting licence positively impacted net income by $5.6 million in the third quarter. In 2008, the unrealized changes in the value of marketable securities affected net income in the quarters as follows: positive variance of $4.8 million in the second quarter and negative fluctuations of $8.8 million and $4.6 million in the third and fourth quarters, respectively.

As a result of the requirement to adopt new accounting standards related to start-up operations, the 2008 comparative figures were restated to include pre-operating costs that had been previously capitalized and amortized. The earnings per share information was restated to reflect the three-for-one stock split that occurred during the fourth quarter in 2009. Discontinued operations, as described in note 3 of the Company's unaudited interim consolidated financial statements, also impacted the comparative figures presented below.

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(thousands of dollars except per share data)	2010	2009				2008 (restated)		
	1st	4th	3rd	2nd	1st	4th	3rd	2nd
Revenue	$ 25,706	30,458	25,408	26,772	22,660	29,306	26,069	26,798
Net income (loss)	1,237	5,461	6,209	3,144	552	(3,796)	(7,580)	6,157
Earnings per share								
- Basic	0.04	0.17	0.19	0.10	0.02	(0.12)	(0.23)	0.19
- Diluted	0.04	0.16	0.18	0.09	0.02	(0.12)	(0.23)	0.18

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Selected cash flow information - three months ended March 31, 2010

Cash from operating activities were $3.6 million. During the quarter, the Company paid dividends of $3.3 million, purchased $0.5 million of capital assets and paid $0.4 million toward CCD commitments.

Selected cash flow information - three months ended March 31, 2009

Cash from operating activities of $4.0 million was used to repay $2.4 million in total debt, to purchase $0.6 million of capital assets and to pay $0.5 million toward CCD commitments.

Capital expenditures and capital budget

The capital expenditures for 2010 are expected to be approximately $6.0 million. The major planned expenditures include launching recently awarded AM to FM conversions as well as general improvements and upgrades. The Company continuously upgrades its broadcast equipment to improve operating efficiencies.

FINANCIAL CONDITION

Total assets

Assets of $228.7 million were $4.2 million lower than those reported at December 31, 2009. This was largely due to a decrease in trade receivables.

Liabilities, shareholders' equity and capital structure

As at March 31, 2010 the Company had $1.7 million of current bank indebtedness outstanding and $56.0 million of long-term debt which was classified as current because the debt's maturity date is within the next twelve months. (Further information on long-term debt and its accounting reclassification can be found in the paragraph below under the heading "Credit Facility and Covenants".) The capital structure consisted of 46% equity ($105.3 million) and 54% debt ($123.4 million) at quarter end.

LIQUIDITY

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and borrowings under the existing credit facility. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. Management deems its liquidity risk to be low and this is explained in the paragraphs that follow.

Credit facility and covenants

The Company's syndicated credit facility of $76.5 million is a revolving credit facility. The Company chooses this type of credit facility because it provides flexibility with no scheduled repayment terms. The maturity date is June 2010. As described in the section below, the Company is in the process of finalizing the details of a renewed credit facility which will be completed prior to the maturity date; however, because the new facility is not yet finalized, the Company's debt is required to be classified as a current liability as at March 31, 2010.

The Company is subject to covenants on its credit facility. The Company's bank covenants include certain maximum or minimum ratios such as total debt to EBITDA ratio, interest coverage and fixed charge coverage ratio. Other covenants include dividend payment restrictions, seeking prior approval for capital expenditures over a certain dollar limit, acquisitions in excess of a quantitative threshold and limits on the number of shares that can be repurchased in any given year. The Company was in compliance with the covenants throughout the quarter and at quarter end.

Funding sources and future financing

Cash flow from operations and funds available from the Company's $76.5 million credit facility have been the primary funding sources of working capital, capital expenditures, Canadian Content Development payments, dividend payments, debt repayments, and other contractually required payments through the past several years. As at March 31, 2010, the Company's cash generated from operating activities was $3.6 million and its long-term debt balance was $56.0 million which left $20.5 million available to be drawn upon from the credit facility.

The Company and its lenders have agreed in principal on the terms and conditions of the new facility which will be finalized prior to the maturity of the Company's existing facility. The Company's debt to EBITDA ratio was 2.5 to 1.0 as at March 31, 2010 which is significantly below the required covenant level and puts the Company in solid financial position to renew its facility. Management did not renew the credit facility early in order to delay the increased interest costs which will begin once it is renewed. The increased cost of borrowing under the new facility is expected to be approximately 2% higher as the new facility will reflect current market rates.

Positive cash balances

The Company does not maintain any significant positive cash balances; instead it uses the vast majority of its positive cash balances to reduce debt and minimize interest expense. As a result, the Company nets its deposits in banks with bank indebtedness. The fact that the Company does not have positive cash positions on its balance sheet does not pose an increase to its liquidity risk because the Company generates cash from operations and, as part of its $76.5 million credit facility, it has a $5.0 million current operating credit line to fund any current obligations and it can also access any unused capacity in its credit facility to fund obligations.

Working capital requirements

As at March 31, 2010, the Company's working capital balance, excluding the long-term debt classified as a current liability, was $4.5 million. The cash from current receivables will be sufficient to cover the Company's current obligations to its suppliers and employees and in combination with ongoing cash from operations and the availability of cash from its debt facility, the Company will be able to meet all other current cash requirements as they arise. If cash inflows from customers are not sufficient to cover current obligations, because of timing issues, the Company has access to a $5.0 million operating credit line.

Future cash requirements

Other than for operations, the Company's cash requirements are mostly for interest payments, repayment of debt, capital expenditures, Canadian Content Development payments, dividends and other contractual obligations. Management anticipates that its cash flows from operations will provide sufficient funds to meet its cash requirements, with the exception of the long-term debt which is in the process of being refinanced.

Based on the above discussion and internal analysis, management deems its liquidity risk to be low.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

There has been no substantial change in the Company's commitments and contractual obligations since the publication of the 2009 Annual Report.

SHARE CAPITAL

Stock split

Effective on November 25, 2009, the Class A Subordinate Voting Shares and Class B Common Shares were split on a three-for-one basis. Accordingly, the comparative number of shares and per share amounts have been retroactively adjusted to reflect the three-for-one split.

Outstanding share data

The weighted average number of shares outstanding at March 31, 2010 was 32,972,220 (2009 - 32,972,220). As of this date, there are 29,199,567 Class A Subordinate Voting Shares and 3,772,653 Class B Common Shares outstanding.

Dividends

Dividends of $0.10 per share were declared in December to all shareholders of record as of December 31, 2009. The dividends were paid January 29, 2010.

Share repurchases

The Company has approval under a Normal Course Issuer Bid to repurchase up to 583,991 Class A Subordinate Voting Shares ("Class A shares") and 75,453 Class B Common Shares. This bid expires February 8, 2011. The Company did not repurchase any of its outstanding Class A shares during the first quarter in 2010 and 2009.

EXECUTIVE COMPENSATION

Executive stock option plan

Compensation expense related to executive stock options for the three months ended March 31, 2010 was $0.1 million (2009 - less than $0.1 million). Refer to note 4 of the unaudited interim consolidated financial statements for further details relating to the executive stock option plan.

Stock appreciation rights plan

For the quarter ended March 31, 2010, the compensation expense related to stock appreciation rights ("SARs") was less than $0.1 million (2009 - $0.2 million) and the total obligation was $1.5 million (2009 - $0.3 million). Refer to note 6 of the unaudited interim consolidated financial statements for further details relating to SARs.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

For more detailed disclosures about derivative financial instruments and financial risk management, refer to note 8 of the unaudited interim consolidated financial statements.

Interest rate risk management

To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into interest rate swap agreements with Canadian chartered banks. The swap agreements expire in 2013 and involve the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. The aggregate notional amount of the swap agreements was $55.0 million (2009 - $60.0 million). The Company formally assesses effectiveness of the swaps at inception and on a regular basis and has concluded that the swaps are effective in offsetting changes in interest rates. The aggregate fair value of the swap agreements, which represents the amount that would be payable by the Company if the agreements were terminated at March 31, 2010 was $3.1 million (2009 - $6.9 million). After-tax, the unrealized non-cash income recognized in OCI for the quarter was $0.3 million (2009 - $0.1 million).

Share price volatility management

In July 2006, the Company entered into an agreement to hedge its obligations under the stock appreciation rights plan using an equity total return swap agreement to reduce the volatility in cash flow and earnings due to possible future increases in the Company's share price. Gains or losses realized on the quarterly settlement dates are recognized in income in the same period as the SARs compensation expense. Unrealized gains and losses, to the extent that the hedge is effective, are deferred and included in OCI until such time as the hedged item affects net income. If at any time, the hedge is deemed to be ineffective or the hedge is terminated or de-designated, gains or losses, including those previously recognized in OCI, will be recorded in net income immediately.

The Company has concluded that this cash flow hedge is effective. The estimated fair value of the equity total return swap receivable at March 31, 2010 was $1.3 million (2009 - $0.6 million). After-tax the unrealized non-cash loss recognized in OCI for the quarter was $0.1 million (2009 - after-tax income of $0.4 million).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in various stocks in varying industries. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels. As at March 31, 2010, a 10% change in the share prices of each marketable security would result in a $0.4 million after-tax change in net income.

Credit risk management

Credit risk is the exposure that the Company faces with respect to amounts receivable from other parties. Credit exposure is managed through credit approval and monitoring procedures.

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize credit risk. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses.

At March 31, 2010, the Company's credit exposure as it related to its receivables continued to be slightly higher than in the past due to the recent Canadian economic conditions. The Company sells advertising airtime primarily to retail customers and since their results may also be impacted by the current economy, it is difficult to predict the impact this could have on the Company's receivables' balance. The Company believes its provision for potential credit losses to be adequate at this time given the current circumstances.

With regard to the Company's derivative instruments, the counterparty risk is managed by only dealing with Canadian Chartered Banks having high credit ratings.

Capital Management

The Company defines its capital as shareholders' equity. The Company's objective when managing capital is to pursue its strategy of growth through acquisitions and through organic operations so that that it can continue to provide adequate returns for shareholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares. The Directors and senior management of the Company are of the opinion that from time to time the purchase of its shares at the prevailing market price would be a worthwhile investment and in the best interests of the Company and its shareholders. Material transactions and those considered to be outside the ordinary course of business, such as acquisitions and other major investments or disposals, are reviewed and approved by the Board of Directors.

FUTURE ACCOUNTING POLICIES

Section 1582 Business Combinations

During 2009, the CICA issued Handbook Section 1582 Business Combinations which replaces Section 1581 bearing the same name. This Section is effective for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted, and the changes align the standard with the guidance in International Financial Reporting Standards ("IFRS"). Of the amendments in the Section, the one that will represent the most significant change in how the Company accounts for business combinations is the determination of the cost of the purchase. The cost that is allocated to the fair value of the net assets acquired is the direct cost of the business combination; indirect costs such as legal or restructuring are expensed. The Company intends to early adopt this standard if any business combinations should occur in 2010. The impact the changes will have on its consolidated results will continue to be monitored.

Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests

These Sections were issued and together replace Section 1600 Consolidated Financial Statements. These too are applicable for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. The new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company will continue to evaluate the impact of the amendments.

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board confirmed that International Financial Reporting Standards will be required for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company will apply IFRS beginning January 1, 2011 and will present 2010 comparative figures using IFRS, starting in the first quarter of 2011.

The Company has committed adequate internal resources to oversee the IFRS project and external consultants have been engaged throughout the process. The Audit and Governance Committee is regularly updated on the status of the project. Management has satisfied itself that it has sufficient resources, systems and applications in place to meet its financial reporting requirements.

IFRS-1 First-time Adoption of International Financial Reporting Standards provides guidance for transition which generally requires an entity to apply all IFRS standards retrospectively, with prior period restatements, on adoption of the new standards. However, IFRS-1 also includes mandatory exceptions and certain exemptions which enable an entity to apply certain areas of the standards prospectively. Management has analysed the exceptions and exemptions available under IFRS-1 and is considering applying the exemptions listed in the table below. A brief description of the impact of applying these exemptions is discussed as well.

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Exemption	Impact
Business combinations	The Company will elect to not restate any prior business combinations on adoption, to the extent the assets and liabilities meet the recognition criteria under the relevant IFRS standards. (If any business combinations occur during fiscal 2010, the Company will early adopt the new rules under Canadian GAAP Section 1582 Business Combinations, described earlier, as they are consistent with IFRS.)
Fair value or revaluation as deemed cost	The Company may elect to revalue some of its property and equipment on transition date to its fair value.
Employee benefits	The Company has elected to charge to equity any unamortized actuarial gains/losses arising from the defined benefit pension plans. The financial impact of this election, along with other pension restatement entries, approximates $2.0 million.

Share-based payment transactions	The Company will elect not to retrospectively apply the IFRS-2 Share-Based Payments standards for any executive stock options granted prior to November 2002 and for any options that have fully vested or have been exercised prior to transition date.

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Management has identified the differences between Canadian GAAP and IFRS and has devoted considerable time and resources on those areas that will most significantly impact the Company. The following table sets forth the accounting standards that will most likely impact the Company's consolidated financial statements; however, the actual impact has not been fully measured and conclusions may differ as management continues its analysis. Some of the standards are in the process of being reviewed and/or modified and the impact of those changes could pose differences for the Company's consolidated financial statements as well. Management is monitoring these standards closely.

The following list shows the areas that management believes will present the most significant differences in accounting treatment based on the standards in effect as at March 31, 2010. It is not a complete and exhaustive list of all the Canadian GAAP and IFRS differences. Quantification of the impact is ongoing and will continue to be communicated as the transition date nears.

The following are the key accounting areas management believes will impact the Company's consolidated financial statements with a brief description of the likely impact.

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Key accounting areas	Impact
IAS - 1 Presentation of Financial Statements	Additional financial statement note disclosures will be required.
IAS - 12 Income Taxes	Future income tax assets/liabilities will be referred to as deferred income tax assets/liabilities and no current classification will be permitted. The criteria to recognize and measure deferred income taxes may result in differences compared to existing future income tax calculations.
IAS - 16 Property and Equipment	Entities are required to split traditional asset categories into components based on varying useful lives which may result in changes to the amount of annual depreciation expense.
IAS - 19 Employee Benefits	An accounting policy choice is available for actuarial gains or losses after adoption; - an entity may elect to amortize the gains/losses using the corridor approach; - it may elect to recognize the gains/losses in net income annually; or - it may elect to recognize gains/losses in OCI annually. Under IFRS, there are differences in how defined benefit plan assets are valued and how an entity measures its plan asset valuation allowance, if any. This particular standard is under review by standard setters and any modification to it may dictate the accounting treatment the Company will

	adopt as it relates to actuarial gains and losses.
IAS - 36 Impairment of Assets	Impairment calculations under IFRS are done at the cash-generating unit ("CGU") which is defined as a unit that has independent cash inflows (as opposed to independent net cash flows under Canadian GAAP). Calculations are done using a discounted cash flow method under a one-step approach (as opposed to a two-step approach under Canadian GAAP). Goodwill is allocated and tested in conjunction with its related CGU or group of CGU's that benefit from collective synergies. Any impairment of intangible assets that occurs after the adoption of IFRS, other than goodwill, may be reversed.
IAS - 38 Intangible Assets	Potential change in how the Company measures the amount capitalized to its broadcast licences under certain circumstances, which is currently being reviewed and analysed by management.
IAS - 39 Financial Instruments: Recognition and Measurement	This standard will effectively be replaced by new IFRS-9 Financial Instruments effective January 1, 2013 and may pose differences in how the Company classifies, recognizes and measures its financial instruments, including how it accounts for hedges. Earlier adoption may be permitted and the Company will monitor these standards closely.
IFRS - 2 Share-based Payments	The Company anticipates a change in how it measures executive compensation for its stock appreciation rights' plan because of differences related to pricing models, vesting periods and how to account for forfeiture.
IFRS - 3 Business Combinations	This standard explicitly excludes acquisition-related and/or restructuring-type costs; these are to be expensed as incurred. Other significant commitments that arise on business combinations are also expensed which potentially may pose differences in how the Company has treated certain items in its past acquisitions and in future transactions. Contingent consideration is measured on the transaction date at its fair value; however subsequent changes to the contingent consideration are treated as an expense.

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At this time, management is on track with the conversion project; however it is not in a position to quantify the impact of all of the differences that will arise upon the adoption of IFRS. The Company will disclose more detailed information during its 2010 interim periods as it proceeds with its analyses and conclusions. Certain analyses that will enable full disclosure are still being researched and their conclusions are important to the Company and its consolidated financial results.

CRITICAL ACCOUNTING ESTIMATES

There has been no substantial change in the Company's critical accounting estimates since the publication of the 2009 Annual Report.

OFF-BALANCE SHEET ARRANGEMENTS

The Company's off-balance sheet arrangements consist of operating leases. Other than these, which are considered in the ordinary course of business, the Company does not have any other off-balance sheet arrangements and does not expect to enter into any other such arrangement other than in the ordinary course of business.

RISKS AND OPPORTUNITIES

There has been no substantial change in the Company's risks and opportunities since the publication of the 2009 Annual Report.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal controls over financial reporting that occurred in the three months ending March 31, 2010 that have materially affected, or are likely to materially affect, the Company's internal controls over financial reporting.

OUTLOOK

During the first quarter of 2010, the Company posted double digit revenue growth in its core operating segment. Management is optimistic that positive growth will be sustainable throughout the rest of the year given the current economic climate.

Management has continued to monitor discretionary costs. This combined with improved revenue has increased EBITDA and EBITDA margins in the first quarter. Improving margins is one of the Company's main objectives for 2010.

The Company will continue to focus on its successful operating strategy and its current objectives for 2010 are:

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- Continue to maximize operating margins from the existing stations by:
  - Managing costs to achieve the highest possible EBITDA margins without compromising the quality of the product;
  - Increasing revenues by providing creative solutions to advertisers, particularly with regard to local revenue where management has the most ability to influence buying decisions;
  - Augmenting audience share by providing locally-focused programming that delivers the music, news and information that local communities want.
- Plan and prepare to launch the six AM to FM conversions; four of which are in Alberta and the other two in Newfoundland and Labrador.
- Review all acquisition opportunities that are cash accretive in the near term and that would complement the Company's strategy;
- Apply for licences in new communities, thereby expanding the number of licences held; and
- Seek approval from the CRTC to convert additional AM stations to FM which generates immediate top line growth.

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The Company has experienced an impressive first quarter which sets the tone for the remainder of 2010. Local revenue continues to thrive and management is encouraged to see a rebound in national ad spending.

Non-GAAP Measure

(1) EBITDA is defined as net income from continuing operations excluding depreciation and amortization expense, interest expense, accretion of other liabilities, other expense (income) and provision for income taxes. A calculation of this measure is as follows:

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(thousands of dollars)	Three months ended March 31 2010	2009
Net income from continuing operations	$ 1,237	583
Provision for income taxes	780	332
Other expense (income)	545	(1,007)
Accretion of other liabilities	190	227
Interest expense	764	1,008
Depreciation and amortization expense	876	901
EBITDA	$ 4,392	2,044

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This measure is not defined by Generally Accepted Accounting Principles and is not standardized for public issuers. This measure may not be comparable to similar measures presented by other public enterprises. The Company has included this measure because the Company's key decision makers believe certain investors use it as a measure of the Company's financial performance and for valuation purposes. The Company also uses this measure internally to evaluate the performance of management. Beginning in 2010 other expense (income), which is primarily the results from investment holdings, was excluded from the determination of EBITDA. Consolidated EBITDA for 2009 has been adjusted to reflect this reclassification.

Newfoundland Capital Corporation Limited

Notice of Disclosure of Non-Auditor Review of Interim Financial Statements for the three months ended March 31, 2010 and 2009

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor if an auditor has not performed a review of the interim financial statements.

The accompanying unaudited interim consolidated financial statements of the Company for the three months ended March 31, 2010 and 2009 have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management.

The Company's independent auditors, Ernst & Young LLP, have not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Dated this 5th day of May, 2010

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Interim Consolidated Balance Sheets
(unaudited)

(thousands of Canadian dollars)	March 31 2010	December 31 2009
ASSETS		
Current assets		
Marketable securities (note 8 (a))	$ 4,387	4,923
Receivables	20,567	23,831
Prepaid expenses	919	778
Other assets (note 8 (c))	1,339	1,810
Future income tax assets	1,288	1,173

Total current assets	28,500	32,515
Property and equipment	36,888	37,248
Other assets	4,371	4,216
Broadcast licences	149,641	149,641
Goodwill	7,045	7,045
Future income tax assets	2,256	2,188
	$ 228,701	232,853
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness	$ 1,672	99
Accounts payable and accrued liabilities	15,023	17,118
Dividends payable	-	3,297
Income taxes payable	7,336	6,836
Current portion of long-term debt (note 8)	56,000	57,100
Total current liabilities	80,031	84,450
Long-term debt (note 8)	-	-
Other liabilities	17,311	18,946
Future income tax liabilities	26,010	25,668
Shareholders' equity	105,349	103,789
	$ 228,701	232,853

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Income
(unaudited)

(thousands of Canadian dollars except per share data)	Three months ended March 31 2010	2009
Revenue	$ 25,706	22,660
Operating expenses	21,314	20,616
Depreciation and amortization	876	901
Operating income	3,516	1,143
Interest expense	764	1,008
Accretion of other liabilities	190	227
Other expense (income)	545	(1,007)
Earnings from continuing operations before income taxes	2,017	915
Provision for income taxes	780	332
Net income from continuing operations	1,237	583
Loss from discontinued operations (note 3)	-	31
Net income	$ 1,237	552
Earnings per share from continuing operations (notes 4 and 9)		
- basic and diluted	$ 0.04	0.02

Earnings per share (notes 4 and 9)

- basic and diluted	$ 0.04	0.02

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Shareholders' Equity
(unaudited)

(thousands of Canadian dollars)	Three months ended March 31 2010	2009
Retained earnings, beginning of period	$ 60,616	48,547
Net income	1,237	552
Retained earnings, end of period	61,853	49,099
Capital stock	42,913	42,913
Contributed surplus (note 5)	2,262	1,992
Accumulated other comprehensive loss	(1,679)	(4,329)
Total shareholders' equity	$ 105,349	89,675

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Comprehensive Income
(unaudited)

(thousands of Canadian dollars)	Three months ended March 31 2010	2009
Net income	$ 1,237	552
Other comprehensive income:		
Change in fair values of cash flow hedges		
Interest rate swaps (note 8(b)):		
Increase (decrease) in fair value, net of $328 settlement and tax expense of $122 (2009 - $nil)	333	(58)
Reclassification to net income of interest (recovery) expense, net of tax recovery of $9 (2009 - $nil)	(24)	111
Credit risk adjustment, net of tax recovery of $7 (2009 - $nil)	(18)	-
	291	53
Total equity return swap (note 8(c)):		
Increase (decrease) in fair value, net of tax recovery of $43 (2009 - tax expense of $243)	(84)	607
Reclassification to net income of realized loss (gains), net of tax expense of $6 (2009 - tax recovery of $91)	11	(227)
	(73)	380
Other comprehensive income	218	433

Comprehensive income	$ 1,455	985

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statement of Accumulated Other Comprehensive Loss (unaudited)

(thousands of Canadian dollars)	Three months ended March 31 2010	2009
Accumulated other comprehensive loss, beginning of period	$ (1,897)	(4,762)
Other comprehensive income for the period	218	433
Accumulated other comprehensive loss, end of period	$ (1,679)	(4,329)

See accompanying notes to the interim consolidated financial statements

Interim Consolidated Statements of Cash Flows (unaudited)

(thousands of Canadian dollars)	Three months ended March 31 2010	2009
Operating Activities		
Net income from continuing operations	$ 1,237	583
Items not involving cash		
Depreciation and amortization	876	901
Future income taxes	90	223
Executive stock-based compensation plans (notes 4 and 6)	76	231
Accretion of other liabilities	190	227
Unrealized gains on marketable securities (note 8 (a))	(185)	(992)
Other	(31)	(368)
	2,253	805
Change in non-cash working capital relating to operating activities from continuing operations	1,306	3,149
Cash flow from continuing operating activities	3,559	3,954
Cash flow from discontinued operations	-	48
	3,559	4,002
Financing Activities		
Change in bank indebtedness	1,573	(421)
Long-term debt repayments	(1,100)	(2,005)
Dividends paid	(3,297)	-
	(2,824)	(2,426)

Investing Activities		
Property and equipment additions	(504)	(596)
Canadian Content Development commitment payments	(441)	(518)
Other	210	(462)
	(735)	(1,576)
Cash, beginning and end of period	-	-
Supplemental Cash Flow Information		
Interest paid	$ 920	423
Income taxes paid	191	70

See accompanying notes to the interim consolidated financial statements

Notes to the Interim Consolidated Financial Statements - March 31, 2010 and 2009 (unaudited)

1. ACCOUNTING PRESENTATIONS AND DISCLOSURES

The interim financial statements presented herein were prepared by the Company and follow the same accounting policies and their methods of application as the 2009 annual financial statements. These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements. They do not include all of the information and disclosures required by GAAP for annual financial statements. Accordingly, these financial statements should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes contained in the Company's 2009 Annual Report.

The Company's revenue is derived primarily from the sale of advertising airtime which is subject to seasonal fluctuations. The first quarter of the year is generally a period of lower retail spending. Because of this, revenue and net income are generally lower than the other quarters.

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

2. FUTURE ACCOUNTING POLICIES

Section 1582 Business Combinations

During 2009, the CICA issued Handbook Section 1582 Business Combinations which replaces Section 1581 bearing the same name. This Section is effective for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted, and the changes align the standard with the guidance in International Financial Reporting Standards ("IFRS"). Of the amendments in the Section, the one that will represent the most significant change in how the Company accounts for business combinations is the determination of the cost of the purchase. The cost that is allocated to the fair value of the net assets acquired is the direct cost of the business combination; indirect costs such as legal or restructuring are expensed. The Company intends to early adopt this standard if any business combinations should occur in 2010. The impact the changes will have on its consolidated results will continue to be monitored.

Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests

These Sections were issued and together replace Section 1600 Consolidated Financial Statements. These too are applicable for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. The new sections establish standards for the preparation of consolidated financial statements and for the accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company will continue to evaluate the impact of the amendments.

3. DISCONTINUED OPERATIONS

The Company disposed of its net assets associated with the two FM radio stations located in Thunder Bay, Ontario in 2009. The financial results of operations from this component have been treated as discontinued operations in the consolidated statements of income and cash flows for 2009. The results of this component were also excluded from the comparative figures from the Broadcasting segment results in segmented information presented in note 10.

Selected financial information for the reporting unit included in discontinued operations is presented below:

(thousands of dollars)		2010	2009
Loss from operations from discontinued component	$	-	47
Income tax recovery		-	(16)
Loss from discontinued operations	$	-	31

4. CAPITAL STOCK

Stock split

Effective on November 25, 2009, the Class A Subordinate Voting Shares and Class B Common Shares were split on a three-for-one basis. Accordingly, the comparative number of shares and per share amounts have been retroactively adjusted to reflect the three-for-one split.

Share repurchases

The Company has approval under a Normal Course Issuer Bid to repurchase up to 583,991 Class A Subordinate Voting Shares ("Class A shares") and 75,453 Class B Common Shares. This bid expires February 8, 2011. The Company did not repurchase any of its outstanding Class A shares during the first quarter in 2010 and 2009.

Executive stock option plan

Pursuant to the executive stock option plan, 60,000 options (2009 - 90,000) were granted at a weighted average exercise price of $6.77 (2009 - $5.83) in the first quarter. The options vest at a rate of twenty-five percent on the date of grant and twenty-five percent on each of the three succeeding anniversary dates and the options expire March 4, 2015. No options were exercised in the first quarter (2009 - nil). Compensation expense related to stock options for the three months ended March 31, 2010 was $105,000 (2009 - $47,000).

5. CONTRIBUTED SURPLUS

(thousands of dollars)	
Balance, January 1, 2009	$ 1,945
Executive stock option plan compensation expense	47
Balance, March 31, 2009	1,992
Executive stock option plan compensation expense	270
Balance, March 31, 2010	$ 2,262

6. STOCK APPRECIATION RIGHTS

A total of 1,745,000 stock appreciation rights ("SARS" or "rights") have been granted since 2006 at a weighted-average reference price of $5.75. The SARS' expiry dates range from March 2011 to February 2015. As at March 31, 2010, 270,000 rights had expired and 60,000 rights had been exercised. The rights vest at a rate of 50% at the end of year three, 25% at the end of year four and 25% at the end of year five and are exercisable as they vest. At the date of exercise, cash payments are made to the holders based on the difference between the market value of the Company's Class A shares and the reference price. All rights granted under this plan expire on the 60th day following the 5th anniversary of the grant date. For the quarter ended March 31, 2010, 30,000 SARS (2009 - nil) were exercised for cash proceeds of $37,000 (2009 - $nil). Compensation expense in the first quarter was $8,000 (2009 - $184,000). The total obligation for SARS compensation was $1,516,000, of which $1,430,000 was current and classified as accounts payable and accrued liabilities (2009 - compensation payable was $251,000, of which $150,000 was current).

7. EMPLOYEE BENEFIT PLANS

	Three months ended March 31	
(thousands of dollars)	2010	2009
Defined contribution plan expense	$ 357	340
Defined benefit plan expense	119	125

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Estimated fair value of financial instruments

Current assets and current liabilities' carrying values are representative of their fair values due to the relatively short period to maturity. The fair value of long-term debt approximates the carrying value because the interest charges under the terms of the long-term debt are based on the 3-month Canadian banker's acceptance rates. The fair values of Canadian Content Development commitments approximated their carrying values as they were recorded at the net present values of their future cash flows, using discount rates ranging from 8.0% to 14.3%.

The following table outlines the hierarchy of inputs used in the calculation of fair value for each financial instrument:

(thousands of dollars) Description	Total	Level 1 Quoted prices in active markets for identical assets	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
Cash and bank indebtedness	$ (1,672)	(1,672)	-	-
Marketable securities	4,387	4,387	-	-
Accounts receivable	20,567	-	20,567	-
Equity total return swap receivable	1,339	-	1,339	-
Accounts payable and accrued liabilities	(15,023)	-	(15,023)	-
Long-term debt	(56,000)	-	(56,000)	-
CCD commitments	(8,261)	-	(8,261)	-
Interest rate swap payable	(3,066)	-	(3,066)	-

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs that have a significant effect on the recorded value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following sections discuss the Company's risk management objectives and procedures as they relate to credit risk, market risk, liquidity risk and capital risk.

Credit risk

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform. The maximum credit exposure approximated $22,000,000 as at March 31, 2010, which included accounts receivable and the equity total return swap receivable.

The Company is subject to normal credit risk with respect to its receivables. A large customer base and geographic dispersion minimize the concentration of credit risk. Credit exposure is managed through credit approval and monitoring procedures. The Company does not require collateral or other security from clients for trade receivables; however the Company does perform credit checks on customers prior to extending credit. Based on the results of credit checks, the Company may require upfront deposits or full payments on account prior to providing service. The Company reviews its receivables for possible indicators of impairment on a regular basis and as such, it maintains a provision for potential credit losses which totaled $1,160,000 as at March 31, 2010. The Company is of the opinion that the provision for potential losses adequately reflects the credit risk associated with its receivables. Approximately 85% of trade receivables are outstanding for less than 90 days. Amounts would be written off directly against accounts receivable and against the allowance only if and when it was clear the amount would not be collected due to customer insolvency. Historically, the significance and incidence of amounts written off directly against receivables have been low. The total amount written off in the first quarter was $177,000 which represents a very small portion of accounts receivable and revenue.

As at March 31, 2010, the Company's credit exposure related to its receivables continued to be slightly higher than in the past due to the recent Canadian economic conditions. The Company sells advertising airtime primarily to retail customers and since their results may also be affected by the current economy, it is difficult to predict the impact this could have on the Company's receivables' balance. The Company believes its provision for potential credit losses is adequate at this time given the current economic circumstances.

With regard to the Company's derivative instruments, the counterparty risk is managed by only dealing with Canadian Chartered Banks having high credit ratings.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, which includes quoted share prices in active markets, interest rates and the Company's quoted share price as it relates to the stock appreciation rights plan.

a) Managing risk associated with fluctuations in quoted share prices of marketable securities

   The fair value of the Company's marketable securities is affected by changes in the quoted share prices in active markets. Such prices can fluctuate and are affected by numerous factors beyond the Company's control. In order to minimize the risk associated with changes in the share price of any one particular investment, the Company diversifies its portfolio by investing in various stocks in varying industries. It also conducts regular financial reviews of publicly available information related to its investments to determine if any identified risks are within tolerable risk levels. As at March 31, 2010, a 10% change in the share prices of each marketable security would result in a $360,000 after-tax change in net income.

   For the quarter ended March 31, 2010, the change in fair value of marketable securities, recorded in other expense, was an unrealized gain of $185,000 (2009 - $992,000).

b) Interest rate risk management

   To hedge its exposure to fluctuating interest rates on its long-term debt, the Company has entered into interest rate swap agreements with Canadian Chartered Banks. The swap agreements involve the exchange of the three-month bankers' acceptance floating interest rate for a fixed interest rate. The difference between the fixed and floating rates is settled quarterly with the bank and recorded as an increase or decrease to interest expense. The Company elected to apply hedge accounting and as such formally assesses effectiveness of the swaps at inception and on a regular basis and has concluded that the swaps are effective in offsetting changes in interest rates.

   Interest rate fluctuations would have an impact on the Company's results. A 0.5% change in the floating interest rates would have impacted OCI due to changes in fair value of the interest rate swaps by approximately $630,000, after-tax. There would have been no impact to net income.

The Company has two interest rate swap agreements; one has a notional value of $10,000,000 and expires in June 2013, and the other has a notional amount of $45,000,000 and expires in May 2013. In 2008, the Company early terminated interest rate swap agreements resulting in a fair value payable of $349,000 which was blended into the interest rate of the $45,000,000 swap. This fair value payable is being transferred from OCI to net income (as interest expense) over the remaining term of the original swap agreements which expired between 2009 and 2011. The before-tax amount related to the $349,000 fair value payable transferred to net income from OCI for the quarter was $17,000 (2009 - $53,000).

Total before-tax interest transferred for the quarter from OCI to net income was interest recovered of $33,000 (2009 - interest expense of $111,000). As at March 31, 2010, the Company settled $5,000,000 of the $15,000,000 swap which resulted in a payout of $328,000. $5,000,000 of the remaining $10,000,000 swap has been de-designated and therefore, hedge accounting no longer applies on this portion. Of the amount of pre-tax interest recovery transferred to net income from OCI, $48,000 related to the de-designated portion (2009 - $nil).

The Company has measured its own credit risk in relation to its interest rate swaps and as a result has recognized a $25,000 loss in OCI (2009 - $nil).

The aggregate fair value payable of the swap agreements was $3,066,000 (2009 - $6,854,000).

c) Share price volatility risk management

In July 2006, the Company entered into a cash-settled equity total return swap agreement to manage its exposure to fluctuations in its stock-based compensation costs related to the SAR plan. Compensation costs associated with the SAR Plan fluctuate as a result of changes in the market price of the Company's Class A shares. The Corporation entered into this swap for a total of 1,275,000 notional Class A shares with a hedged price of $5.85. The swap expires in July 2011.

The swap includes an interest and dividend component. Interest is accrued and payable by the Company on quarterly settlement dates. Any dividends paid on the Class A shares are reimbursed to the Company on the quarterly settlement dates.

The Company elected to apply hedge accounting and in order to qualify for hedge accounting, there must be reasonable assurance that the instrument is and will continue to be an effective hedge. At the inception of the hedge and on an ongoing basis, the Company formally assesses and documents whether the hedging relationship is effective in offsetting changes in cash flows of the hedged item. Gains or losses realized on the quarterly settlement dates are recognized in net income in the same period as the SAR Plan compensation expense. Unrealized gains and losses, to the extent that the hedge is effective, are deferred and included in OCI until such time as the hedged item affects net income. If at any time, the hedge is deemed to be ineffective or the hedge is terminated or de-designated, gains or losses, including those previously recognized in OCI, will be recorded in net income immediately.

As at March 31, 2010, the Company de-designated 330,000 of the 1,275,000 notional Class A shares; therefore, hedge accounting no longer applies on the de-designated portion. Of the $17,000 before-tax losses transferred from OCI to net income, a $1,000 gain related to the de-designated portion (2009 - $318,000 before tax gains transferred from OCI to net income and $167,000 related to gains from de-designated portion).

The estimated fair value of the equity total return swap receivable, classified as current other assets, based on the Class A shares' market price at March 31, 2010 was $1,339,000 (2009 - $616,000 of which $121,000 was current).

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's growth is financed through a combination of the cash flows from operations and borrowings under the existing credit facility. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as the cash flows. Other than for operations, the Company's cash requirements are mostly for interest payments, repayment of debt, capital expenditures, Canadian Content Development payments, dividends and other contractual obligations that are disclosed below.

In accordance with CICA 3210 "Long-term debt", long-term debt having a maturity date within the next twelve months is required to be classified as a current liability. As a result, the Company's long-term debt which expires in June 2010 has been presented as current debt as at March 31, 2010. The Company was in full compliance with its bank covenants throughout the quarter and at quarter end and continues to have access to the available funds under the existing credit facilities. The Company and its lenders have agreed in principal on the terms and conditions of the new existing facility which will be finalized prior to the maturity of the Company's existing facility. As a result, repayment of the debt is not expected and the Company does not deem its liquidity risk to be higher than previous years.

The Company's liabilities have contractual maturities which are summarized below:

Obligation (thousands of dollars)	12 months	2011 - 2015	Thereafter
Long-term debt	$ 56,000	-	-
Bank indebtedness	1,672	-	-
Accounts payable and accrued liabilities	15,023	-	-
Income taxes payable	7,336	-	-
CCD commitments	2,474	7,628	106
	$ 82,505	7,628	106

Capital risk

The Company defines its capital as shareholders' equity. The Company's objective when managing capital is to pursue its strategy of growth through acquisitions and through organic operations so that it can continue to provide adequate returns for shareholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or repurchase shares. The Directors and senior management of the Company are of the opinion that from time to time the purchase of its shares at the prevailing market price would be a worthwhile investment and in the best interests of the Company and its shareholders. Material transactions and those considered to be outside the ordinary course of business, such as acquisitions and other major investments or disposals, are reviewed and approved by the Board of Directors.

To comply with Federal Government directions, the Broadcasting Act and regulations governing radio stations (the "Regulations"), the Company has imposed restrictions respecting the issuance, transfer and, if applicable, voting of the Company's shares. Restrictions include limitations over foreign ownership of the issued and outstanding voting shares. Pursuant to such restrictions, the Company can prohibit the issuance of shares or refuse to register the transfer of shares or, if applicable, prohibit the voting of shares in circumstances that would or could adversely affect the ability of the Company, pursuant to the provisions of the Regulations, to obtain, maintain, renew or amend any licence required to carry on any business of the Company, including a licence to carry on a broadcasting undertaking, or to comply with such provisions or with those of any such licence.

The Company is subject to certain covenants on its credit facility. The Company's debt covenants include certain maximum or minimum ratios such as total debt ratio, interest coverage and fixed charge coverage ratio. Other covenants include dividend payment restrictions, seeking prior approval for capital expenditures over a certain dollar limit, acquisitions in excess of a quantitative threshold and limits on the number of shares that can be repurchased in any given year. The Company was in compliance with the covenants throughout the quarter and at quarter end.

Financial projections are updated and reviewed regularly to reasonably ensure that financial debt covenants will not be breached in future periods. The Company monitors the covenants and foreign ownership status of the issued and outstanding voting shares and presents this information to the Board of Directors quarterly. The Company was in compliance with all the above as at March 31, 2010.

9. EARNINGS PER SHARE

(thousands)	Three months ended March 31 2010	2009
Weighted average common shares used in calculation of basic earnings per share	32,972	32,972
Incremental common shares calculated in accordance with the treasury stock method	1,098	888
Weighted average common shares used in calculation of diluted earnings per share	34,070	33,860

10. SEGMENTED INFORMATION

The Company has two reportable segments - Broadcasting and Corporate and Other. The Broadcasting segment consists of the operations of the Company's radio and television licences. This segment derives its revenue from the sale of broadcast advertising. This reportable segment is a strategic business unit that offers different services and is managed separately. The Company evaluates performance based on earnings before interest, taxes, depreciation and amortization. Corporate and Other consists of a hotel and the head office functions. Its revenue relates to hotel operations. Details of segment operations are set out below. Results from the Thunder Bay reporting unit have been excluded from 2009 figures as a result of accounting for discontinued operations as described in note 3. Beginning in 2010 other expense (income), which is primarily the results from investment holdings, was excluded from the determination of operating income (loss). The comparative information for 2009 has been adjusted to reflect this reclassification.

(thousands of dollars)	Broadcasting	Corporate and Other	Total
2010			
Revenue	$ 24,896	810	25,706
Operating expenses	18,833	2,481	21,314
Depreciation and amortization	806	70	876
Operating income (loss)	$ 5,257	(1,741)	3,516
Assets employed	$ 211,286	17,415	228,701
Broadcast licences	149,641	-	149,641
Goodwill	7,045	-	7,045
Capital expenditures	441	63	504
2009			
Revenue	$ 21,797	863	22,660
Operating expenses	18,368	2,248	20,616
Depreciation and amortization	825	76	901
Operating income (loss)	$ 2,604	(1,461)	1,143
Assets employed	$ 213,196	19,131	232,327
Broadcast licences	151,773	-	151,773
Goodwill	7,045	-	7,045
Capital expenditures	572	24	596

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