

SAGA COMMUNICATIONS INC

Form DEF 14A

April 20, 2007

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

SCHEDULE 14A

(Rule 14a-101)

Information Required in Proxy Statement
Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

SAGA COMMUNICATIONS, INC.

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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SAGA COMMUNICATIONS, INC.

**73 Kercheval Avenue
Grosse Pointe Farms, Michigan 48236**

**NOTICE OF ANNUAL MEETING
May 14, 2007**

To the Stockholders of
Saga Communications, Inc.

Notice is hereby given that the Annual Meeting of the Stockholders of Saga Communications, Inc. will be held at the Georgian Inn, 31327 Gratiot, Roseville, Michigan, on Monday, May 14, 2007, at 10:00 a.m., Eastern Daylight Time, for the following purposes:

- (1) To elect directors for the ensuing year and until their successors are elected and qualified.
- (2) To ratify the appointment of Ernst & Young LLP to serve as our independent registered public accounting firm for the year 2007; and
- (3) To transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record on March 29, 2007 will be entitled to notice of and to vote at this meeting. You are invited to attend the meeting. Whether or not you plan to attend in person, you are urged to sign and return immediately the enclosed proxy in the envelope provided. No postage is required if the envelope is mailed in the United States. The proxy is revocable and will not affect your right to vote in person if you are a stockholder of record and attend the meeting.

By Order of the Board of Directors,

MARCIA LOBAITO
Secretary

April 20, 2007

Please complete, sign and date the enclosed proxy and mail it as promptly as possible. If you attend the meeting and vote in person, the proxy will not be used.

SAGA COMMUNICATIONS, INC.

**73 Kercheval Avenue
Grosse Pointe Farms, Michigan 48236**

PROXY STATEMENT

**Annual Meeting of Stockholders
May 14, 2007**

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INTRODUCTION

This proxy statement is furnished in connection with the solicitation of proxies by Saga Communications, Inc. (the Company) on behalf of the board of directors to be used at the Annual Meeting of Stockholders to be held on May 14, 2007, and at any adjournment thereof, for the purposes set forth in the accompanying notice of such meeting. All stockholders of record of our Class A Common Stock and Class B Common Stock (collectively, the Common Stock) at the close of business on March 29, 2007, will be entitled to vote. The stock transfer books will not be closed. This proxy statement and the accompanying proxy card were first mailed to stockholders on or about April 20, 2007.

Stockholders attending the meeting may vote by ballot. However, since many stockholders may be unable to attend the meeting, the board of directors is soliciting proxies so that each stockholder at the close of business on the record date has the opportunity to vote on the proposals to be considered at the meeting.

Registered stockholders can simplify their voting and save us expense by voting by telephone or by the Internet. Telephone and Internet voting information is on the proxy card. Stockholders not voting by telephone or Internet may return the proxy card. Stockholders holding shares through a bank or broker should follow the voting instructions on the form they receive from the bank or broker. The availability of telephone and Internet voting will depend on the bank s or broker s voting process.

Any stockholder giving a proxy has the power to revoke it at any time before it is exercised by filing a later-dated proxy with us, by attending the meeting and voting in person, or by notifying us of the revocation in writing to our Chief Financial Officer at 73 Kercheval Avenue, Grosse Pointe Farms, Michigan 48236. Proxies received in time for the voting and not revoked will be voted at the Annual Meeting in accordance with the directions of the stockholder. Any proxy which fails to specify a choice with respect to any matter to be acted upon will be voted FOR the election of each nominee for director (Proposal 1), and FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2007 (Proposal 2).

The holders of a majority of the issued and outstanding shares of Common Stock entitled to vote, present in person or represented by proxy, will constitute a quorum for the transaction of business. In the absence of a quorum, the Annual Meeting may be postponed from time to time until stockholders holding the requisite amount are present or represented by proxy.

As of March 29, 2007, we had outstanding and entitled to vote 17,805,944 shares of Class A Common Stock and 2,387,762 shares of Class B Common Stock.

In the election of directors, the holders of Class A Common Stock, voting as a separate class with each share of Class A Common Stock entitled to one vote per share, elect twenty-five percent, or two, of our directors. The holders of the Common Stock, voting as a single class with each share of Class A Common Stock entitled to one vote and each share of Class B Common Stock entitled to ten votes, elect the remaining five directors. For Proposal 2, and any other matters to be voted on at the meeting, the holders of the Common Stock will vote together as a single class, with each share of Class A Common Stock entitled to one vote and each share of Class B Common Stock entitled to ten votes.

If you withhold your vote with respect to the election of the directors or abstain from voting on Proposal 2, your shares will be counted for purposes of determining a quorum. However, votes that are withheld will be excluded entirely from the vote on the election of directors and will therefore have no effect on the outcome. Abstentions on Proposal 2 will be treated as votes cast on the matter and therefore have the same effect as a vote against the proposal.

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If you own shares through a bank or broker in street name, you may instruct your bank or broker how to vote your shares. A broker non-vote occurs when you fail to provide your bank or broker with voting instructions and the bank or broker does not have the discretionary authority to vote your shares on a particular proposal because the proposal is not a routine matter under the New York Stock Exchange (NYSE) rules. A broker non-vote may also occur if your broker fails to vote your shares for any reason. The election of directors and Proposal 2 are considered routine matters under the NYSE rules, so your bank or broker will have discretionary authority to vote your shares held in street name on those items. Broker non-votes will be treated as shares present for quorum purposes.

In some instances we may deliver only one copy of this proxy statement and the 2006 Annual Report to multiple stockholders sharing a common address. If requested by phone or in writing, we will promptly provide a separate copy of the proxy statement and the 2006 Annual Report to a stockholder sharing an address with another stockholder. Requests by phone should be directed to our Chief Financial Officer at (313) 886-7070, and requests in writing should be sent to Saga Communications, Inc., Attention: Chief Financial Officer, 73 Kercheval Avenue, Grosse Pointe Farms, Michigan 48236. Stockholders sharing an address who currently receive multiple copies and wish to receive only a single copy should contact their broker or send a signed, written request to us at the address above.

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BENEFICIAL OWNERS AND MANAGEMENT**

To our knowledge, the following table sets forth certain information with respect to beneficial ownership of our Common Stock, as of March 29, 2007, for (i) our Chief Executive Officer, Chief Financial Officer and our other three most highly compensated executive officers, (ii) each of our directors, (iii) all of our current directors and executive officers as a group, and (iv) each person who we know beneficially owns more than 5% of our Common Stock. Unless otherwise indicated, the principal address of each of the stockholders below is c/o Saga Communications, Inc., 73 Kercheval Ave., Grosse Pointe Farms, MI 48236. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the SEC) and includes voting or investment power with respect to the securities. Except as indicated by footnote, each person identified in the table possesses sole voting and investment power with respect to all shares of Common Stock shown held by them. The number of shares of Common Stock outstanding used in calculating the percentage for each listed person includes shares of Common Stock underlying options held by such person that are exercisable within 60 calendar days of March 29, 2007, but excludes shares of Common Stock underlying options held by any other person. Percentage of beneficial ownership is based on the total number of shares of Class A Common Stock and Class B Common Stock outstanding as of March 29, 2007.

Name	Number of Shares		Percent of Class	
	Class A	Class B	Class A	Class B
Donald J. Alt	40,833(1)(2)	0	*	n/a
Brian W. Brady	7,872(1)	0	*	n/a
Clarke R. Brown, Jr.	7,518(1)	0	*	n/a
Samuel D. Bush	204,967(1)	0	1.1%	n/a
Edward K. Christian	6,960	2,754,116(3)	*	100%
Jonathan Firestone	24,039	0	*	n/a
Steven J. Goldstein	338,292(1)	0	1.8%	n/a
Warren S. Lada	213,316(1)	0	1.1%	n/a
Marcia K. Lobaito	111,535(1)	0	*	n/a
Robert J. Maccini	9,867(1)	0	*	n/a
Gary Stevens	12,007(1)	0	*	n/a
All directors and officers as a group (12 persons)	1,085,602(4)	2,754,116(3)	5.5%	100%
T. Rowe Price Associates, Inc.	2,371,100(5)	0	12.5%	n/a
FMR Corp.	1,809,800(6)	0	9.6%	n/a
Columbia Wanger Asset Management, L.P.	1,700,000(7)	0	9.0%	n/a
Avenir Corporation	1,225,492(8)	0	6.5%	n/a
Noonday G.P. (U.S.), L.L.C	958,500(9)		5.1%	n/a

* Less than 1%.

- (1) Includes the following shares of Class A Common Stock reserved for issuance upon exercise of stock options exercisable within 60 days of March 29, 2007: Mr. Alt, 5,115 shares; Mr. Brady, 5,340 shares; Mr. Brown, 4,542 shares; Mr. Bush, 182,522 shares; Mr. Firestone, 2,979 shares; Mr. Goldstein, 226,125 shares; Mr. Lada, 184,148 shares; Ms. Lobaito, 98,629 shares; Mr. Maccini, 2,813 shares; and Mr. Stevens, 3,000 shares. See Outstanding Equity Awards at Fiscal Year-End. Also includes the entire grant of restricted stock (Class A

Common Stock) which vests in 20% increments annually

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- (i) commencing March 1, 2006 as follows: Mr. Bush, 5,120 shares; Mr. Goldstein, 6,249 shares; Mr. Lada, 5,120 shares; and Ms. Lobaito, 2,482 shares; and (ii) commencing March 1, 2007 as follows: Mr. Bush, 11,741 shares; Mr. Goldstein, 14,329 shares; Mr. Lada, 11,741 shares; and Ms. Lobaito, 5,719 shares.
- (2) This amount includes 29,079 shares held by Mr. Alt which are pledged as security for the repayment of an outstanding loan.
- (3) Includes 366,354 shares of Class B Common Stock reserved for issuance upon exercise of stock options exercisable within 60 days of March 29, 2007. Also includes the entire grant to Mr. Christian of 9,207 shares of restricted stock (Class B Common Stock) which vest in 20% increments annually commencing March 1, 2006 and 21,231 shares of restricted stock (Class B Common Stock) which vest in 20% increments annually commencing March 1, 2007.
- (4) Includes an aggregate of 812,234 shares of Class A Common Stock reserved for issuance upon exercise of stock options exercisable within 60 days of March 29, 2007. Also includes an aggregate of 69,910 shares of restricted stock (Class A Common Stock).
- (5) According to their most recent joint Schedule 13G on file with the SEC, T. Rowe Price Associates, Inc. (Price Associates) (an investment adviser) and T. Rowe Price Small Cap Value Fund, Inc. (an investment company) have sole voting power with respect to 846,600 and 1,456,000 shares, respectively, have sole dispositive power with respect to 2,371,100 and 0 shares, respectively, and have no shared voting or dispositive power. The principal address is 100 E. Pratt Street, Baltimore, MD 21202.
- (6) According to its most recent joint Schedule 13G on file with the SEC, Fidelity Management & Research Company (Fidelity) is the beneficial owner of 1,809,800 shares as a result of acting as an investment advisor to various investment companies. The ownership of one investment company, Fidelity Low Priced Stock Fund, amounted to 1,809,800 shares. Fidelity is a wholly-owned subsidiary of FMR Corp, and members of the family of Edward D. Johnson, 3d are a controlling group with respect to FMR Corp. The principal address of FMR Corp is 82 Devonshire Street, Boston, MA 02109.
- (7) According to its most recent joint Schedule 13G on file with the SEC, Columbia Wanger Asset Management, L.P. (CWAM), has sole voting and dispositive power with respect to 1,700,000 shares held by Columbia Acorn Trust, a Massachusetts business trust, that is advised by CWAM. The principal address of CWAM is 227 West Monroe Street, Suite 3000, Chicago, IL 60606.
- (8) According to its most recent Schedule 13D on file with the SEC, Avenir Corporation, an investment adviser, has sole voting and dispositive powers with respect to 1,225,492 shares. The principal address is 1725 K Street NW, Washington, D.C. 20006.
- (9) According to its most recent Schedule 13G on file with the SEC, Noonday G.P. (U.S.), L.L.C. and Noonday Asset Management, L.P., are subinvestment advisors to certain managed accounts and to the following funds: Noonday Capital Partners, L.L.C., Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institutional Partners II, L.P., Farallon Capital Institutional Partners III, L.P., Tincum Partners, L.P. and Farallon Capital Offshore Investors II, L.P. Together, the funds and managed accounts hold 958,500 shares of Class A Common Stock which are controlled by the subinvestment advisors and various other affiliates. The address of the principal business office of each of the Noonday subinvestment advisor entities and the Noonday individual reporting persons is c/o Noonday Asset Management, L.P., 227 West Trade Street, Suite 2140, Charlotte, North Carolina 28202. The address of the principal business office of each of the Reporting Persons other than the Noonday subinvestment-advisor entities, the Noonday individual reporting

persons is c/o Farallon Capital Management, L.L.C., One Maritime Plaza, Suite 1325, San Francisco, California 94111.

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The persons named below have been nominated for election as directors at the Annual Meeting. The directors who are elected shall hold office until their respective successors shall have been duly elected and qualified. It is intended that the two persons named in the first part of the following list will be elected by the holders of Class A Common Stock voting as a separate class with each share of Class A Common Stock entitled to one vote per share, and that the five persons named in the second part of the list will be elected by the holders of the Class A Common Stock and Class B Common Stock, voting together as a single class with each share of Class A Common Stock entitled to one vote and each share of Class B Common Stock entitled to ten votes. In accordance with Delaware General Corporation Law, directors are elected by a plurality of the votes of the shares present in person or represented by proxy at the Annual Meeting. This means the director nominees receiving the highest number of FOR votes will be elected as directors.

All nominees are members of the present board of directors. Each of the nominees for director has consented to being named a nominee in this proxy statement and has agreed to serve as a director, if elected at the Annual Meeting. If, due to circumstances not now foreseen, any of the nominees named below will not be available for election, the proxies will be voted for such other person or persons as the board may select.

The Board recommends a vote FOR each of the following nominees.

Name and Age	Principal Occupation During the Past Five Years	Director Since
Directors to be elected by holders of Class A Common Stock:		
Clarke R. Brown, Jr., 66	President Radio Division of Jefferson Pilot Communications from 1993 to June 2005.	July 2004
Gary Stevens, 67	Managing Director, Gary Stevens & Co. (a media broker) since 1986. From 1977 to 1985, Mr. Stevens was CEO of the broadcast division of Doubleday & Co. From 1986 to 1988, Mr. Stevens was a Managing Director of the then Wall Street investment firm of Wertheim, Schroder & Co.	July 1995
Directors to be elected by holders of Class A and Class B Common Stock, voting together:		
Donald J. Alt, 61	Broadcasting investor, Chairman of Forever Radio Companies and Keymarket Communications since 1996 and 1999, respectively.	July 1997
Brian W. Brady, 48	President and Chief Executive Officer of Northwest Broadcasting and Eagle Creek Broadcasting since 1995 and 2002, respectively.	August 2002
Edward K. Christian, 62	President, Chief Executive Officer and Chairman of Saga Communications, Inc. and its predecessor since 1986.	March 1992
Jonathan Firestone, 62	Marketing consultant since 2000; President and Chief Executive Officer of BBDO Minneapolis and director of BBDO, North America (advertising agency) from 1988 to 1999.	December 1992

Robert J. Maccini, 48

President, Signal Ventures Associates, Inc. d/b/a
Media Services Group, Inc. (a media broker) since
1989.

March 2001

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CORPORATE GOVERNANCE

We are committed to having sound corporate governance principles. Having such principles is essential to maintaining our integrity in the marketplace and ensuring that we are managed for the long-term benefit of our stockholders. Our business affairs are conducted under the direction of our board of directors. Our board strives to ensure the success and continuity of our business through the selection of a qualified management team. It is also responsible for ensuring that our activities are conducted in a responsible and ethical manner.

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and charters for both the Finance and Audit Committee and the Compensation Committee are posted on the Investor Relations Corporate Governance page of our website at www.sagacommunications.com, and will be provided free of charge to any stockholder upon written request to our Secretary at our corporate headquarters.

We are a controlled company under the NYSE's corporate governance listing standards because more than 50% of the combined voting power of our common stock (Class A and Class B shares) is held by Edward K. Christian, our President, CEO and Chairman. Mr. Christian owns approximately 60% of the combined voting power of our common stock (Class A and Class B shares) with respect to those matters on which Class B Common stock is entitled to ten votes per share. As such, we are not required: (i) to have a majority of our directors be independent, (ii) to have our Compensation Committee be comprised solely of independent directors, and (iii) to have a Nominating/Corporate Governance Committee which is comprised solely of independent directors.

Board of Directors

Director Independence

Our board has determined that Donald Alt, Brian Brady, Clarke Brown, Jonathan Firestone, Robert Maccini and Gary Stevens, constituting a majority of the directors, are independent directors within the meaning of the rules of the NYSE and based on the board's application of the standards of independence set forth in our Corporate Governance Guidelines. The board determined that the transactions relating to Mr. Maccini described under Certain Business Relationships and Transactions with Directors and Management do not constitute a material relationship with the Company because the primary transaction occurred approximately four years ago and the amounts involved are not significant. Also, the board determined that services provided to the Company in 2006 and currently in 2007 by an entity affiliated with Mr. Maccini also involve insignificant amounts and are, therefore, not material. In addition, the board determined that the transaction relating to Mr. Stevens described under Certain Business Relationships and Transactions with Directors and Management does not constitute a material relationship with the Company because the transaction occurred approximately three years ago and the transaction did not involve the payment of fees by the Company to Mr. Stevens.

Board Meetings; Presiding Director

Our board of directors held a total of six meetings during 2006. Each incumbent director attended at least 75% of the total number of meetings of the board and any committees of the board on which he served during 2006, which were held during the period that he served. None of the directors other than Mr. Christian and Mr. Brady attended last year's annual stockholders meeting. The directors are not required to attend our annual stockholder meetings. The board has designated the chairman of the Finance and Audit Committee, Donald Alt, as the director to preside at regularly scheduled non-management executive sessions of the board.

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Communications with the Board

Stockholders and interested parties may communicate with the board of directors or any individual director by sending a letter to Saga Communications, Inc., 73 Kercheval Ave., Grosse Pointe Farms, Michigan 48236, Attn: Presiding Director (or any individual director). The Chief Financial Officer or the corporate Secretary will receive the correspondence and forward it to the presiding director or to any individual director or directors to whom the communication is directed. The Chief Financial Officer and the corporate Secretary are authorized to review, sort and summarize all communications received prior to their presentation to the presiding director or to whichever director(s) the communication is addressed. If such communications are not a proper matter for board attention, such individuals are authorized to direct such communication to the appropriate department. For example, stockholder requests for materials or information will be directed to investor relations personnel.

Corporate Governance Guidelines

Our Corporate Governance Guidelines, along with the charters of the board's committees, provide the framework under which we are governed. The Guidelines address the functions and responsibilities of our board of directors and provide a consistent set of principles for the board members and management to follow while performing their duties. The Guidelines are consistent with the corporate governance requirements of the Sarbanes-Oxley Act of 2002 and the corporate governance listing requirements of the NYSE. Our Corporate Governance Guidelines address, among other things:

- director qualification and independence standards;
- the duties and responsibilities of the board of directors and management;
- regular meetings of the independent directors;
- how persons are nominated by the board for election as directors;
- limitations on board service;
- the principles for determining director compensation;
- the organization and basic function of board committees;
- the annual compensation review of the CEO and other executive officers;
- the board's responsibility for maintaining a management succession plan;
- director access to senior management and the ability of the board and its committees to engage independent advisors; and
- the annual evaluation of the performance of the board and its committees.

Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics applies to all of our directors, officers and employees, including the Chief Executive Officer, Chief Financial Officer and Corporate Controller. The Code addresses those areas in which we

must act in accordance with law or regulation, and also establishes the responsibilities, policies and guiding principles that will assist us in our commitment to adhere to the highest ethical standards and to conduct our business with the highest level of integrity. Any amendments to the Code, as well as any waivers granted to any director or executive officer, will be disclosed on our website.

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Board Committees and Their Functions

Our board of directors has a Finance and Audit Committee and a Compensation Committee. The charters of the Finance and Audit Committee and the Compensation Committee are available on our website.

Finance and Audit Committee

The members of the Finance and Audit Committee are Messrs. Alt, Brady, Brown and Firestone. Mr. Alt is the Chairman of the Committee. The board has determined that all members of the Finance and Audit Committee are independent as required by the rules of the SEC and the listing standards of the NYSE, and has designated Mr. Alt as an audit committee financial expert as that term is defined in the SEC rules. The Finance and Audit Committee is responsible for retaining and overseeing our independent registered public accounting firm and approving the services performed by them; for overseeing our financial reporting process, accounting principles, the integrity of our financial statements, and our system of internal accounting controls; and for overseeing our internal audit function. The Committee is also responsible for overseeing our legal and regulatory compliance and ethics programs. The Finance and Audit Committee operates under the revised written charter adopted by the board of directors in March 2005. The Finance and Audit Committee held five meetings in 2006. See Finance and Audit Committee Report below.

Compensation Committee

The Compensation Committee currently consists of Messrs. Alt, Brady, Brown, and Firestone, each of whom are independent under the listing standards of the NYSE. Mr. Firestone is the Chairman of the Committee. The Committee is responsible for determining the compensation of the chief executive officer (the CEO) without management present. With respect to the compensation of the other executive officers, the CEO provides input and makes recommendations to the Committee, but the Committee decides the compensation to be paid to such executive officers. The Committee then submits a report of its determination of the compensation of the CEO and the other executive officers to the board of directors for its input.

The Compensation Committee is also responsible for administering our stock plans and our 2005 Incentive Compensation Plan (the 2005 Plan), except to the extent that such responsibilities have been retained by the board. The Compensation Committee has delegated to management certain day-to-day operational activities related to the stock and incentive compensation plans. This Committee operates pursuant to the written charter adopted by the board of directors in February 2004. The Compensation Committee held five meetings in 2006. See Compensation Committee Report below.

Director Nomination Process

The board of directors does not have a nominating committee. Rather, due to the size of the board and the board's desire to be involved in the nomination process, the board as a whole identifies and evaluates each candidate for director, and will recommend a slate of director nominees to the stockholders for election at each annual meeting of stockholders. Stockholders may recommend nominees for election as directors by writing to the corporate Secretary.

Consideration of Director Nominees

In evaluating and determining whether to recommend a person as a candidate for election as a director, the board considers the qualifications set forth in our Corporate Governance Guidelines, which

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include relevant management and/or industry experience; high personal and professional ethics, integrity and values; a commitment to representing the long-term interests of our stockholders as a whole rather than special interest groups or constituencies; independence pursuant to the guidelines set forth in the Corporate Governance Guidelines; and an ability and willingness to devote sufficient time to carrying out his or her duties and responsibilities as directors.

Identifying Director Nominees; Consideration of Nominees of the Stockholders

The board may employ a variety of methods for identifying and evaluating director nominees. The board regularly assesses the size of the board, the need for particular expertise on the board, and whether any vacancies on the board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the board considers various potential candidates for director which may come to the board's attention through current board members, professional search firms, stockholders or other persons. These candidates are evaluated at regular or special meetings of the board, and may be considered at any point during the year.

The board will consider candidates recommended by stockholders, when the nominations are properly submitted, under the criteria summarized above in Consideration of Director Nominees. The deadlines and procedures for stockholder submissions of director nominees are described below under Stockholder Proposals and Director Nominations for Annual Meetings. Following verification of the stockholder status of persons recommending candidates, the board makes an initial analysis of the qualifications of any candidate recommended by stockholders or others pursuant to the criteria summarized above to determine whether the candidate is qualified for service on the board before deciding to undertake a complete evaluation of the candidate. If any materials are provided by a stockholder or professional search firm in connection with the nomination of a director candidate, such materials are forwarded to the board as part of its review. Other than the verification of compliance with procedures and stockholder status, and the initial analysis performed by the board, a potential candidate nominated by a stockholder is treated like any other potential candidate during the review process by the board.

FINANCE AND AUDIT COMMITTEE REPORT

The information contained in this report shall not be deemed to be soliciting material or filed with the SEC or subject to the liabilities of Section 18 of the Securities and Exchange Act of 1934, as amended (the Exchange Act), except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended (the Securities Act) or the Exchange Act.

Our management is responsible for the preparation, presentation and integrity of our financial statements, the accounting and financial reporting principles, and the internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for an integrated audit of our financial statements and internal control over financial reporting. The integrated audit is designed to express an opinion on our consolidated financial statements, an opinion on management's assessment of internal control over financial reporting and an opinion on the effectiveness of internal control over financial reporting. The Committee's responsibility is generally to monitor and oversee these processes.

In the performance of its oversight function, the Committee:

Met to review and discuss our audited financial statements for the year ended December 31, 2006 with our management and our independent auditors;

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Discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as currently in effect, as adopted by the Public Company Accounting Oversight Board in Rule 3200T;

Received from the independent auditors written affirmation of their independence as required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as currently in effect, as adopted by the Public Company Accounting Oversight Board in Rule 3600T, and discussed the independent auditors' independence with them;

While the Committee has the responsibilities and powers set forth in its charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. This is the responsibility of management. The independent registered public accounting firm is responsible for planning and conducting their audits.

Based upon the review and discussions described in this report, and subject to the limitations on the role and responsibilities of the Committee referred to above and in its charter, the Committee recommended to the board that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the Securities and Exchange Commission.

Finance and Audit Committee

Donald Alt (Chair), Brian Brady, Clarke Brown and Jonathan Firestone

**PROPOSAL 2 TO RATIFY APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Finance and Audit Committee has appointed Ernst & Young LLP to be our independent auditors for the fiscal year ending December 31, 2007. Ernst & Young LLP has been our independent auditors since 1986. The Finance and Audit Committee appoints the independent auditors annually, and also reviews and pre-approves audit and permissible non-audit services performed by Ernst & Young LLP, as well as the fees paid to Ernst & Young LLP for such services.

Before appointing Ernst & Young LLP as our independent auditors to audit our books and accounts for the fiscal year ending December 31, 2007, the Finance and Audit Committee carefully considered that firm's qualifications as our independent auditors. In its review of non-audit services and its appointment of Ernst & Young LLP, the Committee also considered whether the provision of such services is compatible with maintaining Ernst & Young LLP's independence.

The board is asking the stockholders to ratify the appointment of Ernst & Young LLP. The holders of the Common Stock will vote together as a single class, with each share of Class A Common Stock entitled to one vote and each share of Class B Common Stock entitled to ten votes. In accordance with Delaware General Corporation Law the appointment will be ratified by a majority vote of the shares present in person or represented by proxy at the Annual Meeting. Although stockholder ratification of the appointment is not required, if the stockholders do not ratify the appointment, the Finance and Audit Committee will consider such vote in its decision to appoint the independent registered public accounting firm for 2008.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will be given an opportunity to make a statement if they desire to do so and will respond to appropriate questions of stockholders.

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The firm of Ernst & Young LLP has advised us that neither it nor any of its members has any direct financial interest in us as a promoter, underwriter, voting trustee, director, officer or employee.

Fees Paid to Ernst & Young LLP

The following table presents the fees paid by us for professional services rendered by Ernst & Young LLP for the fiscal years ended December 31, 2005 and 2006.

Fee Category	2005 Fees	2006 Fees
Audit fees	\$ 616,000	\$ 555,916
Audit-related fees	53,000	25,000
Tax fees	63,011	4,500
All other fees		
Total fees	\$ 732,011	\$ 585,416

Audit Fees

Audit fees were for professional services rendered and expenses related to the audit of our consolidated financial statements, audit of internal controls and reviews of the interim consolidated financial statements included in quarterly reports.

Audit-Related Fees

Audit-related fees were for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit Fees. These services include employee benefit plan audits, accounting consultations in connection with acquisitions, and consultations concerning financial accounting and reporting standards.

Tax Fees

Tax fees were professional services for federal, state and local tax compliance, tax advice and tax planning.

Policy for Pre-Approval of Audit and Non-Audit Services

The Finance and Audit Committee's policy is to pre-approve all audit services and all non-audit services that our independent auditors are permitted to perform for us under applicable federal securities regulations. As permitted by the applicable regulations, the Committee's policy utilizes a combination of specific pre-approval on a case-by-case basis of individual engagements of the independent auditor and pre-approval of certain categories of engagements up to predetermined dollar thresholds that are reviewed by the Committee. Specific pre-approval is mandatory for the annual financial statement audit engagement, among others. The Committee has delegated to the Chair of the Finance and Audit Committee the authority to approve permitted services provided that the Chair reports any decisions to the Committee at its next scheduled meeting.

The pre-approval policy was implemented effective as of May 6, 2003, as required by the applicable regulations. All engagements of the independent auditor to perform any audit services and non-audit services since that date have been pre-approved by the Committee in accordance with the pre-approval policy. The policy has not been waived in any instance.

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The Board recommends a vote FOR ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2007.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

COMPENSATION DISCUSSION AND ANALYSIS

Administration and Oversight

The Compensation Committee (under this heading, the Committee) is comprised solely of independent directors. The responsibilities of the Committee include review of our management compensation programs and approval of the compensation of our executive officers. The Committee is responsible for determining the compensation of the chief executive officer (the CEO) without management present. With respect to the compensation of the other executive officers, the CEO provides input and makes recommendations to the Committee, but the Committee decides the compensation to be paid to such executive officers. The Committee then submits a report of its determination of the compensation of the CEO and the other executive officers to the board of directors for its input.

Executive Compensation Objectives and Policies

The Committee believes that in order to maximize stockholder value, we must have a compensation program designed to attract and retain superior management at all levels in the organization. The objective of the management program is to both reward short-term performance and motivate long-term performance so that management's incentives are aligned with the interests of the stockholders. The Committee believes that management at all levels should have a meaningful equity participation in our ownership, although no specific target level of equity holdings has been established for management by the Committee.