



**“Think left and think right and think low and think high. Oh, the thinks you can think up if only you try!”**

**Dr. Seuss**

### ***A LETTER TO OUR SHAREHOLDERS***

Well, we have been doing a lot of thinking lately as we enter 2012.

First off, we started thinking about 2009, a seminal year for broadcasting that proved the axiom that “trees do not grow to the sky.” Radio, Television, and Networks were felled by the recession.

Hubris caught a lot of people, but Saga has always operated a little differently. We have always believed in protecting the value of yours and our assets. If you take care of the enterprise, it will take care of you.

Yes, we made adjustments in 2009 and continued through with them in 2010 but, with proper stewardship, survived nicely. 2011 was supposed to be the “change back year.” Unfortunately, it didn’t quite turn out that way. We saw another year of ups and downs and ups and downs. We kept thinking and thinking. It wasn’t a bad year and, in fact, it taught us that we could, indeed, operate our company in a slightly different fashion without affecting the abilities of our stations and networks to serve their communities. We learned a lot in 2009, 2010, and 2011.

In short, here is what occurred financially in 2011:

Free cash flow increased 8.2% to \$22.9 million from \$21.1 million in 2010. Gross revenue, net of political, increased 1.6% while we held our increase in station operating expense (station operating expense includes depreciation and amortization attributable to the stations) to less than 1.0%. As of December 31, 2011, the Company’s outstanding bank debt was \$69.1 million with a trailing 12 month leverage ratio calculated as a multiple of EBITDA of just slightly over 2.0%. Subsequent to the end of the year, we reduced our outstanding debt by an additional \$7.0 million.

Yes, we continued to be profitable, and we are especially proud of the fact that we were able to fully restructure with a new credit facility and a wonderful bank group that provided us with excellent terms. I would like to believe it was because we had demonstrated that we could substantially reduce our debt in a tight financial environment and still thrive with our stations and people.

Please understand it is all about our people. That’s what broadcasting is all about — not a lot of manufacturing assets, just a lot of talented and committed people. Frankly, Saga is blessed in that regard. Our people care about their communities and that is our secret sauce.

We have preached this evangel for years and, even thinking about this now, I wouldn’t change one essence of our thought – if you do compelling broadcasting, people will listen and watch. If you are able to create successful advertising campaigns for your clients, they will get results. They will be pleased and advertise more. Your profits will continue ... life is good.

In towns and cities across America, we do this daily and we are committed to selectively growing our company without changing our philosophy. We want to be top of mind awareness for media in every market in which we operate. Period. We want to be known as the most creative, the most listened to or viewed, the one with the most fun quotient, the best news, the most comprehensive weather coverage, the most community service. We embrace every superlative. It makes us hard to beat.

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In Joplin last year, we were challenged by tornadoes that devastated the community. KOAM and KFJX TV were the "go to channels" because the residents in the Four States knew that the information they received would be up to date, factual, and accurate. Moreover, in Milwaukee we were setting world records for creating, with the help of our listeners, the largest bacon sandwich in the world on behalf of our radio station WHQG, The HOG. It is information and entertainment appropriately applied. I could continue with more information, awards, contests, and entertainment that we did in 2011, for pages, but I think you get the message.

Saga is a company where we do a lot of thinking about our commitment. Thinking, after all, provides a plan for value and profit. As much as we love what we do, we need to achieve that profit level to continue. Too much fun and you fail; too little fun and you also fail. Too little thinking exhibits the same results.

What about 2012? We will do the same things that we did last year, plus enhance a little. I think the dust storms are past, but there was a lot of dust created. That dust still lies there and an unexpected storm is not out of the question.

We will continue to attract talented people to Saga because of our environment. We will also continue to have profits and they will be used judiciously. The profits can be applied to expansion, pay down of debt (but not much more as every company needs an acceptable level of debt, in our case our comfort level now is in the range of 2X EBIDTA and a tad more depending upon circumstances), and even a discussion of dividends is not out of the question.

In summary, we believe Saga is a good bet for the future. I have been at the helm for 25 years and look forward to our continuing adventures together.

I always close by asking you to visit our stations and see for yourself the talent that we have and the commitment that our people have toward their communities. Call the market manager in any of our stations, and come take a tour. I guarantee that you will understand what we have been talking about.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Christian". The signature is stylized with a large, sweeping initial "E" and "C".

Ed Christian  
President/CEO