

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SALEM COMMUNICATIONS CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	4832 (PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	77-0121400 (I.R.S. EMPLOYER IDENTIFICATION NO.)
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4880 SANTA ROSA ROAD
SUITE 300
CAMARILLO, CALIFORNIA 93012
(805) 987-0400
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF REGISTRANT'S AND CO-REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

JONATHAN L. BLOCK, ESQ.
SALEM COMMUNICATIONS CORPORATION
4880 SANTA ROSA ROAD
SUITE 300
CAMARILLO, CALIFORNIA 93012
(805) 987-0400
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

WITH COPIES TO:

THOMAS D. MAGILL, ESQ.
GIBSON, DUNN & CRUTCHER LLP
4 PARK PLAZA, SUITE 1400
IRVINE, CALIFORNIA 92614
(949) 451-3800

PETER J. LOUGHRAN, ESQ.
DEBEVOISE & PLIMPTON
875 THIRD AVENUE
NEW YORK, NEW YORK 10022
(212) 909-6000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. []

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(a), MAY DETERMINE.

=====

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION JUNE 25, 1999

[SALEM LOGO]

7,500,000 SHARES

CLASS A COMMON STOCK

THIS IS SALEM'S INITIAL PUBLIC OFFERING. WE ARE OFFERING 6,000,000 SHARES OF CLASS A COMMON STOCK AND THE SELLING STOCKHOLDERS OF SALEM ARE OFFERING 1,500,000 SHARES OF CLASS A COMMON STOCK.

WE EXPECT THE PUBLIC OFFERING PRICE TO BE BETWEEN \$19.00 AND \$21.00 PER SHARE. THE CLASS A COMMON STOCK HAS BEEN APPROVED FOR QUOTATION ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL "SALM."

Investing in our Class A common stock involves risks which are described in the "Risk Factors" section beginning on page 8 of this prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>
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	PRICE TO PUBLIC	UNDERWRITING DISCOUNT	PROCEEDS, BEFORE EXPENSES, TO SALEM	PROCEEDS, BEFORE EXPENSES, TO SELLING STOCKHOLDERS
<S> PER SHARE	<C> \$	<C> \$	<C> \$	<C> \$
TOTAL	\$	\$	\$	\$

</TABLE>

THE UNDERWRITERS MAY ALSO PURCHASE FROM THE SELLING STOCKHOLDERS UP TO AN ADDITIONAL 1,125,000 SHARES OF CLASS A COMMON STOCK WITHIN 30 DAYS FROM THE DATE OF THIS PROSPECTUS TO COVER OVER-ALLOTMENTS.

Joint Lead Managers and Joint Bookrunners

Deutsche Banc Alex. Brown

ING Barings

Salomon Smith Barney

THE DATE OF THIS PROSPECTUS IS _____, 1999.

INSIDE FRONT COVER: A depiction of the names and logos of Salem Communications Corporation, Salem Radio Network, Salem Radio Representatives, OnePlace, Ltd. and CCM Communications, Inc.

GATEFOLD: Map of the United States depicting states in which Salem's radio stations and network operations are located. A listing of Salem's radio stations and network operations is also presented.

INSIDE BACK COVER: A depiction of the names and logos of Salem's non-radio businesses, OnePlace, Ltd. and CCM Communications, Inc.

SUMMARY

In addition to this summary of the more detailed information appearing elsewhere in this prospectus, you should read the entire prospectus carefully, including the risk factors and consolidated financial statements and related notes. All information in this prospectus assumes the underwriters will not exercise their over-allotment option, unless otherwise stated. In addition, unless otherwise stated, we have adjusted all references in this prospectus to shares and per share data to reflect a 67-for-one stock dividend on Salem's Class A and Class B common stock declared on May 26, 1999. In this prospectus, "Salem," "we," "us" and "our" refer to Salem Communications Corporation and its subsidiaries (but not to the underwriters listed in this prospectus), unless the context otherwise requires.

SALEM

We are the largest U.S. radio broadcasting company providing programming targeted at audiences interested in religious and family issues. Our core business is the ownership and operation of radio stations in large metropolitan markets. After we complete our pending transactions, we will own 52 radio stations, including 34 stations which broadcast to 19 of the top 25 markets. We also operate Salem Radio Network(R), a national radio network offering syndicated talk, news and music programming to over 1,100 affiliated radio stations.

Our primary strategy has been, and will continue to be, to acquire and operate radio stations in large metropolitan markets. We either acquire general format radio stations and reformat them or acquire radio stations already broadcasting in a religious and family issues format. Traditionally, we have programmed acquired stations with our primary format, talk programming with religious and family themes. This format generally features nationally syndicated and local programs produced by organizations that purchase block program time on our radio stations. We have expanded our acquisition strategy in recent years by acquiring additional radio stations in markets in which we already have a presence. We program these radio stations to feature news/talk and religious music formats that complement our primary format. Salem Radio Network(R) supports our strategy by enabling us to offer a variety of program content on newly acquired radio stations in both new and existing markets.

Our founders, Salem's current CEO and chairman, are career radio broadcasters who have owned and operated radio stations with religious and family issues formats for the last 25 years. As Salem has grown, we have recruited managers with strong radio backgrounds and a commitment to our format. Our senior managers have an average of 25 years of industry experience and nine years with Salem.

Our financial results demonstrate management's successful implementation of our acquisition and operating strategies:

- Our net broadcasting revenue increased 14.7% from 1997 to 1998 and grew at a compound annual rate of 19.2% from 1994 to 1998.
- Our broadcast cash flow increased 25.1% from 1997 to 1998 and grew at a compound annual rate of 21.2% from 1994 to 1998.
- On a "same station" basis, our net broadcasting revenue improved 12.7% from 1997 to 1998 and our broadcast cash flow increased 21.4% from 1997 to 1998.

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We continue to seek new ways to expand and integrate our distribution and content capabilities. We recently acquired publishing, Internet and information technology businesses that direct their content to persons with interests similar to those of our targeted radio audience. We plan to use these businesses, together with our radio stations and national radio network, to attract and retain a larger audience and customer base.

OUR AUDIENCE

We are committed to serving our target audience, the segment of the population interested in religious and family issues. We believe this audience is large and will continue to expand.

- Religious formats constitute the third largest radio format in the U.S. after country and news/talk/business/sports formats, as of November 1998 (The M Street Journal).
- Over the last ten years, the number of radio stations identified as having primarily a religious format has increased by 79% to 1,785 (The M Street Journal).
- From 1997 to 1998, listeners to religious format radio increased by 1.3 million adults to 27.9 million weekly listeners (Religion & Media Monthly).

- The Christian retail industry had \$3 billion in sales in 1998 (Christian Booksellers Association).
- Sales of Christian music grew an average of 17% each year from 1989 to 1998 (The Recording Industry Association of America).

GROWTH AND OPERATING STRATEGIES

Continue to Focus on Targeted Audience. We attribute our success largely to a consistent emphasis on reaching the audience interested in religious and family issues. We have demonstrated a long-term commitment to this audience by operating radio stations with formats directed to our listeners' specific needs and interests. This consistent focus and commitment builds loyalty and trust from our listening audience, block program purchasers and advertisers.

Pursue Strategic Radio Acquisitions in Large Markets. We intend to pursue acquisitions of radio stations in both new and existing markets, particularly in large metropolitan areas. Because we believe our presence in large markets makes us attractive to national block programmers and national advertisers, we will continue to pursue acquisitions of radio stations in selected top 50 markets where we currently do not have a presence. In addition, we will explore opportunities to acquire additional radio stations in our current markets, which we will program with news/talk and religious music formats. Through our acquisition strategy, we reach a greater number and broader range of listeners. This enables us to increase audience response for block program customers and expand our advertising revenue base. In addition, our ownership of multiple radio stations in the same market enables us to achieve cost savings by consolidating operations.

Emphasize Compelling Program Content. As more listening, reading and viewing options become available to consumers, compelling program content will be a prerequisite for expanding our listening audience and increasing audience response to block

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programmers and advertisers. We continually look for new block program producers. We provide advice to both prospective and existing block program customers on program content and structure, staffing, engineering and programming delivery options. Our national radio network will continue to compete aggressively for talk show talent that will be attractive to affiliates, expand and refine our music formats, and develop compelling news and public affairs features. In addition, our newly acquired publishing, Internet and information technology businesses will develop creative content offerings.

Build Station Identity. We seek to build local station identity for each of our radio stations in order to retain and increase its listening audience, expand its base of advertisers and provide increased audience response to our block program customers. We emphasize the development of a radio station's identity to allow each radio station to better compete against general format radio stations through improvement of production quality and technical facilities and the development of local on-air personalities.

Integrate Media Assets. We began to develop integrated media assets to complement the distribution capabilities of our radio stations when we created our radio network. Our ability to control both content and distribution enables us to expand and better serve our listening audience, as well as our advertising and block program customers. We plan to continue to implement this strategy and apply it to our newly acquired publishing, Internet and information technology businesses. We will also opportunistically pursue acquisitions of new media and other businesses that serve our audience. We intend to develop cross-promotion and cross-selling programs on each of our radio, magazine and Internet media to attract new audiences for our radio stations, new readers for our magazines and new customers for our Internet products and services.

RECENT DEVELOPMENTS

RADIO

In April 1999, we entered into letters of intent to purchase KAIM-AM, KAIM-FM, KGU-AM and KHNR-AM Honolulu, Hawaii for a total purchase price of \$3.4 million.

In April 1999, we entered into a letter of intent to purchase WLSY-FM and WRVI-FM, Louisville, Kentucky, for a total purchase price of \$5.0 million.

In April 1999, we entered into an agreement to purchase KGME-AM, Phoenix, Arizona, for \$5.0 million. This radio station currently operates under the call letters KFDJ-AM and will be renamed KCTK-AM after closing.

In April 1999, we purchased KKOL-AM, Seattle, Washington, for \$1.4 million from a corporation owned by our principal stockholders. We have been operating this station pursuant to a local marketing agreement since June 1997.

In October 1998, we purchased KTEK-AM, Houston, Texas, and KYCR-AM, Minneapolis, Minnesota, for a total purchase price of \$2.6 million, retained the

stations' religious talk formats and combined their operations with our other Houston and Minneapolis radio stations, respectively.

In August 1998, we purchased KIEV-AM, Los Angeles, California, for \$33.2 million, retained its news/talk format and added programming from our network. The operations of KIEV-AM have been combined with our other Los Angeles radio stations.

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In August 1998, we purchased KKMO-AM, Seattle-Tacoma, Washington, for \$500,000, reformatted the station to a religious talk format and combined the station's operations with our other Seattle radio stations.

In August 1998, we entered into an agreement with XM Satellite Radio, Inc. to develop, produce, supply and market on an exclusive basis religious and family issues audio programming which will be distributed by a subscriber-based satellite digital audio radio service. XM Satellite Radio, Inc., one of two Federal Communications Commission licensees for this service, will have the capability of providing up to 100 channels of audio programming. XM Satellite Radio expects its service to commence in 2000. We have agreed to provide religious and family issues talk programming on one channel and youth and adult religious music programming on two additional channels.

OTHER MEDIA

In January 1999, we purchased the assets of OnePlace, LLC for \$6.2 million. OnePlace(TM), based in Greensboro, North Carolina, provides Internet e-commerce, search engines, consumer profiling and other information technologies to the Christian products industry. OnePlace(TM) also creates information databases and publishes software applications, including management software for churches and GuardiaNet(TM), an Internet-based Web filtering system.

In January 1999, we purchased CCM Communications, Inc. for \$1.9 million. CCM, based in Nashville, Tennessee, has published magazines since 1978 which follow the Christian music industry. CCM's flagship publication, CCM Magazine, is a monthly music magazine offering interviews with artists, issue-oriented features, album reviews and concert schedules. CCM also publishes Christian Research Report, the leading trade publication providing rating information to contemporary Christian music formatted radio stations, and CCM Update, a trade publication providing rating information to contemporary Christian music producers and retailers. With the combination of these CCM publications, we are uniquely positioned to track contemporary Christian music audience trends.

We are a Delaware corporation. Our principal executive offices are located at 4880 Santa Rosa Road, Suite 300, Camarillo, CA 93012, and our telephone number is (805) 987-0400.

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THE OFFERING

Class A common stock offered
by:

Salem.....	6,000,000 shares
Selling stockholders.....	1,500,000 shares
Total.....	7,500,000 shares

Common stock outstanding after
the offering:

Class A common stock.....	17,182,392 shares
Class B common stock.....	5,553,696 shares

Over-allotment option..... 1,125,000 shares

Use of proceeds..... We intend to use the estimated net proceeds to Salem of \$111.3 million as follows:

- to redeem a portion of our senior subordinated notes,
- to repay all indebtedness outstanding under our credit facility, and
- for general corporate purposes, including acquisitions and working capital requirements.

We will not receive any proceeds from the sale by the selling stockholders of shares of Class A common stock.

Voting rights..... - Holders of Class A common stock are entitled to one vote per share and holders of Class B common stock are entitled to ten votes per share, except for specified related party transactions. See "Description of Capital Stock -- Common Stock."

- Holders of Class A common stock and Class B common stock vote together as a single class on all matters submitted to a vote of stockholders, except that holders of Class A common stock vote separately for two independent directors.

- Existing stockholders hold all of the shares of Class B common stock and, after this offering, will own shares having approximately 90% of the combined votes of Salem's Class A and Class B common stock.

Risk Factors..... See "Risk Factors" for a discussion of factors you should carefully consider before deciding to invest in the shares of Class A common stock.

Nasdaq National Market

symbol..... "SALM"
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SUMMARY CONSOLIDATED FINANCIAL INFORMATION

You should read the following summary financial information together with Salem's consolidated financial statements and related notes, "Selected Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus. Our financial results are not comparable from period to period because of our acquisition and disposition of radio stations and our acquisition of other media businesses.

<TABLE>
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THREE MONTHS

ENDED

MARCH 31

YEAR ENDED DECEMBER 31

	1994	1995	1996	1997	1998	1998
1999						
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA AND RATIOS)						
STATEMENT OF OPERATIONS DATA:						
Net broadcasting revenue.....	\$ 38,575	\$ 48,168	\$ 59,010	\$ 67,912	\$ 77,891	\$ 17,702
\$ 20,425						
Other media revenue.....	--	--	--	--	--	-
- 1,095						
Total revenue.....	38,575	48,168	59,010	67,912	77,891	17,702
21,520						
Operating expenses:						
Broadcasting operating expenses.....	22,179	27,527	33,463	39,626	42,526	9,930
11,379						
Other media operating expenses.....	--	--	--	--	--	-
- 1,298						
Corporate expenses.....	3,292	3,799	4,663	6,210	7,395	1,503
1,796						
Tax reimbursements to S corporation shareholders(1).....	977	2,057	2,038	1,780	--	--
--						
Depreciation and amortization.....	7,633	7,884	8,394	12,803	14,058	3,337
4,111						
Total operating expenses.....	34,081	41,267	48,558	60,419	63,979	14,770
18,584						

--							
Net operating income.....	4,494	6,901	10,452	7,493	13,912	2,932	
2,936							
Other income (expense):							
Interest income.....	230	319	523	230	291	103	
25							
Gain (loss) on disposal of assets.....	(482)	(7)	16,064	4,285	236		
(22)							
Interest expense.....	(3,668)	(6,646)	(7,361)	(12,706)	(15,941)	(3,772)	
(4,375)							
Other expense.....	(135)	(255)	(270)	(389)	(422)		
(105)	(120)						
--							
Total other income (expense).....	(4,055)	(6,589)	8,956	(8,580)	(15,836)	(3,796)	
(4,470)							
--							
Income (loss) before income taxes and extraordinary item.....	439	312	19,408	(1,087)	(1,924)		
(864)	(1,534)						
Provision (benefit) for income taxes...	(247)	(204)	6,655	106	(343)		
(290)	(226)						
--							
Income (loss) before extraordinary item.....	686	516	12,753	(1,193)	(1,581)		
(574)	(1,308)						
Extraordinary loss(2).....	--	(394)	--	(1,185)	--	--	
--							
Net income (loss).....	\$ 686	\$ 122	\$ 12,753	\$ (2,378)	\$ (1,581)	\$	
(574)	\$ (1,308)						
=====							
Pro forma net income (loss)(1).....	\$ 848	\$ 1,024	\$ 12,838	\$ (770)			
=====							
Basic and diluted income (loss) per share before extraordinary item.....	\$ 0.04	\$ 0.03	\$ 0.77	\$ (0.07)	\$ (0.09)	\$	
(0.03)	\$ (0.08)						
=====							
Basic and diluted net income (loss) per share(3).....	\$ 0.04	\$ 0.01	\$ 0.77	\$ (0.14)	\$ (0.09)	\$	
(0.03)	\$ (0.08)						
=====							
Pro forma basic and diluted income (loss) per share before extraordinary item.....	\$ 0.05	\$ 0.09	\$ 0.77	\$ 0.02			
=====							
Pro forma basic and diluted net income (loss) per share.....	\$ 0.05	\$ 0.06	\$ 0.77	\$ (0.05)			
=====							
Basic and diluted weighted average shares outstanding(3).....	16,661,088	16,661,088	16,661,088	16,661,088	16,661,088	16,661,088	
16,661,088							
=====							
OTHER DATA:							
Broadcast cash flow(4).....	\$ 16,396	\$ 20,641	\$ 25,547	\$ 28,286	\$ 35,365	\$ 7,772	
\$ 9,046							
Broadcast cash flow margin(5).....	42.5%	42.9%	43.3%	41.7%	45.4%		
43.9%	44.3%						
EBITDA(4).....	\$ 13,104	\$ 16,842	\$ 20,884	\$ 22,076	\$ 27,970	\$ 6,269	
\$ 7,047							
After-tax cash flow(4).....	8,770	9,306	11,594	10,647	12,335	2,776	
2,803							
Cash flows related to:							
Operating activities.....	\$ 7,482	\$ 7,681	\$ 10,495	\$ 7,314	\$ 11,015	\$	
(519)	\$ (1,255)						
Investing activities.....	(18,806)	(27,681)	(18,923)	(26,326)	(31,762)	(1,935)	
(10,023)							
Financing activities.....	11,827	19,227	9,383	18,695	21,019	2,248	
11,398							
ADJUSTED STATEMENT OF OPERATIONS AND OTHER DATA(6):							
Interest expense.....					\$ (9,939)		
\$ (2,534)							
Net income (loss).....					2,167		
(43)							
Basic and diluted net income (loss) per share(7).....					0.10		

(0.00)	
After-tax cash flow(4).....	\$ 16,083
\$ 4,068	
Basic and diluted after-tax cash flow per share(4) (7).....	0.71
0.18	
Basic and diluted weighted average shares outstanding(7).....	22,736,088
22,736,088	

</TABLE>

(footnotes

on following page)

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<TABLE>
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	AS OF MARCH 31, 1999	
	ACTUAL	AS ADJUSTED (6)
	-----	-----
<S>	<C>	<C>
BALANCE SHEET DATA:		
Cash and cash equivalents.....	\$ 2,037	\$ 19,592
Total assets.....	219,397	235,444
Long-term debt and capital lease obligations, less current portions.....	187,840	100,290
Stockholders' equity.....	7,793	115,071

</TABLE>

- (1) Tax reimbursements to S corporation shareholders represent the income tax liabilities of our principal stockholders created by the income of New Inspiration and Golden Gate, which were both S corporations prior to our August 1997 reorganization. Pro forma net income (loss) excludes tax reimbursements to S corporation shareholders and includes a pro forma tax provision at an estimated combined federal and state income tax rate of 40% as if the reorganization had occurred at the beginning of each period presented. In August 1997, New Inspiration and Golden Gate became wholly-owned subsidiaries of Salem. From this date, pretax income of New Inspiration and Golden Gate is included in our computation of the income tax provision included in our consolidated statements of operations. See "Selected Consolidated Financial Information" and notes 1 and 6 to our consolidated financial statements.
- (2) The extraordinary loss in each of 1995 and 1997 relates to the write-off of deferred financing costs and termination fees related to the repayment of long-term debt. See note 4 to our consolidated financial statements.
- (3) See note 1 to our consolidated financial statements.
- (4) We define broadcast cash flow as net operating income, excluding other media revenue and other media operating expenses, before depreciation and amortization and corporate expenses. We define EBITDA as net operating income before depreciation and amortization. We define after-tax cash flow as income (loss) before extraordinary item minus gain (loss) on disposal of assets (net of income tax) plus depreciation and amortization. For periods prior to 1998, broadcast cash flow and EBITDA are calculated using net operating income before tax reimbursements to S corporation shareholders. For periods prior to 1998, after-tax cash flow excludes tax reimbursements to S corporation shareholders and includes a pro forma tax provision at an estimated combined federal and state income tax rate of 40% as if the reorganization had occurred at the beginning of each period presented.

Although broadcast cash flow, EBITDA and after-tax cash flow are not measures of performance calculated in accordance with generally accepted accounting principles, we believe that they are useful to an investor in evaluating Salem because they are measures widely used in the radio broadcast industry to evaluate a radio company's operating performance. However, you should not consider broadcast cash flow, EBITDA and after-tax cash flow in isolation or as substitutes for net income, cash flows from operating activities and other statement of operations or cash flows data prepared in accordance with generally accepted accounting principles as a measure of liquidity or profitability. These measures are not necessarily comparable to similarly titled measures employed by other companies.
- (5) Broadcast cash flow margin is broadcast cash flow as a percentage of net broadcasting revenue.
- (6) The adjusted data give effect to the offering and the application of the net proceeds of the offering to redeem \$50 million in principal amount of our senior subordinated notes and to repay all amounts outstanding under our credit facility (\$36.8 million as of March 31, 1999), including amounts borrowed in April 1999 under our credit facility to repay our unsecured note to stockholder (\$800,000 as of March 31, 1999), as if the offering and the application of the net proceeds had occurred as of January 1, 1998 in the

case of the adjusted statement of operations data and March 31, 1999 in the case of the adjusted balance sheet data. The adjusted statement of operations data include a reduction in interest expense of \$6.0 million for 1998 and \$1.8 million for the quarter ended March 31, 1999 and related increases in income tax expense of \$2.3 million for 1998 and \$576,000 for the quarter ended March 31, 1999. We will record a redemption premium (\$4.8 million) and a write-off of a portion of unamortized bond issue costs as an extraordinary loss on the early extinguishment of debt in the period when the senior subordinated notes are redeemed. We will also record a charge of \$1.5 million plus an amount for the individual federal and state income tax effects for an officer who was awarded 75,000 shares of Class A common stock in May 1999. The adjusted statement of operations data excludes the extraordinary loss and the charge associated with the stock award since these will be non-recurring charges. The adjusted balance sheet data reflect the estimated cash and equity effects of the extraordinary loss and the stock award.

- (7) Based on the weighted average number of shares of Class A common stock and Class B common stock outstanding for all periods presented, including the number of shares of Class A common stock to be issued and sold by Salem in the offering and 75,000 shares of Class A common stock issued in May 1999 to an officer of Salem, assuming the offering and the stock award had occurred as of January 1, 1998.

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RISK FACTORS

In addition to the other information in this prospectus, you should carefully consider the following factors in evaluating Salem and our business before purchasing shares of Class A common stock.

OUR RESULTS DEPEND SIGNIFICANTLY UPON THE SUCCESS OF THE RELIGIOUS AND FAMILY ISSUES FORMAT

We are committed to a broadcasting format emphasizing religious and family issues. Our results of operations therefore depend significantly upon:

- the success of religious and family issues formats,
- the continued positive listener response to our block program and advertising customers,
- the financial success of the organizations purchasing block program time and advertising on our radio stations, and
- the financial success of affiliated radio stations that feature programming from Salem Radio Network(R).

We may not pursue potentially more profitable business opportunities outside of our religious and family issues format. For example, we may not switch to other formats in response to changing audience preferences.

OUR STRATEGY TO GROW THROUGH ACQUISITIONS INVOLVES NUMEROUS RISKS

We intend to continue our acquisition strategy by acquiring radio stations in new and existing markets, as well as by expanding into other media and acquiring businesses that share our commitment to serving our targeted audience. Our acquisition strategy involves numerous risks:

- We may be unable to generate cash flow from reformatted radio stations as effectively as we have in the past or in amounts sufficient to offset associated acquisition costs.
- Our management may be unable to manage a larger organization or may be unable to effectively assimilate newly acquired radio stations into our organization.
- We may be unable to identify attractive radio station acquisition opportunities, or may be forced to pay higher prices, due to increased competition with other buyers in the rapidly consolidating radio broadcasting industry. General format broadcast companies may be able to outbid us because they may have greater financial resources or can justify paying higher prices for radio stations broadcasting in their desired format or otherwise meeting their acquisition strategies.
- We may be unable to obtain additional financing on terms that are both acceptable to our management and in compliance with covenants in our credit facility or senior subordinated notes.
- Our core group of national block program customers, which have historically accounted for a substantial portion of our revenue, may not be willing to support our further expansion into new markets due in part to:
 - their high initial costs required to create a listener base in a new

market capable of generating revenue sufficient to cover programming costs, and

- their pre-existing relationships with other radio stations in these markets.

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- We may not be able to acquire new media and other businesses that we identify as important to our strategy, and may be unable to successfully integrate acquisitions of these businesses into our organization.

Our inability to successfully implement our acquisition strategy could have a material adverse effect on our business and results of operations.

THE HIGHLY COMPETITIVE NATURE OF THE RADIO BROADCAST INDUSTRY COULD NEGATIVELY IMPACT OUR BUSINESS

The radio broadcasting industry, including the religious format segment of this industry, is highly competitive. The financial success of each of our radio stations that features talk programming is dependent, to a significant degree, upon our ability to generate revenue from the sale of block program time to national and local religious organizations. We compete for this program revenue with a number of commercial and non-commercial radio stations. Due to the significant competition for this block programming, we cannot be sure that we will be able to maintain or increase our current block programming revenue.

In the advertising market, we compete for revenue with other commercial religious format and general format radio stations, as well as with other media, including broadcast and cable television, newspapers, magazines, direct mail and billboard advertising. Due to this significant competition, we cannot be sure that we will be able to maintain or increase our current advertising revenue.

In addition to the competition faced by our radio stations, Salem Radio Network(R) faces competition from other providers of radio program content, including commercial radio networks that offer news and talk programming to religious format radio stations and non-commercial networks that offer religious music formats. Our network also competes with other radio networks and individual radio stations for the services of talk show personalities. Competition from existing and new radio networks may limit the growth and profitability of our network.

INDUSTRY COMPETITION MAY INCREASE DUE TO NEW TECHNOLOGIES AND SERVICES

Radio broadcasting is subject to competition from new media technologies and services that are being developed or introduced. These include delivery of audio programming by cable television, satellite, digital audio radio services, the Internet, personal communications services and the proposed authorization by the FCC of a new service of low powered, limited coverage FM radio stations. We cannot predict the effect that any of this new technology may have on our business or the radio broadcasting industry.

DECLINES IN THE LOS ANGELES OR NEW YORK MARKETS COULD NEGATIVELY IMPACT OUR BUSINESS

Broadcast cash flow from our radio stations in Los Angeles and New York, our two largest markets, accounted for 21% and 17%, respectively, of our broadcast cash flow in 1998. Stations in Los Angeles and New York accounted for 22% and 16%, respectively, of our broadcast cash flow for the quarter ended March 31, 1999. A significant decline in broadcast cash flow from radio stations in these two markets could have a material adverse effect on our financial results. Adverse economic events or conditions that affect the Los Angeles or New York markets could have a material adverse effect on our financial results

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by, for example, causing our advertising customers in these markets to reduce their expenditures for advertising.

LOSS OF KEY EXECUTIVES COULD NEGATIVELY IMPACT OUR BUSINESS

Our business is dependent upon the performance and continued efforts of certain key individuals, particularly Edward G. Atsinger III, our President and Chief Executive Officer; Stuart W. Epperson, our Chairman of the Board; and Eric H. Halvorson, our Chief Operating Officer, Executive Vice President and General Counsel. The loss of the services of any of Messrs. Atsinger, Epperson or Halvorson could have a material adverse effect upon Salem. We have entered into employment agreements with each of Messrs. Atsinger, Epperson and Halvorson. Messrs. Atsinger and Epperson's agreements expire in July 2001; Mr. Halvorson's agreement expires in December 2003. Mr. Epperson has radio interests outside of Salem that will continue to impose demands on his time. See "Transactions Involving Officers, Directors and Principal Stockholders -- Radio Stations Owned By the Eppersons."

WE HAVE A HISTORY OF NET LOSSES AND MAY EXPERIENCE FUTURE LOSSES

During 1997 and 1998, we incurred net losses of \$2.4 million and \$1.6 million, respectively. We incurred a net loss of \$1.3 million for the quarter ended March 31, 1999, compared to a net loss of \$574,000 for the same quarter of the prior year. The losses resulted primarily from interest expense and depreciation and amortization expense associated with acquisitions, as well as ongoing expenses related to the process of reformatting radio stations. We may continue to experience losses while we pursue our acquisition strategy and proceed through the process of reformatting acquired radio stations. In the first quarter of 1999, our newly acquired publishing, Internet and information technology businesses incurred a net operating loss of \$398,000. We cannot be sure that our newly acquired publishing, Internet and information technology businesses will be profitable.

GOVERNMENT REGULATION OF THE BROADCASTING INDUSTRY MAY NEGATIVELY IMPACT OUR BUSINESS

Our operations are subject to extensive and changing governmental regulations and policies and actions of federal regulatory bodies, including the Department of Justice, the Federal Trade Commission and the Federal Communications Commission. We operate each of our radio stations pursuant to one or more FCC broadcasting licenses. As each license expires, we apply for renewal of the license. However, we cannot be sure that any of our licenses will be renewed, and renewal is subject to challenge by third-parties or to rejection by the FCC. The Communications Act of 1934 and FCC rules and policies require FCC approval for transfers of control of, and assignments of, FCC licenses. Were a complaint to be filed against Salem or other FCC licensees involved in a transaction with us, the FCC could delay the grant of, or refuse to grant, its consent to an assignment or transfer of control of licenses.

Further, the FTC and the DOJ evaluate transactions to determine whether those transactions should be challenged under federal antitrust laws. We are aware that the FTC and the DOJ have been increasingly active in their review of radio station acquisitions. This is particularly the case when a radio broadcast company proposes to acquire additional stations in its existing markets. We cannot be sure that the DOJ or the FTC will not seek to prohibit or require the restructuring of our future acquisitions.

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WE DO NOT INTEND TO PAY CASH DIVIDENDS

We do not expect to declare or pay any cash dividends in the near future. We are a holding company and derive substantially all of our operating income from our subsidiaries. Should we change our policy of not paying dividends, our sole source of cash from which to make dividend payments will be dividends paid or payments made to us by our subsidiaries, which may be restricted in their ability to pay cash to Salem. Our ability to pay dividends is also restricted by our credit facility and senior subordinated notes.

EXISTING STOCKHOLDERS HAVE THE ABILITY TO CONTROL MATTERS ON WHICH SALEM'S STOCKHOLDERS MAY VOTE

Upon completion of the offering, Edward G. Atsinger III, Stuart W. Epperson and Nancy A. Epperson will own or control approximately 90% of the combined votes of the Class A and Class B common stock. If the underwriters' over-allotment option is exercised in full, they will own or control approximately 88% of the combined votes of the Class A and Class B common stock. Accordingly, Messrs. Atsinger and Epperson and Mrs. Epperson will control the vote on all matters submitted to a vote of the holders of Salem's common stock, except with respect to the election of two independent directors. See "Description of Capital Stock -- Common Stock." Control by Messrs. Atsinger and Epperson and Mrs. Epperson may have the effect of preventing or discouraging transactions involving an actual or a potential change of control of Salem. This may include transactions in which the holders of Class A common stock might otherwise receive a premium for their shares over then-current market prices.

PROVISIONS OF OUR CERTIFICATE OF INCORPORATION, BYLAWS AND APPLICABLE LAW COULD PREVENT OR DELAY A CHANGE IN CONTROL

Provisions of our certificate of incorporation, our bylaws and Delaware and federal law may have the effect of discouraging a third party from making an acquisition proposal for Salem. This may inhibit a transaction in which the holders of Class A common stock might otherwise receive a premium for their shares over then-current market prices. Such provisions include:

- Salem's certificate of incorporation and bylaws require: advance notice for stockholder proposals and director nominations to be considered at a meeting of stockholders; prohibit stockholders from calling special meetings; prohibit stockholder actions by written consent instead of at a meeting; and authorize the board of directors to issue preferred stock and to determine the terms of this preferred stock without stockholder approval.
- A provision of Delaware corporation law could prohibit us from engaging

in a business transaction with any interested stockholder, as defined in the Delaware corporation law, for three years.

- The Communications Act and FCC rules require the prior consent of the FCC to any change of control of Salem and restrict ownership by non-U.S. persons.

SALES OF SIGNIFICANT AMOUNTS OF CLASS A COMMON STOCK COULD DEPRESS ITS MARKET PRICE

Sales of a substantial number of shares of Class A common stock in the public market following this offering, or the perception that these sales could occur, could depress the market price for the Class A common stock by introducing a large number of sellers or potential sellers to the market. Following the offering, we will have outstanding

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17,182,392 shares of Class A common stock and 5,553,696 shares of Class B common stock. The 7,500,000 shares of Class A common stock sold in the offering will be freely transferable without restriction under the Securities Act by persons other than our affiliates. The remaining 9,682,392 shares of Class A common stock and all shares of Class B common stock are held by affiliates of Salem and are subject to restrictions on public sale under the Securities Act. Salem, its directors and executive officers, and all existing stockholders are subject to "lock-up" agreements under which they have agreed not to sell or otherwise dispose of any shares of Salem common stock for a period of 180 days after the date of this prospectus without the prior written consent of Deutsche Bank Securities Inc. and ING Barings LLC. Because of these restrictions, on the date of this prospectus, no shares other than those shares of Class A common stock offered by this prospectus will be eligible for sale. When the lock-up period expires, substantially all of the shares held by our affiliates will be eligible for sale in the public market, subject to compliance with the manner-of-sale, volume and other limitations of Rule 144.

INVESTORS WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL DILUTION

The initial offering price is expected to be substantially higher than the net tangible book value of each share of outstanding common stock. Purchasers of Class A common stock in the offering will experience immediate and substantial dilution. The dilution will be \$21.32 per share in the net tangible book value of Class A common stock from the expected initial public offering price.

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "intend," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue" or the negative of such terms or other comparable terminology.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our and the radio broadcast industry's actual results, levels of activity, performance, achievements and prospects to be materially different from those expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include those identified under "Risk Factors" in this prospectus.

We are under no duty to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this prospectus. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

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USE OF PROCEEDS

We will receive estimated net proceeds of \$111.3 million from the sale of shares of Class A common stock in the offering, based on an assumed initial public offering price of \$20.00 per share (the midpoint of the range set forth on the cover page of this prospectus) and after deducting underwriting discounts and estimated offering expenses. We will not receive any proceeds from the sale of Class A common stock by the selling stockholders. We expect to use the net proceeds of this offering to:

- Redeem \$50 million principal amount of our 9 1/2% senior subordinated notes due 2007, approximately 30 to 60 days following the offering, plus a \$4.75 million redemption premium and accrued and unpaid interest. In order to reduce the redemption premium, we may repurchase some or all of the \$50 million principal amount of the notes in privately negotiated

transactions.

- Repay all indebtedness outstanding under our credit facility (\$38.8 million as of June 2, 1999).
- Provide for general corporate purposes, including acquisitions and working capital requirements.

We will use approximately \$13.4 million of the net proceeds of the offering to fund the acquisitions of KAIM-AM, KAIM-FM, KGU-AM, KHNR-AM, KFDJ-AM, WLSY-FM and WRVI-FM. See "Summary -- Recent Developments." We regularly evaluate potential acquisition candidates. No other acquisitions are currently considered to be pending or probable.

Indebtedness under our credit facility accrues interest at variable rates and must be repaid in full by August 2004. At June 2, 1999, the blended interest rate on credit facility borrowings was 7.99%.

Pending the application of the net proceeds, we will temporarily invest the net proceeds of the offering in short-term interest bearing investments.

DIVIDEND POLICY

We intend to retain future earnings for use in our business and do not anticipate declaring or paying any dividends on shares of Class A or Class B common stock in the foreseeable future. Further, our board of directors will make any determination to declare and pay dividends in light of our earnings, financial position, capital requirements, agreements for our outstanding debt and such other factors as the board of directors deems relevant.

Our sole source of cash from which to make dividend payments will be dividends paid to us or payments made to us by our subsidiaries. The ability of our subsidiaries to make these payments may be restricted by applicable state laws or terms of agreements to which they are or may become party.

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CAPITALIZATION

The following table sets forth cash and cash equivalents and capitalization of Salem as of March 31, 1999 (i) on an actual historical basis and (ii) on a pro forma as adjusted basis to reflect (a) the recording of compensation expense, net of the related tax benefits, associated with the award of 75,000 shares of Class A common stock to an officer of Salem, including the estimated cash bonus to be paid to the officer to pay the individual federal and state income taxes associated with the award, (b) the sale by us of 6,000,000 shares of Class A common stock in the offering at an assumed initial public offering price of \$20.00 per share (after deducting underwriting discounts and estimated offering expenses payable by Salem) and (c) the application of the estimated net proceeds to Salem to redeem \$50 million principal amount of our senior subordinated notes and pay a \$4.8 million redemption premium, and repay all amounts outstanding under our credit facility, including the borrowing of \$800,000 used to repay the unsecured note to stockholder.

The information in the table should be read in conjunction with the more detailed consolidated financial statements and related notes included elsewhere in this prospectus.

<TABLE>
<CAPTION>

	AS OF MARCH 31, 1999	
	ACTUAL	PRO FORMA AS ADJUSTED

	(IN THOUSANDS)	
<S>	<C>	<C>
Cash and cash equivalents.....	\$ 2,037	\$ 19,592
	=====	=====
Capital lease obligations, less current portion.....	\$ 290	\$ 290
Long-term debt:		
Unsecured note to stockholder(1).....	800	--
Senior subordinated notes.....	150,000	100,000
Credit facility(2).....	36,750	--
	-----	-----
Total long-term debt, less current portion....	187,550	100,000
Stockholders' equity:		
Class A common stock, \$.01 par value; authorized 80,000,000 shares; issued and outstanding 11,107,392 shares, actual; 17,182,392 shares, as adjusted(3).....	111	172
Class B common stock, \$.01 par value; authorized 20,000,000 shares; issued and outstanding 5,553,696 shares, actual 5,553,696 shares, as adjusted.....	56	56

Additional paid-in capital.....	5,665	118,404
Retained earnings (accumulated deficit)(4).....	1,961	(3,561)
	-----	-----
Total stockholders' equity.....	7,793	115,071
	-----	-----
Total capitalization.....	\$195,633	\$215,361
	=====	=====

</TABLE>

-
- (1) We repaid this note in full in April 1999.
 - (2) As of June 2, 1999, \$38.8 million was outstanding under our credit facility. Subject to completion of this offering, we are amending our credit facility to increase our borrowing capacity from \$75 million to \$150 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."
 - (3) As adjusted amounts exclude 1,000,000 shares of Class A common stock reserved for grants under Salem's 1999 stock incentive plan, but include 75,000 shares of Class A common stock issued in May 1999 to an officer of Salem as a stock bonus.
 - (4) Reflects the charges associated with the one time payment of the redemption premium (\$4.8 million), the write-off of a portion of the unamortized bond issue costs (\$1.5 million) and the charges associated with the award of 75,000 shares of Class A common stock to an officer of Salem and the bonus to be paid to the officer for individual federal and state income taxes associated with the award, all net of the applicable estimated tax effects.

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DILUTION

Our net tangible book value (deficit) as of March 31, 1999 was \$(142.1) million or \$(8.53) per share of common stock. Net tangible book value (deficit) per share represents the amount of our total tangible assets reduced by the amount of our total liabilities, divided by the number of shares of common stock outstanding. After giving effect to our sale of 6,000,000 shares of Class A common stock and the application of the proceeds from the sale (after deducting underwriting discounts and estimated offering expenses) to redeem \$50 million principal amount of our senior subordinated notes, pay a \$4.8 million redemption premium and repay all amounts outstanding under our credit facility, and after giving effect to the award of 75,000 shares of Class A common stock to a Salem officer in May 1999, our pro forma as adjusted net tangible book value (deficit) would have been \$(30.0) million or \$(1.32) per share. This represents an immediate increase in net tangible book value of \$7.21 per share to existing stockholders and an immediate dilution of \$21.32 per share to new investors. The following table illustrates this dilution on a per share basis:

<S>	<C>	<C>
Assumed initial public offering price per share.....		\$20.00
Net tangible book value (deficit) per share before the offering.....	\$ (8.53)	
Increase per share attributable to new investors.....	7.21	

Net tangible book value (deficit) per share after the offering.....		(1.32)

Dilution per share to new investors.....		\$21.32
		=====

</TABLE>

The following table summarizes, after giving effect to the offering, the differences between existing stockholders, including the Salem officer who received an award of 75,000 shares of Class A common stock, and new investors with respect to the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid, based on an assumed initial public offering price of \$20.00 per share:

<TABLE>	<CAPTION>				
	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Existing stockholders.....	16,736,088	73.6%	\$ 5,832,000	4.6%	\$ 0.35
New investors.....	6,000,000	26.4	120,000,000	95.4	\$20.00
	-----	-----	-----	-----	-----
Total.....	22,736,088	100.0%	\$ 125,832,000	100.0%	
	=====	=====	=====	=====	

</TABLE>

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

Salem's selected historical statement of operations and balance sheet data presented below as of and for the years ended December 31, 1994, 1995, 1996, 1997 and 1998 are derived from the consolidated financial statements of Salem, which have been audited by Ernst & Young LLP, independent auditors. Salem's selected consolidated financial information presented below as of March 31, 1999 and for the three months ended March 31, 1998 and 1999 is derived from Salem's unaudited consolidated financial statements which, in the opinion of Salem's management, contain all necessary adjustments of a normal recurring nature, to present the financial statements in conformity with generally accepted accounting principles. Our quarterly results for the three months ended March 31, 1999 are not necessarily indicative of the results for the year ended December 31, 1999. The consolidated financial statements as of December 31, 1997 and 1998 and for each of the years in the three-year period ended December 31, 1998, and the independent auditors' report thereon, are included elsewhere in this prospectus. Salem's financial results are not comparable from period to period because of our acquisition and disposition of radio stations and our acquisition of other media businesses. The selected consolidated financial information below should be read in conjunction with, and is qualified by reference to, our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

<TABLE>
<CAPTION>

	THREE					
MONTHS ENDED	YEAR ENDED DECEMBER 31					
MARCH 31	1994	1995	1996	1997	1998	1998
1999						
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA AND RATIOS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<C>						
STATEMENT OF OPERATIONS DATA:						
Net broadcasting revenue.....	\$ 38,575	\$ 48,168	\$ 59,010	\$ 67,912	\$ 77,891	\$ 17,702
\$ 20,425						
Other media revenue.....	--	--	--	--	--	-
- 1,095						
Total revenue.....	38,575	48,168	59,010	67,912	77,891	17,702
21,520						
Operating expenses:						
Broadcasting operating expenses.....	22,179	27,527	33,463	39,626	42,526	9,930
11,379						
Other media operating expenses.....	--	--	--	--	--	-
- 1,298						
Corporate expenses.....	3,292	3,799	4,663	6,210	7,395	1,503
1,796						
Tax reimbursements to S corporation shareholders(1).....	977	2,057	2,038	1,780	--	--
--						
Depreciation and amortization.....	7,633	7,884	8,394	12,803	14,058	3,337
4,111						
Total operating expenses.....	34,081	41,267	48,558	60,419	63,979	14,770
18,584						
Net operating income.....	4,494	6,901	10,452	7,493	13,912	2,932
2,936						
Other income (expense):						
Interest income.....	230	319	523	230	291	103
25						
Gain (loss) on disposal of assets.....	(482)	(7)	16,064	4,285	236	
(22)						
Interest expense.....	(3,668)	(6,646)	(7,361)	(12,706)	(15,941)	(3,772)
(4,375)						
Other income expense.....	(135)	(255)	(270)	(389)	(422)	
(105) (120)						
Total other income (expense).....	(4,055)	(6,589)	8,956	(8,580)	(15,836)	(3,796)
(4,470)						
Income (loss) before income taxes and						

extraordinary item..... (864) (1,534)	439	312	19,408	(1,087)	(1,924)	
Provision (benefit) for income taxes... (290) (226)	(247)	(204)	6,655	106	(343)	
-- -----						
Income (loss) before extraordinary item..... (574) (1,308)	686	516	12,753	(1,193)	(1,581)	
Extraordinary loss(2)..... --	--	(394)	--	(1,185)	--	--
-- -----						
Net income (loss)..... (574) \$ (1,308)	\$ 686	\$ 122	\$ 12,753	\$ (2,378)	\$ (1,581)	\$
=====						
Pro forma net income (loss)(1).....	\$ 848	\$ 1,024	\$ 12,838	\$ (770)		
=====						
Basic and diluted income (loss) per share before extraordinary item..... (0.03) \$ (0.08)	\$ 0.04	\$ 0.03	\$ 0.77	\$ (0.07)	\$ (0.09)	\$
=====						
Basic and diluted net income (loss) per share(3)..... (0.03) \$ (0.08)	\$ 0.04	\$ 0.01	\$ 0.77	\$ (0.14)	\$ (0.09)	\$
=====						
Pro forma basic and diluted income (loss) per share before extraordinary item.....	\$ 0.05	\$ 0.09	\$ 0.77	\$ 0.02		
=====						
Pro forma basic and diluted net income (loss) per share.....	\$ 0.05	\$ 0.06	\$ 0.77	\$ (0.05)		
=====						
Basic and diluted weighted average shares outstanding(3)..... 16,661,088	16,661,088	16,661,088	16,661,088	16,661,088	16,661,088	16,661,088
=====						
OTHER DATA:						
Broadcast cash flow(4)..... \$ 9,046	\$ 16,396	\$ 20,641	\$ 25,547	\$ 28,286	\$ 35,365	\$ 7,772
Broadcast cash flow margin(5)..... 43.9% 44.3%	42.5%	42.9%	43.3%	41.7%	45.4%	
EBITDA(4)..... \$ 7,047	\$ 13,104	\$ 16,842	\$ 20,884	\$ 22,076	\$ 27,970	\$ 6,269
After-tax cash flow(4)..... 2,803	8,770	9,306	11,594	10,647	12,335	2,776
Cash flows related to:						
Operating activities..... (519) \$ (1,255)	\$ 7,482	\$ 7,681	\$ 10,495	\$ 7,314	\$ 11,015	\$
Investing activities..... (10,023)	(18,806)	(27,681)	(18,923)	(26,326)	(31,762)	(1,935)
Financing activities..... 11,398	11,827	19,227	9,383	18,695	21,019	2,248
ADJUSTED STATEMENT OF OPERATIONS AND OTHER DATA(6):						
Interest expense..... \$ (2,534)					\$ (9,939)	
Net income (loss)..... (43)					2,167	
Basic and diluted net income (loss) per share(7)..... (0.00)					0.10	
After-tax cash flow(4)..... \$ 4,068					\$ 16,083	
Basic and diluted after-tax cash flow per share(4)(7)..... 0.18					0.71	
Basic and diluted weighted average shares outstanding(7)..... 22,736,088					22,736,088	

(footnotes on following page)

<TABLE>
<CAPTION>

	AS OF DECEMBER 31					AS OF
	1994	1995	1996	1997	1998	MARCH 31
	-----	-----	-----	-----	-----	-----
	1994	1995	1996	1997	1998	1999

<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:						
Cash and cash equivalents.....	\$ 1,780	\$ 1,007	\$ 1,962	\$ 1,645	\$ 1,917	\$ 2,037
Total assets.....	82,041	104,817	159,185	184,813	207,750	219,397
Long-term debt and capital lease obligations, less current portions.....	60,656	81,020	121,790	154,500	178,610	187,840
Stockholders' equity.....	13,160	13,282	20,534	10,682	9,101	7,793

(1) Tax reimbursements to S corporation shareholders represent the income tax liabilities of our principal stockholders created by the income of New Inspiration and Golden Gate, which were both S corporations prior to our August 1997 reorganization. Pro forma net income (loss) excludes tax reimbursements to S corporation shareholders and includes a pro forma tax provision at an estimated combined federal and state income tax rate of 40% as if the reorganization had occurred at the beginning of each period presented. In August 1997, New Inspiration and Golden Gate became wholly-owned subsidiaries of Salem. From this date, pretax income of New Inspiration and Golden Gate is included in our computation of the income tax provision included in our consolidated statements of operations. See notes 1 and 6 to our consolidated financial statements.

The following table reflects the pro forma adjustments to historical net income for the periods prior to and including our August 1997 reorganization:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31			
	1994	1995	1996	1997
	(DOLLARS IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
Pro Forma Information:				
Income (loss) before income taxes and extraordinary item as reported above.....	\$ 439	\$ 312	\$19,408	\$(1,087)
Add back tax reimbursements to S corporation shareholders.....	977	2,057	2,038	1,780
Pro forma income (loss) before income taxes and extraordinary item.....	1,416	2,369	21,446	693
Pro forma provision (benefit) for income taxes.....	568	951	8,608	278
Pro forma income (loss) before extraordinary item...	848	1,418	12,838	415
Extraordinary loss.....	--	(394)	--	(1,185)
Pro forma net income (loss).....	\$ 848	\$1,024	\$12,838	\$ (770)

</TABLE>

(2) The extraordinary loss in each of 1995 and 1997 relates to the write-off of deferred financing costs and termination fees related to the repayment of long-term debt. See note 4 to our consolidated financial statements.

(3) See note 1 to our consolidated financial statements.

(4) We define broadcast cash flow as net operating income, excluding other media revenue and other media operating expenses, before depreciation and amortization and corporate expenses. We define EBITDA as net operating income before depreciation and amortization. We define after-tax cash flow as income (loss) before extraordinary item minus gain (loss) on disposal of assets (net of income tax) plus depreciation and amortization. For periods prior to 1998, broadcast cash flow and EBITDA are calculated using net operating income before tax reimbursements to S corporation shareholders. For periods prior to 1998, after-tax cash flow excludes reimbursements to S corporation shareholders and includes a pro forma tax provision at an estimated combined federal and state income tax rate of 40% as if the reorganization had occurred at the beginning of each period presented.

Although broadcast cash flow, EBITDA and after-tax cash flow are not measures of performance calculated in accordance with generally accepted accounting principles, we believe that they are useful to an investor in evaluating Salem because they are measures widely used in the radio broadcast industry to evaluate a radio company's operating performance. However, you should not consider broadcast cash flow, EBITDA and after-

(footnotes continued on following page)

tax cash flow in isolation or as substitutes for net income, cash flows from operating activities and other statement of operations or cash flows data prepared in accordance with generally accepted accounting principles as a measure of liquidity or profitability. These measures are not necessarily comparable to similarly titled measures employed by other companies.

- (5) Broadcast cash flow margin is broadcast cash flow as a percentage of net broadcasting revenue.
- (6) The adjusted data give effect to the offering and the application of the net proceeds of the offering to redeem \$50 million in principal amount of our senior subordinated notes and to repay all amounts outstanding under our credit facility (\$36.8 million as of March 31, 1999), including amounts borrowed in April 1999 under our credit facility to repay our unsecured note to stockholder (\$800,000 as of March 31, 1999), as if the offering and the application of the net proceeds had occurred as of January 1, 1998. The adjusted statement of operations data include a reduction in interest expense of \$6.0 million for 1998 and \$1.8 million for the quarter ended March 31, 1999 and related increases in income tax expense of \$2.3 million for 1998 and \$576,000 for the quarter ended March 31, 1999. We will record the redemption premium (\$4.8 million) and a write-off of a portion of unamortized bond issue costs as an extraordinary loss on the early extinguishment of debt in the period when the senior subordinated notes are redeemed. We will also record a charge of \$1.5 million plus an amount for the individual federal and state income tax effects for an officer who was awarded 75,000 shares of Class A common stock in May 1999. The adjusted statement of operations data excludes the extraordinary loss and the charge associated with the stock award since these will be non-recurring charges.
- (7) Based on the weighted average number of shares of Class A common stock and Class B common stock outstanding for all periods presented, including the number of shares of Class A common stock to be issued and sold by Salem in the offering and 75,000 shares of Class A common stock issued in May 1999 to an officer of Salem, assuming the offering and the stock award had occurred as of January 1, 1998.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. Our consolidated financial statements are not directly comparable from period to period because of our acquisition and disposition of radio stations. See note 2 to our consolidated financial statements.

OVERVIEW

The principal sources of our revenue are:

- the sale of block program time, both to national and local program producers,
- the sale of advertising time on our radio stations, both to national and local advertisers, and
- the sale of advertising time on our national radio network.

The following table shows gross broadcasting revenue, percentage of gross broadcasting revenue for each broadcasting revenue source and net broadcasting revenue.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31						THREE MONTHS ENDED	
	1996		1997		1998		MARCH 31, 1999	
	(DOLLARS IN THOUSANDS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Block program time:								
National.....	\$26,610	40.8%	\$27,664	37.0%	\$30,337	35.5%	\$ 8,165	36.6%
Local.....	10,869	16.7	11,392	15.2	12,558	14.7	3,279	14.7
	37,479	57.5	39,056	52.2	42,895	50.2	11,444	51.3
Advertising:								
National.....	4,088	6.3	3,621	4.8	4,458	5.2	1,118	5.0
Local.....	17,416	26.7	21,143	28.3	26,106	30.6	6,846	30.7
	21,504	33.0	24,764	33.1	30,564	35.8	7,964	35.7
Infomercials(1).....	--	--	3,819	5.1	4,121	4.8	871	3.9
Salem Radio Network.....	5,270	8.1	6,186	8.3	6,053	7.1	1,665	7.4

Other.....	888	1.4	1,005	1.3	1,778	2.1	382	1.7
	-----	-----	-----	-----	-----	-----	-----	-----
Gross broadcasting revenue...	65,141	100.0%	74,830	100.0%	85,411	100.0%	22,326	100.0%
	=====	=====	=====	=====	=====	=====	=====	=====
Less agency commissions.....	6,131		6,918		7,520		1,901	
	-----		-----		-----		-----	
Net broadcasting revenue.....	\$59,010		\$67,912		\$77,891		\$20,425	
	=====		=====		=====		=====	

</TABLE>

(1) Prior to 1997, classification of broadcasting revenue (as national program, national advertising, local program or local advertising) from infomercials was determined at the discretion of local station general managers. In 1997, we began including revenue from infomercials in a separate category in order to establish uniformity of classification of revenue.

Our broadcasting revenue is affected primarily by the program rates our radio stations charge and by the advertising rates our radio stations and network charge. The rates for block program time are based upon our stations' ability to attract audiences that will support the program producers through contributions and purchases of their products. Advertising rates are based upon the demand for advertising time, which in turn is based on our stations' and network's ability to produce results for its advertisers. We do not subscribe to traditional audience measuring services. Instead, we market ourselves to advertisers based upon the responsiveness of our audience. See "Business -- Radio Stations." Each of our radio stations and our network have a general pre-determined level of time that they make available for block programs and/or advertising, which may vary at different times of the day.

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In recent years, we have begun to place greater emphasis on the development of local advertising in all of our markets. We encourage general managers and sales managers to increase advertising revenue. We can create additional advertising revenue in a variety of ways, such as removing block programming that generates marginal audience response, adjusting the start time of programs to add advertising in more desirable time slots and increasing advertising rates.

As is typical in the radio broadcasting industry, our second and fourth quarter advertising revenue generally exceeds our first and third quarter advertising revenue. Quarterly revenue from the sale of block program time does not tend to vary, however, since program rates are generally set annually.

Our cash flow is affected by a transition period experienced by radio stations we have acquired that previously operated with formats other than a religious and family issues format. This transition period, which usually lasts less than a year, is when we develop the radio station's program customer and listener base. During this period, these stations typically generate negative or insignificant cash flow.

In the broadcasting industry, radio stations often utilize trade or barter agreements to exchange advertising time for goods or services (such as other media advertising, travel or lodging), in lieu of cash. In order to preserve the sale of our advertising time for cash, we generally enter into trade agreements only if the goods or services bartered to us will be used in our business. We have minimized our use of trade agreements and have generally sold most of our advertising time for cash. In 1998, we sold 92% of our advertising time for cash. In addition, it is our general policy not to preempt advertising paid for in cash with advertising paid for in trade.

The primary operating expenses incurred in the ownership and operation of our radio stations include employee salaries and commissions, and facility expenses (for example, rent and utilities). In addition to these expenses, our network incurs programming costs and lease expenses for satellite communication facilities. We also incur and will continue to incur significant depreciation, amortization and interest expense as a result of completed and future acquisitions of radio stations and existing and future borrowings.

OnePlace earns its revenue by selling products and services on the Internet and licensing its e-commerce, search engines and imaging applications. CCM earns its revenue by selling advertising in and subscriptions to its publications. The revenue and related operating expenses of these businesses are reported as "other media" on our condensed consolidated statements of operations.

Our consolidated statements of operations for periods prior to 1998 have included an operating expense called "tax reimbursements to S corporation shareholders." These amounts represent the income tax liabilities of our principal stockholders created by the income of New Inspiration and Golden Gate, which were both S corporations prior to our August 1997 reorganization. We consider the nature of this operating expense to be essentially equivalent to an income tax provision. In August 1997, New Inspiration and Golden Gate became wholly-owned subsidiaries of Salem. From this date, pretax income of New Inspiration and Golden Gate is included in our consolidated income tax return

and in our computation of the income tax provision included in our consolidated statements of operations.

The performance of a radio broadcasting company, such as Salem, is customarily measured by the ability of its stations to generate broadcast cash flow, EBITDA and after-tax cash flow. We define broadcast cash flow as net operating income, excluding other media revenue and other media operating expenses, before depreciation and amortization

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and corporate expenses. We define EBITDA as net operating income before depreciation and amortization. We define after-tax cash flow as income (loss) before extraordinary item minus gain (loss) on disposal of assets (net of income tax) plus depreciation and amortization. For periods prior to 1998, broadcast cash flow and EBITDA are calculated using net operating income before tax reimbursements to S corporation shareholders. For periods prior to 1998, after-tax cash flow is calculated as if New Inspiration and Golden Gate were C corporations for each of these periods. This means that after-tax cash flow excludes tax reimbursements to S corporation shareholders and includes a pro forma tax provision at an estimated combined federal and state income tax rate of 40% as if the reorganization had occurred at the beginning of each period presented.

Although broadcast cash flow, EBITDA and after-tax cash flow are not measures of performance calculated in accordance with generally accepted accounting principles, and should be viewed as a supplement to and not a substitute for our results of operations presented on the basis of generally accepted accounting principles, we believe that broadcast cash flow, EBITDA and after-tax cash flow are useful because they are generally recognized by the radio broadcasting industry as measures of performance and are used by analysts who report on the performance of broadcast companies. These measures are not necessarily comparable to similarly titled measures employed by other companies.

In the following discussion of our results of operations, we compare our results between periods on an as reported basis (that is, the results of operations of all radio stations and network formats owned or operated at any time during either period) and on a "same station" basis. We include in our same station comparisons the results of operations of radio stations and network formats that:

- we own or operate for all of both periods;
- we acquire or begin to operate at any time after the beginning of the first relevant comparison period if the station or network format (i) is in a market in which we already own or operate a radio station or network format and (ii) is integrated with the existing station or network format for our internal financial reporting purposes; or
- we sell or cease to operate at any time after the beginning of the first relevant comparison period if the station or network format (i) was integrated with another station or network format in a market for our internal financial reporting purposes prior to the sale or cessation of operations and (ii) we continue to own or operate the other station or network format following the sale or cessation of operations.

We include in our same station comparisons the results of operations of our integrated stations and network formats from the date that we acquire or begin to operate them or through the date that we sell or cease to operate them, as the case may be.

In the quarter ending June 30, 1999, we will record a charge of \$1.5 million relating to the award of 75,000 shares of Class A common stock to an officer of Salem plus an amount for the individual federal and state income tax effects associated with the award.

RESULTS OF OPERATIONS

QUARTER ENDED MARCH 31, 1999 COMPARED TO QUARTER ENDED MARCH 31, 1998

Net Broadcasting Revenue. Net broadcasting revenue increased \$2.7 million or 15.3% to \$20.4 million for the quarter ended March 31, 1999 from \$17.7 million for the same quarter of the prior year. The inclusion of revenue from radio stations acquired in 1998, partially offset by the loss of revenue from radio stations sold in 1998, provided \$600,000

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of the increase. On a same station basis, net broadcasting revenue improved \$2.1 million or 12.0% to \$19.6 million in 1999 from \$17.5 million in 1998. Included in this same station comparison are the results of three stations that we acquired in 1998 for a total purchase price of \$3.1 million. The improvement was primarily due to an increase in revenue at the radio stations we acquired in 1996 and 1997 that previously operated with formats other than a religious and family issues format, an increase in program rates and, to a lesser extent, an

increase in advertising time and improved selling efforts at both the national and local level. Revenue from advertising as a percentage of our gross broadcasting revenue increased from 33.9% for the quarter ended March 31, 1998 to 35.7% for the same quarter in 1999. Revenue from block program time as a percentage of our gross broadcasting revenue decreased from 51.6% for the quarter ended March 31, 1998 to 51.3% for the same quarter in 1999. This change in our revenue mix is primarily due to our efforts to develop more advertising sales in all of our markets.

Other Media Revenue. Other media revenue was \$1.1 million for the quarter ended March 31, 1999, and was generated from the businesses acquired during that quarter.

Broadcasting Operating Expenses. Broadcasting operating expenses increased \$1.5 million or 15.2% to \$11.4 million for the quarter ended March 31, 1999 from \$9.9 million for the same quarter of the prior year. The inclusion of operating expenses from radio stations acquired in 1998, partially offset by the exclusion of operating expenses from radio stations sold in 1998, accounted for \$200,000 of the increase. On a same station basis, broadcasting operating expenses increased \$1.3 million or 13.4% to \$11.0 million in 1999 from \$9.7 million in 1998, primarily due to incremental selling and production expenses incurred to produce the increased revenue in the period.

Other Media Operating Expenses. Other media operating expenses were \$1.3 million for the quarter ended March 31, 1999, and were incurred in the businesses acquired during that quarter.

Broadcast Cash Flow. Broadcast cash flow increased \$1.2 million or 15.4% to \$9.0 million for the quarter ended March 31, 1999 from \$7.8 million for the same quarter of the prior year. The increase is primarily attributable to the improved performance of radio stations acquired in 1996 and 1997 that previously operated with formats other than a religious and family issues format. As a percentage of net broadcasting revenue, broadcast cash flow was essentially unchanged for the quarter ended March 31, 1999 compared to the same quarter of the prior year. Acquired and reformatted radio stations typically produce low margins during the first few years following conversion from a non-religious format to a religious and family issues format. Broadcast cash flow margins improve as we implement scheduled program rate increases and increase advertising revenue on our stations. These improvements were offset by higher station and network selling expenses in the quarter ended March 31, 1999. On a same station basis, broadcast cash flow improved \$800,000 or 10.3% to \$8.6 million in the quarter ended March 31, 1999 from \$7.8 million in the same quarter of the prior year.

Corporate Expenses. Corporate expenses increased \$300,000 or 20.0% to \$1.8 million in the quarter ended March 31, 1999 from \$1.5 million in the same quarter of the prior year, primarily due to additional overhead costs associated with radio station acquisitions in 1998.

EBITDA. EBITDA increased \$700,000 or 11.1% to \$7.0 million for the quarter ended March 31, 1999 from \$6.3 million for the same quarter of the prior year. As a percentage of total revenue, EBITDA decreased to 32.6% for the quarter ended March 31, 1999 from 35.6% for the same quarter of the prior year. The decrease is primarily

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attributable to a negative EBITDA margin on our other media businesses (that is, EBITDA for our other media businesses divided by other media revenue), partially offset by an improvement in the EBITDA margin on our broadcasting business (that is, EBITDA for our broadcasting business divided by net broadcasting revenue).

Depreciation and Amortization. Depreciation and amortization expense increased \$800,000 or 24.2% to \$4.1 million for the quarter ended March 31, 1999 from \$3.3 million for the same quarter in the prior year, primarily due to radio station acquisitions consummated during 1998, and acquisitions of other media businesses in 1999.

Other Income (Expense). Interest income, loss on disposal of assets and other expense were essentially unchanged for the quarter ended March 31, 1999 compared to the same quarter of the prior year. Interest expense increased \$600,000 or 15.8% to \$4.4 million for the quarter ended March 31, 1999 from \$3.8 million for the same quarter in the prior year, primarily due to interest expense associated with additional borrowings to fund acquisitions consummated during 1999 and 1998.

Benefit for Income Taxes. Benefit for income taxes as a percentage of loss before income taxes (that is, the effective tax rate) was (14.7)% for the quarter ended March 31, 1999 and (33.6)% for the same quarter of the prior year. For the quarter ended March 31, 1999 and 1998 the effective tax rate differs from the federal statutory income tax rate of 34.0% primarily due to the effect of state income taxes and certain expenses that are not deductible for tax purposes. The increase in the effective tax rate for the quarter ended March 31, 1999 as compared to the same quarter of the prior year is primarily due to an increase in state income taxes.

Net Loss. We recognized a net loss of \$1.3 million for the quarter ended March 31, 1999, compared to a net loss of \$574,000 for the same quarter of the prior year.

After-Tax Cash Flow. After-tax cash flow increased \$100,000 or 3.7% to \$2.8 million for the quarter ended March 31, 1999 from \$2.7 million for the same quarter of the prior year. The increase is primarily attributable to an increase in operating income before depreciation and amortization, partially offset by an increase in interest expense.

1998 COMPARED TO 1997

Net Broadcasting Revenue. Net broadcasting revenue increased \$10.0 million or 14.7% to \$77.9 million in 1998 from \$67.9 million in 1997. The inclusion of revenue from the acquisitions of radio stations and revenue generated from local marketing agreements entered into during 1998 and 1997 provided \$1.5 million of the increase. On a same station basis, net broadcasting revenue improved \$8.5 million or 12.7% to \$75.3 million in 1998 from \$66.8 million in 1997. Included in this same station comparison are the results of three stations that we acquired in 1998 for a total purchase price of \$3.1 million, four stations that we acquired or began to operate in 1997 for a total purchase price of \$4.9 million and one station that we sold in 1997 for \$5.0 million. The improvement was primarily due to an increase in revenue at the radio stations we acquired in 1996 that previously operated with formats other than a religious and family issues format, an increase in program rates and, to a lesser extent, an increase in advertising time and improved selling efforts at both the national and local level. Revenue from advertising as a percentage of our gross broadcasting revenue increased from 33.1% in 1997 to 35.8% in 1998. Revenue from block program time as a percentage of our gross broadcasting revenue decreased from 52.2% in 1997 to 50.2% in 1998. This change in our revenue mix is primarily due to our efforts to develop more local advertising sales in all of our markets.

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Broadcasting Operating Expenses. Broadcasting operating expenses increased \$2.9 million or 7.3% to \$42.5 million in 1998 from \$39.6 million in 1997. The inclusion of expenses from the acquisitions of radio stations and expenses incurred for local marketing agreements entered into during 1998 and 1997 accounted for \$400,000 of the increase. On a same station basis, broadcasting operating expenses increased \$2.5 million or 6.4% to \$41.3 million in 1998 from \$38.8 million in 1997, primarily due to incremental selling and production expenses incurred to produce the increased revenue in the period. This increase was offset in part by a one-time credit of \$453,000 that we recorded in 1998. The credit related to music licensing fees and represented the proceeds of a settlement between us and the two largest performance rights organizations.

Broadcast Cash Flow. Broadcast cash flow increased \$7.1 million or 25.1% to \$35.4 million in 1998 from \$28.3 million in 1997. As a percentage of net broadcasting revenue, broadcast cash flow increased to 45.4% in 1998 from 41.7% in 1997. The increase is primarily attributable to the improved performance of radio stations acquired in 1996 and 1997 that previously operated with formats other than a religious and family issues format and the one-time credit for music licensing fees. Acquired and reformatted radio stations typically produce low margins during the first few years following conversion from a non-religious format to a religious and family issues format. Broadcast cash flow margins improve as we implement scheduled program rate increases and increase advertising revenue on our stations. On a same station basis, broadcast cash flow improved \$6.0 million or 21.4% to \$34.0 million in 1998 from \$28.0 million in 1997.

Corporate Expenses. Corporate expenses increased \$1.2 million or 19.4% to \$7.4 million in 1998 from \$6.2 million in 1997, primarily due to bonuses totaling \$538,000 paid to our president and to our chairman of the board in 1998 and additional personnel and overhead costs associated with radio station acquisitions in 1998.

EBITDA. EBITDA increased \$5.9 million or 26.7% to \$28.0 million in 1998 from \$22.1 million in 1997. As a percentage of total revenue, EBITDA increased to 35.9% in 1998 from 32.5% in 1997. The increase is primarily attributable to the improved performance of radio stations acquired in 1996 and 1997 that previously operated with formats other than a religious and family issues format and the one-time credit for music licensing fees.

Depreciation and Amortization. Depreciation and amortization expense increased \$1.3 million or 10.2% to \$14.1 million in 1998 from \$12.8 million in 1997, primarily due to radio station acquisitions consummated during 1998 and 1997.

Other Income (Expense). Interest income was essentially unchanged for 1998 compared to 1997. Gain on disposal of assets decreased \$4.1 million from \$4.3 million in 1997 to \$236,000 in 1998. The gain in 1997 was primarily due to the sale of WPZE-AM, Boston. Interest expense increased \$3.2 million or 25.2% to \$15.9 million in 1998 from \$12.7 million in 1997, primarily due to interest expense associated with additional borrowings to fund acquisitions consummated

during 1998 and 1997. Other expense was essentially unchanged for 1998 compared to 1997.

Provision (Benefit) for Income Taxes. Provision (benefit) for income taxes as a percentage of income (loss) before income taxes and extraordinary item (that is, the effective tax rate) was (17.8)% for 1998 and 9.8% for 1997. The effective tax rate in 1998 differs from the federal statutory income tax rate of 34.0% primarily because of the effect of state income taxes and certain expenses that are not deductible for tax purposes. The effective tax rate in 1997 differs from the federal statutory income tax rate of 34.0% primarily because of the effect of state income taxes and the establishment of a deferred

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tax liability of \$609,000 resulting from our August 1997 reorganization. These effects were offset by the inclusion of income from New Inspiration and Golden Gate, which were S corporations (and therefore not subject to federal income taxes) prior to the reorganization.

Net Loss. We recognized a net loss of \$1.6 million in 1998, compared to a net loss of \$2.4 million in 1997. Included in the net loss for 1997 is a \$1.2 million extraordinary loss for the write-off of deferred financing costs and termination fees related to the repayment of our prior credit facility which we repaid in full upon issuance of our senior subordinated notes in September 1997.

After-Tax Cash Flow. After-tax cash flow increased \$1.7 million or 16.0% to \$12.3 million in 1998 from \$10.6 million in 1997. The increase is primarily attributable to improved net operating income.

1997 COMPARED TO 1996

Net Broadcasting Revenue. Net broadcasting revenue increased \$8.9 million or 15.1% to \$67.9 million in 1997 from \$59.0 million in 1996. The inclusion of revenue from the acquisitions of radio stations and revenue generated from local marketing agreements entered into during 1997 and 1996 provided \$5.5 million of the increase. On a same station basis, net broadcasting revenue improved \$3.4 million or 6.2% to \$58.4 million in 1997 from \$55.0 million in 1996 due primarily to an increase in program rates and, to a lesser extent, an increase in advertising time and improved selling efforts at both the national and local level. Included in this same station comparison are the results of four stations that we acquired or began to operate in 1997 for a total purchase price of \$11.3 million, one station that we sold in 1997 for \$5.0 million and one station that we sold in 1996 for \$1.5 million. While broadcasting revenue from advertising as a percentage of our gross broadcasting revenue was essentially unchanged from 1996 to 1997, revenue from local advertising as a percentage of our gross broadcasting revenue increased from 26.7% in 1996 to 28.3% in 1997. Revenue from block program time as a percentage of our gross broadcasting revenue decreased from 57.5% in 1996 to 52.2% in 1997. Revenue from infomercials was 5.1% of gross broadcasting revenue in 1997. Prior to 1997, classification of revenue (as national program, national advertising, local program or local advertising) from infomercials was determined at the discretion of local station general managers. The change in our broadcasting revenue mix is primarily due to our efforts to develop more local advertising sales in all of our markets and to the effects of separate reporting of revenue from infomercials beginning in 1997.

Broadcasting Operating Expenses. Broadcasting operating expenses increased \$6.1 million or 18.2% to \$39.6 million in 1997 from \$33.5 million in 1996. The inclusion of expenses from the acquisitions of radio stations and expenses incurred for local marketing agreements entered into during 1997 and 1996 accounted for \$4.4 million of the increase. On a same station basis, broadcasting operating expenses increased \$1.7 million or 5.9% to \$30.6 million in 1997 from \$28.9 million in 1996, primarily due to incremental selling and production expenses incurred to produce the increased revenue in the period.

Broadcast Cash Flow. Broadcast cash flow increased \$2.8 million or 11.0% to \$28.3 million in 1997 from \$25.5 million in 1996. As a percentage of net broadcasting revenue, broadcast cash flow decreased to 41.7% in 1997 from 43.3% in 1996. The decrease is primarily attributable to lower margins achieved by recently acquired and reformatted radio stations. On a same station basis, broadcast cash flow improved \$1.7 million or 6.5% to \$27.8 million in 1997 from \$26.1 million in 1996.

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Corporate Expenses. Corporate expenses increased \$1.5 million or 31.9% to \$6.2 million in 1997 from \$4.7 million in 1996, primarily due to additional personnel and overhead costs associated with radio station acquisitions in 1997 (\$1.0 million), bonuses paid to corporate officers in 1997 (\$85,000), the write-off of costs incurred for potential station acquisitions which were abandoned (\$172,000), and expenses incurred for officers' life insurance (\$277,000), in 1997.

EBITDA. EBITDA increased \$1.2 million or 5.7% to \$22.1 million in 1997 from

\$20.9 million in 1996. As a percentage of total revenue, EBITDA decreased to 32.5% in 1997 from 35.4% in 1996. The decrease was primarily attributable to lower margins achieved by recently acquired and reformatted stations and to increased corporate expenses in 1997 as compared to 1996.

Tax Reimbursements to S Corporation Shareholders. Tax reimbursements to S corporation shareholders decreased \$200,000 or 10.0% to \$1.8 million in 1997 from \$2.0 million in 1996, primarily due to decreased taxable income of the S corporations as a result of the termination of the S corporation status of New Inspiration and Golden Gate in August 1997.

Depreciation and Amortization. Depreciation and amortization expense increased \$4.4 million or 52.4% to \$12.8 million in 1997 from \$8.4 million in 1996, primarily due to radio station and network acquisitions consummated during 1997 and 1996.

Other Income (Expense). Interest income decreased \$293,000 to \$230,000 in 1997 from \$523,000 in 1996, primarily due to interest income earned in 1996 on a \$14.0 million deposit from the sale of KDBX-FM, Portland. Gain on disposal of assets decreased \$11.8 million from \$16.1 million in 1996 to \$4.3 million in 1997. The gain in 1997 was primarily due to the sale of WPZE-AM, Boston. The gain in 1996 was primarily due to the sale of KDBX-FM, Portland and KDFX-AM, Dallas. Interest expense increased \$5.3 million or 71.6% to \$12.7 million in 1997 from \$7.4 million in 1996, primarily due to interest expense associated with additional borrowings to fund acquisitions consummated during 1997 and 1996. Other expense was essentially unchanged for 1997 compared to 1996.

Provision (Benefit) for Income Taxes. Income tax provision (benefit) as a percentage of income (loss) before income taxes and extraordinary item (that is, the effective tax rate) was 9.8% for 1997 and 34.3% for 1996. The effective tax rate in 1997 differs from the federal statutory income tax rate of 34.0% primarily because of the effect of state income taxes and the establishment of a deferred tax liability of \$609,000 resulting from our August 1997 reorganization. These effects were offset by the inclusion of income from New Inspiration and Golden Gate, which were S corporations (and, therefore, not subject to federal income taxes) prior to the reorganization. The effective tax rate in 1996 differs from the federal statutory income tax rate of 34.0% primarily because of the effect of state income taxes and the effect of gains realized on the sale of radio stations in 1997. These effects were offset by the inclusion of income from New Inspiration and Golden Gate, which were S corporations (and, therefore, not subject to federal income taxes) prior to the reorganization.

Net Income (Loss). We recognized a net loss of \$2.4 million in 1997, compared to net income of \$12.8 million in 1996. Included in the net loss for 1997 is a \$1.2 million extraordinary loss for the write-off of deferred financing costs and termination fees related to the repayment of our prior credit facility which we repaid in full in September 1997.

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After-Tax Cash Flow. After-tax cash flow decreased \$1.0 million or 8.6% to \$10.6 million in 1997 from \$11.6 million in 1996. The decrease is primarily attributable to increased interest expense in 1997.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed acquisitions of radio stations through borrowings, including borrowings under bank credit facilities and, to a lesser extent, from operating cash flow and selected asset dispositions. We anticipate funding future acquisitions from the net proceeds of the offering, borrowings under our credit facility and operating cash flow. We have historically funded, and will continue to fund, expenditures for operations, administrative expenses, capital expenditures and debt service required by our credit facility and senior subordinated notes from operating cash flow.

We believe that the net proceeds of the offering, cash flow from operations and borrowings under our credit facility will be sufficient to permit us to meet our financial obligations and to fund acquisitions and operations for at least the next twelve months.

At June 2, 1999, we had \$38.8 million outstanding under our credit facility. We will repay all amounts outstanding under our credit facility with a portion of the net proceeds of the offering. Subject to the completion of the offering, we will enter into an amendment to our credit facility principally to increase our borrowing capacity from \$75 million to \$150 million, to lower the borrowing rates and to modify current financial ratio tests to provide us with additional borrowing flexibility. We have received a commitment letter from The Bank of New York in respect of the amended credit facility. The amended credit facility will mature on June 30, 2006. Aggregate commitments under the amended credit facility will begin to decrease commencing March 31, 2001.

Amounts outstanding under our existing credit facility bear interest (and will bear interest under our amended credit facility) at a base rate, at our option, of the bank's prime rate or LIBOR, plus a spread. For purposes of

determining the interest rate under our existing credit facility, the prime rate spread ranged from 0% to 2.25%, and the LIBOR spread ranged from 1% to 3.5%. Under the amended credit facility, the prime rate spread will range from 0% to 1%, and the LIBOR spread will range from 0.875% to 2.25%.

The maximum amount that we may borrow under our amended credit facility will be limited by our debt to cash flow ratio, adjusted for recent radio station acquisitions (the "Adjusted Debt to Cash Flow Ratio"). The maximum Adjusted Debt to Cash Flow Ratio allowed under our existing credit facility is 7.00 to 1 at March 31, 1999, but decreases to 5.25 to 1 by December 31, 1999 and to 4.50 to 1 by December 31, 2000. The maximum Adjusted Debt to Cash Flow Ratio allowed under our amended credit facility will be 6.00 to 1 through December 31, 2000. Thereafter, the maximum ratio will decline periodically until January 1, 2004, at which point it will remain at 4.00 to 1 through June 2006. At March 31, 1999, the Adjusted Debt to Cash Flow Ratio, after giving effect to the offering and the application of the net proceeds, including \$13.4 million for our pending acquisitions, would have been 3.59 to 1, resulting in total borrowing availability of approximately \$99 million, all of which is available for acquisition purposes and \$69 million of which is available for working capital purposes.

Our amended credit facility will contain additional restrictive covenants customary for credit facilities of the size, type and purpose contemplated which, with specified exceptions, limits our ability to enter into affiliate transactions, pay dividends, consolidate, merge or effect certain asset sales, make specified investments, acquisitions and loans and change the nature of our business. The amended credit facility will provide that the lenders may accelerate the indebtedness if the voting power of Salem's capital stock held by

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Stuart W. Epperson, Edward G. Atsinger III, their family members, trusts for their benefit and their estates drops below 51% or if their capital stock holdings represent less than 35% of the total economic interest in Salem. The credit facility will also require us to satisfy financial covenants, which covenants will require the maintenance of specified financial ratios and compliance with certain financial tests, including ratios for maximum leverage as described above (not greater than 6.00 to 1 as of the closing of the offering), minimum interest coverage (not less than 1.75 to 1 as of the closing of the offering), minimum debt service coverage (a static ratio of not less than 1.1 to 1) and minimum fixed charge coverage (a static ratio of not less than 1.1 to 1). The credit facility will be guaranteed by all of our subsidiaries and is secured by pledges of all of our and our subsidiaries' assets and all of the capital stock of our subsidiaries.

In September 1997, we issued \$150 million principal amount of 9 1/2% senior subordinated notes due 2007. We used the net proceeds from the sale of the notes to repay substantially all indebtedness outstanding under our prior credit facility. We will redeem \$50 million in principal amount of the senior subordinated notes with a portion of the net proceeds of the offering. After giving effect to this redemption, we will be required to pay \$9.5 million per year in interest on the senior subordinated notes. The indenture for the senior subordinated notes contains restrictive covenants that, among others, limit the incurrence of debt by us and our subsidiaries, the payment of dividends, the use of proceeds of specified asset sales and transactions with affiliates. The senior subordinated notes are guaranteed by all of our subsidiaries.

As a result of the partial redemption of our senior subordinated notes, we will record a non-cash charge of \$1.5 million (as of March 31, 1999) for the write-off of unamortized bond issue costs. This is in addition to the \$4.8 million redemption premium and any accrued and unpaid interest that we will pay in connection with this partial redemption.

The decrease in accounts receivable from December 31, 1998 to March 31, 1999 is due to increased collections during the first quarter of 1999. The decrease was partially offset by the inclusion of accounts receivable of other media businesses acquired in 1999. The decrease in accrued interest from December 31, 1998 to March 31, 1999 is due to the payment of interest on our senior subordinated notes on March 31, 1999. Deferred subscription revenue, which was assumed as part of the acquisition of CCM Communications, Inc., represents revenue from magazine subscriptions to be earned over a one year period.

Net cash used in operating activities increased to \$1.3 million for the quarter ended March 31, 1999, compared to \$500,000 for the same quarter in the prior year, primarily due to a larger decrease in accounts payable during the quarter ended March 31, 1999 compared with the same quarter of the prior year. Net cash provided by operating activities increased to \$11.0 million in 1998, compared to \$7.3 million in 1997, primarily due to increased net operating income in 1998. Net cash provided by operations decreased to \$7.3 million in 1997, compared to \$10.5 million in 1996, primarily due to decreased net operating income in 1997.

Net cash used in investing activities increased to \$10.0 million for the quarter ended March 31, 1999, compared to \$1.9 million in the same quarter of

the prior year, primarily due to the acquisitions during the first quarter of 1999. We did not acquire any radio stations or other businesses during the first quarter of 1998. Net cash used in investing activities increased to \$31.8 million in 1998, compared to \$26.3 million in 1997, primarily due to radio station acquisitions (cash used of \$33.7 million to purchase four stations in 1998 compared to cash used of \$19.4 million to purchase eight stations in 1997). Net cash used in investing activities increased to \$26.3 million in 1997, compared to \$18.9 million in

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1996, primarily due to the proceeds of the sales of KDBX-FM, Portland, Oregon, and KDFX-AM, Dallas, Texas, offsetting the cash used in investing activities in 1996.

Net cash provided by financing activities increased to \$11.4 million for the quarter ended March 31, 1999 compared to \$2.2 million for the quarter ended March 31, 1998, primarily due to increased long-term debt borrowings for acquisitions. Net cash provided by financing activities was \$21.0 million in 1998, \$18.7 million in 1997 and \$9.4 million in 1996. The increases in 1997 and 1998 were primarily due to increased long-term debt borrowings.

In 1998, we purchased radio stations KIEV-AM, Los Angeles, California, KTEK-AM, Houston, Texas, KYCR-AM, Minneapolis, Minnesota, and KKMO-AM, Tacoma, Washington, in separate transactions for a total of \$36.3 million. We financed these purchases primarily by borrowings under our credit facility. In 1998, we sold radio stations KAVC-FM, Lancaster, California, and KTSL-FM, Spokane, Washington, for a total of \$2.9 million.

In January 1999, we purchased the assets of OnePlace, LLC and the stock of CCM Communications, Inc., in separate transactions for a total of \$8.1 million. We financed these purchases primarily by borrowings under our credit facility.

In April 1999, we agreed to purchase radio station KGME-AM, Phoenix, Arizona for a total of \$5 million. We anticipate this purchase will close in July 1999. This radio station currently operates under the call letters KFDJ-AM and will be renamed KCTK-AM after closing. We will use a portion of the net proceeds of the offering to fund this purchase.

In April 1999, we entered into letters of intent to purchase radio stations KAIM-AM, KAIM-FM, KGU-AM and KHNR-AM, Honolulu, Hawaii, and WLSY-FM and WRVI-FM, Louisville, Kentucky, in separate transactions for a total of \$8.4 million. Subject to the execution of mutually acceptable purchase agreements, we anticipate these purchases will close in July or August of 1999.

In April 1999, we purchased KKOL-AM, Seattle-Tacoma, Washington, for \$1.4 million from a corporation owned by our principal stockholders. We financed this acquisition primarily by a borrowing under our credit facility. We also agreed to purchase the real estate at the transmitting site for KKOL-AM for \$400,000 from the same seller.

YEAR 2000 COMPUTER SYSTEM COMPLIANCE

The term "year 2000 issue" (the year 2000 referred to as "Y2K") is a general term used to describe the various problems that may result from the improper processing of dates and date-sensitive calculations by computers and other machinery as the year 2000 is approached and reached. These problems generally arise from the fact that most of the world's computer hardware and software have historically used only two digits (instead of four) to identify the year in a date, often meaning that the computer will fail to distinguish dates in the "2000's" from dates in the "1900's." These problems may also arise from other sources as well, such as the use of special codes and conventions in software that make use of the date field.

In early 1998, we began implementing the assessment phase of our plan to address the Y2K issue in each broadcast area and have substantially completed a Y2K assessment phase of our computer, broadcast and environmental systems, redundant power systems and other critical systems including: (i) digital audio systems, (ii) traffic scheduling and billing systems, (iii) accounting and financial reporting systems and (iv) local area networking infrastructure. As part of the assessment phase, we initiated formal communication with all of our key business partners to identify their exposure to the Y2K

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issue. This assessment is targeting potential external risks related to the Y2K issue and is still in progress, but is expected to be completed by the end of the third quarter of 1999. Key business partners include local and national programmers and advertisers, suppliers of communication services, financial institutions and suppliers of utilities. Amounts related to the assessment phase are primarily internal costs, are expensed as incurred, have not been material to date and are not expected to be material through completion of the phase.

The remediation phase is the next step in our plan to address the Y2K issue. Activities during this phase are in progress and include, if necessary, the actual repair, replacement or upgrade of our systems based on the findings of the assessment phase. Systems which are Y2K ready include local area networks, digital audio systems and traffic scheduling and billing systems. We have implemented a new accounting and financial reporting system which is Y2K ready. Costs related to this new system of approximately \$200,000 will be included in capital expenditures.

The final plan phase, the testing phase, will include the actual testing of the enhanced and upgraded systems. This process will include internal and external user review confirmation, as well as unit testing and integration testing with other system interfaces. The testing schedule has begun and is expected to be completed by the end of the third quarter. Based on test results and assessment of outside risks, contingency plans will be developed as determined necessary. We would expect to complete such plans in the fourth quarter of 1999.

We anticipate minimal business disruption from both external and internal factors. However, possible risks include, but are not limited to, loss of power and communication links which are not subject to our control. We believe that our Y2K compliance issues from all phases of our plan will be resolved on a timely basis and that any related costs will not have a material impact on our operations, cash flows or financial condition of future periods.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Derivative Instruments. We do not invest, and during 1998 and the quarter ended March 31, 1999 did not invest, in market risk sensitive instruments.

Market Risk. Our market risk exposure with respect to financial instruments is to changes in the "prime rate" in the United States. We may borrow up to \$75 million under our credit facility and, upon amendment of the credit facility in connection with the offering, we will be able to borrow up to \$150 million. At March 31, 1999, we had borrowed \$36.8 million under our credit facility. Amounts outstanding under the credit facility bear interest at a base rate, at Salem's option, of the bank's prime rate or LIBOR, plus a spread. For purposes of determining the interest rate under our existing credit facility the prime rate spread ranged from 0% to 2.25%, and the LIBOR spread ranged from 1% to 3.5%. At March 31, 1999, the blended interest rate on amounts outstanding under the credit facility was 8.01%. In January 1999, the credit facility was amended to change certain required loan ratio terms and to amend the interest rate spreads. As of January 1, 1999, the interest rate spread ranges from 0% to 2.25%, and the LIBOR spread ranges from 1% to 3.5%. At March 31, 1999, a hypothetical 100 basis point increase in the prime rate would result in additional interest expense of \$367,500 on an annualized basis.

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BUSINESS

OVERVIEW

We are the largest U.S. radio broadcasting company, measured by number of stations and audience coverage, providing programming targeted at audiences interested in religious and family issues. Our core business is the ownership and operation of radio stations in large metropolitan markets. After we complete our pending transactions, we will own 52 radio stations, including 34 stations which broadcast to 19 of the top 25 markets in terms of audience size. We also operate Salem Radio Network(R), a national radio network offering syndicated talk, news and music programming to over 1,100 affiliated radio stations.

Our primary strategy has been, and will continue to be, to acquire and operate radio stations in large metropolitan markets. We either acquire general format radio stations and reformat them or acquire radio stations already broadcasting in a religious and family issues format. Traditionally, we have programmed acquired stations with our primary format, talk programming with religious and family themes. This format generally features nationally syndicated and local programs produced by organizations that purchase block program time on our radio stations. We have expanded our acquisition strategy in recent years by acquiring additional radio stations in markets in which we already have a presence. We program these radio stations to feature news/talk and religious music formats that complement our primary format. Salem Radio Network(R) supports our strategy by enabling us to offer a variety of program content on newly acquired stations in both new and existing markets.

Our founders, Salem's current CEO and chairman, are career radio broadcasters who have owned and operated radio stations with religious and family issues formats for the last 25 years. As Salem has grown, we have recruited managers with strong radio backgrounds and a commitment to our format. Our senior managers have an average of 25 years of industry experience and nine years with Salem.

We continue to seek new ways to expand and integrate our distribution and content capabilities. We recently acquired publishing, Internet and information technology businesses that direct their content to persons with interests that are similar to those of our targeted radio audience. We plan to use these businesses, together with our radio stations and national radio network, to attract and retain a larger audience and customer base.

Salem was incorporated in Delaware in 1993 and remained inactive until March 1999 when it merged with Salem Communications Corporation, a California corporation, which prior to that time had conducted our operations. Salem Communications Corporation-California was formed in 1986 in connection with a combination of most of the radio station holdings of Edward G. Atsinger III and Stuart W. Epperson. Initially, Messrs. Atsinger and Epperson each owned fifty-percent of Salem Communications Corporation-California. New Inspiration Broadcasting Company, Inc., the licensee of KKLA-FM, Los Angeles, and Golden Gate Broadcasting Company, Inc., the licensee of KFAX-AM, San Francisco, were owned by the principal stockholders and Mr. Epperson's wife, Nancy A. Epperson. New Inspiration and Golden Gate were both "S corporations," as that term is defined in the Internal Revenue Code of 1986, as amended. In August 1997, Salem Communications Corporation-California, New Inspiration and Golden Gate effected a reorganization pursuant to which New Inspiration and Golden Gate became wholly-owned subsidiaries of Salem Communications Corporation-California. The

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S corporation status of each of New Inspiration and Golden Gate was terminated in the reorganization.

TARGET AUDIENCE AND RADIO FORMAT OVERVIEW

We are committed to serving our target audience, the segment of the population interested in religious and family issues. We believe this audience is large and will continue to expand.

- Religious formats, featured on commercial and non-commercial radio stations, constitute the third largest radio format in the U.S. after country and news/talk/business/sports formats, as of November 1998 (The M Street Journal).
- Over the past ten years, the number of radio stations identified as having primarily a religious format has increased by 79% to 1,785 (The M Street Journal).
- From 1997 to 1998, listeners to religious format radio increased by 1.3 million adults to 27.9 million weekly listeners. In the same period, more than 120 radio stations with religious formats began broadcasting, although, as a result of this increase, the average number of weekly listeners declined on a per station basis (Religion & Media Monthly).
- The Christian retail industry, which includes books, Bibles, curriculum material, apparel, music, videos, gifts and greeting cards, had sales of \$3 billion in 1998 (Christian Booksellers Association).
- Sales of Christian music grew an average of 17% each year from 1989 to 1998 (The Recording Industry Association of America).
- Wal Mart, the nation's largest music retailer, now devotes more than 20% of its music selling space to Christian music (Gospel Music Association).

While a variety of music formats, including Southern Gospel, Black Gospel, Praise and Worship and Contemporary Christian, are offered on religious format stations, the largest single category of religious format is Christian talk and teaching. Religious talk and music formats can be found on both commercial and non-commercial stations. Commercial radio stations account for approximately two-thirds of stations with religious formats. The balance of these stations broadcast from the non-commercial educational band (88.1MHz - 91.9MHz) and are licensed to non-profit organizations.

Commercial stations that specialize in religious talk programming generate the majority of their revenue from the sale of block program time to national and local program producers. Commercial stations that feature religious music formats generate nearly all of their revenue from the sale of advertising time to local and national advertisers and national network advertisers. Non-commercial stations typically obtain revenue through tax-deductible contributions from listeners, the sale of block program time to national and local program producers and grants or sponsorships of specific programming that allow the sponsor's name to be featured. Sale of advertising time is prohibited on non-commercial stations.

GROWTH AND OPERATING STRATEGIES

CONTINUE TO FOCUS ON TARGETED AUDIENCE. We attribute our success largely to a consistent emphasis on reaching the audience interested in religious and family issues. We have demonstrated a long-term commitment to this audience by operating radio stations with formats directed to our listeners' specific needs

and interests. This consistent focus

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and commitment builds loyalty and trust from our listening audience, block program purchasers and advertisers.

PURSUE STRATEGIC RADIO ACQUISITIONS IN LARGE MARKETS. We intend to pursue acquisitions of radio stations in both new and existing markets, particularly in large metropolitan areas. In 1997 and 1998, we spent \$61.7 million to purchase 12 radio stations. Because we believe our presence in large markets makes us attractive to national block programmers and national advertisers, we will continue to pursue acquisitions of radio stations in selected top 50 markets where we currently do not have a presence. In addition, we will explore opportunities to acquire additional radio stations in our current markets, which we will program with news/talk and religious music formats. Through our acquisition strategy, we reach a greater number and broader range of listeners. This enables us to increase audience response for block program customers and expand our advertising revenue base.

Ownership of two or more radio stations in a single market provides operational efficiencies, such as the use of one general manager, sales staff and broadcast facility. In addition, we use talk and music product from the Salem Radio Network(R) to program additional stations in a market. We believe religious music formats have become increasingly popular and are complementary to our religious and family issues talk format. Three separate religious music formats are produced by our network and are available for use by our radio stations on a full-time basis or in selected time slots.

Our strategy also includes the acquisition of upgraded facilities in existing markets that provide broader signal coverage than our existing radio stations. Our strategy of acquiring upgraded facilities has been an area of emphasis for our senior management for many years and has been successfully demonstrated in such markets as Seattle, New York, Boston and Dallas. We believe our acquisition strategy will better serve block programmers and advertisers, increase the size of our audience and increase our cash flow.

EMPHASIZE COMPELLING PROGRAM CONTENT. As more listening, reading and viewing options become available to consumers, compelling program content will be a prerequisite for expanding our listening audience and increasing audience response to block programmers and advertisers.

We continually look for new block program producers. We provide advice to both prospective and existing block program customers on program content and structure, staffing, engineering and programming delivery options. Station managers are encouraged to evaluate local talk programs with a view toward expansion of promising programs into national syndication. We continue to emphasize this important development area with the goal of maintaining a backlog of quality programs available for placement in new markets and existing markets where we may add additional stations.

We are committed to expanding Salem Radio Network(R) by adding to its menu of product offerings and by actively promoting these products to our network affiliates. We believe that by continually increasing the quality and variety of our network's product we will add to its affiliate base, thereby providing more audience reach that will attract more national advertising customers. Our national radio network will continue to compete aggressively for talk show talent that will be attractive to affiliates, expand and refine our music formats, and develop compelling news and public affairs features. For example, unused network advertising time can be used to promote potential or existing program producers and thereby generate revenue for the program producer that will enable it to purchase block program time on our radio stations. In addition, our newly acquired

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publishing, Internet and information technology businesses will develop creative content offerings.

BUILD STATION IDENTITY. We seek to build local station identity for each of our radio stations in order to retain and increase its listening audience, expand its base of advertisers and provide increased audience response to our block program customers. We assist local personnel and coordinate development of increased production quality through our director of programming located at our corporate headquarters. We are committed to the ongoing evaluation and improvement of our technical facilities, including power increases, tower/ antenna relocations and investment in state of the art equipment. We also emphasize the development of local on-air personalities to allow each radio station to better compete against general format radio stations. We encourage station employees with responsibility for programming to share their ideas for building identity with other Salem stations.

INTEGRATE MEDIA ASSETS. We began to develop integrated media assets to complement the distribution capabilities of our radio stations when we created our radio network. Our ability to control both content and distribution enables

us to expand and better serve our listening audience, as well as our advertising and block program customers. We are exploring ways to better serve our customers and listening audience by using the combined resources of our radio stations and our network. We plan to continue to implement this strategy and apply it to our newly acquired publishing, Internet and information technology businesses. We will also opportunistically pursue acquisitions of new media and other businesses that serve our audience. We intend to develop cross-promotion and cross-selling programs on each of our radio, magazine and Internet media to attract new audiences for our radio stations, new readers for our magazines and new customers for our Internet products and services.

RADIO STATIONS

After completing our pending transactions, we will own 52 radio stations in 29 markets. The following table sets forth information about each of Salem's stations in order of market size:

<TABLE>
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MARKET (1)	MSA RANK (2)	STATION CALL LETTERS	YEAR ACQUIRED
New York, NY(3)	1	WMCA-AM	1989
		WWDJ-AM	1994
Los Angeles, CA	2	KKLA-FM	1985
		KLTX-AM	1986
		KIEV-AM	1998
Chicago, IL	3	WYLL-FM	1990
San Francisco, CA	4	KFAX-AM	1984
Philadelphia, PA	5	WFIL-AM	1993
		WZZD-AM	1994
Dallas-Ft. Worth, TX	7	KWRD-FM	1996
Boston, MA	8	WEZE-AM	1997
Washington, D.C.	9	WAVA-FM	1992
Houston-Galveston, TX	10	KKHT-FM	1995
		KENR-AM	1995
		KTEK-AM	1998
Seattle-Tacoma, WA	14	KGNW-AM	1985
		KLFE-AM	1994
		KKOL-AM	1999
		KKMO-AM	1998

</TABLE>

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MARKET (1)	MSA RANK (2)	STATION CALL LETTERS	YEAR ACQUIRED
Phoenix, AZ	15	KPXQ-AM	1996
		KFDJ-AM	(4)
San Diego, CA	16	KPRZ-AM	1986
Minneapolis-St. Paul, MN	18	KKMS-AM	1996
		KYCR-AM	1998
Baltimore, MD	20	WITH-AM (5)	1997
Pittsburgh, PA	21	WORD-FM	1989
		WPIT-AM	1993
Denver-Boulder, CO	23	KRKS-FM	1993
		KRKS-AM	1994
		KNUS-AM	1996
Cleveland, OH	24	WHK-AM	1997
		WCCD-AM	1997
Portland, OR	25	KPDQ-FM	1986
		KPDQ-AM	1986
Cincinnati, OH	26	WTSJ-AM	1997
Sacramento, CA	28	KFIA-AM	1995
		KTKZ-AM	1997
Riverside-San Bernardino, CA	29	KKLA-AM (6)	1986
Columbus, OH	33	WRFD-AM	1982
San Antonio, TX	34	KSLR-AM	1994
Louisville, KY	53	WLSY-FM	(7)
		WRVI-FM	(7)
Honolulu, HI	60	KAIM-AM	(8)
		KAIM-FM	(8)
		KGU-AM	(8)
		KHNR-AM	(8)
Akron, OH	68	WHLO-AM	1997
Colorado Springs, CO	93	KGFT-FM	1996
		KBIQ-FM	1996
		KPRZ-FM	1996
Oxnard, CA	106	KDAR-FM	1974
Canton, OH	123	WHK-FM (9)	1997

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- (1) Actual city of license may differ from metropolitan market served.
 - (2) "MSA" means Metro Survey Area. We have obtained all Metro Survey Area rank information used in this prospectus from the Fall 1998 Radio Market Survey Schedule & Population Rankings published by The Arbitron Company. According to the Radio Market Survey, the population estimates used were based upon 1990 U.S. Bureau Census estimates updated and projected to January 1, 1999 by Market Statistics, based on the data from Sales & Marketing Management's 1997 Survey of Buying Power.
 - (3) This market includes the Nassau-Suffolk, NY Metro market which independently has a MSA rank of 17.
 - (4) A contract to acquire this radio station for \$5.0 million has been signed and FCC approval of the acquisition is pending. This radio station was formerly known by the call letters KGME-AM and will be renamed KCTK-AM after the closing.
 - (5) The station is simulcast with WAVA-FM, Washington, D.C.
 - (6) The station is simulcast with KKLA-FM, Los Angeles.
 - (7) A letter of intent to acquire these two radio stations for \$5.0 million has been signed and FCC approval of the acquisitions is pending.
 - (8) Letters of intent to acquire four radio stations for \$3.4 million have been signed.
 - (9) The station is simulcast with WHK-AM, Cleveland.

PROGRAM REVENUE. For the quarter ended March 31, 1999, we derived 36.6% and 14.7% of our gross broadcasting revenue from the sale of nationally syndicated and local block program time, respectively. In 1998, we derived 35.5% and 14.7% of our gross broadcasting revenue from the sale of nationally syndicated and local block program time, respectively. We derive nationally syndicated program revenue from a program customer

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base consisting primarily of geographically diverse, well-established non-profit religious and educational organizations that purchase time on radio stations in a large number of markets in the United States. We believe that sales of block program time lessen our exposure to swings in general economic activity and thus make our revenue stream less volatile. Nationally syndicated program producers typically purchase 13, 26 or 52 minute blocks on a Monday through Friday basis and may offer supplemental programming for weekend release. We obtain local program revenue from community organizations and churches that typically purchase time primarily for weekend release and from local speakers who purchase daily releases. We have been successful in assisting quality local programs to expand into national syndication.

Purchasers of block program time derive their income from two primary sources: listener contributions and product sales. Product sales include sales of inspirational material such as printed literature and periodicals, audio and video tapes and other miscellaneous items. Revenue from listener contributions and product sales is used in part to pay for the air time purchased from us. The nationally syndicated program producers carefully track the source of their donations and product sales and use this information to measure the return on their air time investment at each radio station. Because program customers derive their income primarily from various forms of listener support, and given the time period usually required for a program to obtain and develop an audience, our management believes that program customers have generally found it to be in their best interest to retain a specific time slot on a long-term basis notwithstanding customers' short-term financial results or economic conditions.

Our radio stations have enjoyed long-standing relationships with key customers. Focus on the Family and Insight for Living, recognized as two of the leading daily radio programs featured on religious and family issues talk format stations, have been ongoing customers of ours since 1977. We attribute this continuity to our commitment to our religious and family issues talk format and maintaining our presence in the markets we serve. As is typical in the radio industry, contracts may generally be canceled by either the station or the program producer on one month's notice. We typically negotiate our rate increases on an annual basis.

ADVERTISING REVENUE. In the quarter ended March 31, 1999, we derived 30.7% and 5.0% of our gross broadcasting revenue from the sale of local and national advertising, respectively. In 1998, we derived 30.6% and 5.2% of our gross broadcasting revenue from the sale of local and national advertising, respectively.

We believe that the listening audiences for our radio stations are responsive to advertisers that promote products and services targeted to audiences interested in religious and family issues and are receptive to direct response appeals such as those offered through infomercials. Local church groups and many community organizations such as rescue missions and family crisis support services can often effectively reach their constituencies by advertising on religious and family issues talk format radio stations. Significant advertising is also purchased by local and nationally affiliated religious bookstores, publishers specializing in inspirational and religious literature

and other businesses that desire to specifically target audiences interested in religious and family issues. We also generate advertising revenue from general market retailers, including automobile dealers and grocery store chains, in many of our stations' markets. Our management believes that general market retailers are increasingly willing to use niche radio formats for advertising.

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In recent years, we have begun to place greater emphasis on the development of local advertising sales in all of our markets. We encourage general managers and sales managers to create more advertising time for sale. They can create additional advertising time in a variety of ways, such as removing programming that generates marginal audience response, adjusting the start time of programs to add advertising time in more desirable time slots and increasing advertising rates.

We do not subscribe to traditional audience measuring services used by general format radio stations. Rather, we sell advertising based upon the proven success of our existing advertising customers. A majority of advertisers on our radio stations are "direct-response" advertisers (that is, advertisers that solicit some type of response, typically the calling of a toll-free telephone number to purchase a product or service advertised). The typical advertiser on our radio station measures the effectiveness of its advertising on our stations in terms of:

- the number of inquiries to the advertiser in which the caller reports having heard the advertiser's commercial on one of our radio stations;
- the volume of new customers for the advertiser given a designated inquiry level (for example, the advertiser may require that it experience a conversion rate of four new customers for every 10 inquiries); and
- the revenue attributable to sales that are identified as generated by the advertiser's commercial aired on our radio stations.

The sales staff of our radio stations obtains information regarding advertisers' level of satisfaction with the results generated by commercials aired on our radio stations. Our sales staff communicates this information, as well as information regarding the volume of existing advertisers' repeat advertising on our radio stations, to prospective advertisers in marketing our radio stations.

Our radio stations also receive revenue from national advertisers desiring to include selected Salem radio stations in national buys covering multiple markets. These national advertising buys are placed through Salem Radio Representatives, which receives a commission based on the gross dollar amount of all orders generated. We regularly run infomercials on our radio stations, generally on weekends. In reviewing proposed purchases of air time by advertisers and infomercial producers, we consider the suitability of the content of the advertising and infomercials for our stations' audiences.

OPERATIONS. In each of the radio markets in which we have a radio station, we have a general manager who is responsible for day-to-day operations, local advertising sales and local program sales. We pay our general managers a base salary plus a percentage of the radio station's net operating income. Each general manager has a staff of full and part-time engineering, programming and sales personnel. We pay our sales staff on a commission basis.

We have decentralized our operations in response to the growth we have experienced in recent years. Our operations vice presidents, some of whom are also station general managers, oversee several markets on a regional basis. Our operations vice presidents are experienced radio broadcasters with expertise in sales, programming and production. We will continue to rely on this strategy of decentralization and encourage operations vice presidents to apply innovative techniques to the operations they oversee which, if successful, can be implemented in our other stations.

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Our corporate headquarters personnel oversee the placement and rate negotiation for all nationally syndicated programs. Centralized oversight of this component of our revenue is necessary because our key program customers purchase time in many of our markets. Corporate headquarters personnel also are responsible for centralized reporting and financial functions, benefits administration, engineering oversight and other support functions designed to provide resources to local management.

SATELLITE RADIO. In August 1998, we entered into an agreement with XM Satellite Radio, Inc. to develop, produce, supply and market, on an exclusive basis, religious and family issues audio programming which will be distributed by a subscriber-based satellite digital audio radio service. XM Satellite Radio, Inc., one of two FCC licensees for this service, will have the capability of providing up to 100 channels of audio programming. XM Satellite Radio expects its service to commence in 2000. We have agreed to provide religious and family issues talk programming on one channel and youth and adult religious music programming on two additional channels.

SALEM RADIO NETWORK(R)

In 1993, we established Salem Radio Network(R) in connection with our acquisition of certain assets of the former CBN Radio Network. Establishment of Salem Radio Network(R) was a part of our overall business strategy to develop a national network of affiliated radio stations anchored by our radio stations in major markets. Salem Radio Network(R), headquartered in Dallas, Texas, develops, produces and syndicates a broad range of programming specifically targeted to religious and family issues talk and music stations as well as general market news/talk stations. Currently, we have rights to six full-time satellite channels and all of our network's product is delivered to affiliates by satellite.

As of May 17, 1999, our network had over 1,100 affiliate radio stations, including our owned radio stations, that broadcast one or more of the offered programming options. A majority of our affiliate radio stations are commercial stations. Our programming options include talk shows, news and music. Network operations also include commission revenue of Salem Radio Representatives, a wholly-owned subsidiary of Salem. Salem Radio Representatives sells all national commercial advertising placed on our network's commercial affiliate radio stations. Our network's gross revenue was \$6.1 million for 1998 and \$1.7 million for the quarter ended March 31, 1999. Salem Radio Network(R) incurred a net operating loss of \$392,000 for 1998 and had net operating income of \$157,000 for the quarter ended March 31, 1999.

TALK PROGRAMMING. Salem Radio Network(R) offers talk programming designed to attract listeners to affiliate radio stations by addressing current national issues from a religious and family issues perspective. Our network currently produces 20 daily and weekly long-form and short-form programs including The Michael Medved Show, The David Gold Show, Tim Kimmel Live!, Janet Parshall's America and The Cal Thomas Commentary. As of May 17, 1999, 523 affiliate radio stations carried some form of Salem Radio Network(R) talk programming.

Station affiliations for talk programming are non-exclusive, allowing a radio station to select specific network programs it wishes to carry. Commercial affiliates are required to air five minutes of network advertisements during each hour of network programming carried. Because they are unable to clear commercial advertisements, non-commercial radio stations that carry our talk programming pay a monthly access fee.

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NEWS. Salem Radio Network(R) began the production and distribution of news in 1996 with the purchase of StandardNews. The name was subsequently changed to SRN News and the news product was repositioned to offer affiliates a family-focused news service. The service is delivered three times each hour and provides coverage of national and international news. SRN News operates from its fully-digital headquarters located in the Washington, D.C. area. SRN News has fully-equipped broadcast facilities at the White House, United States House of Representatives and United States Senate that are staffed by full-time correspondents. As of May 17, 1999, Salem Radio Network(R) provided SRN News to 607 affiliate radio stations, compared with the 167 affiliates existing at the time the news service was acquired in 1996.

Commercial radio stations that affiliate with SRN News are required to air 12 minutes of network advertisements between the hours of 6 AM and 11 PM daily. Noncommercial radio stations that affiliate with SRN News pay a monthly access fee.

MUSIC. Salem Radio Network(R) offers three syndicated religious music formats. The Morningstar format, which originates from studios in Nashville, features adult contemporary Christian music targeted to the mainstream 25-to-54 year old audience. Salem Radio Network(R) also offers a contemporary Christian music format, The Word in Music(R), targeted to a younger audience, and a more traditional praise and worship format, The Word in Praise. Both of these formats originate from two of Salem's Colorado Springs radio stations. All music formats are available to affiliate radio stations on a 24-hour basis or in selected time slots. As of May 17, 1999, Morningstar, The Word in Music(R) and The Word in Praise had 117, 15 and 11 affiliate radio stations, respectively.

Each music network requires commercial affiliates to air a minimum number of minutes per hour for network advertisements. In addition, fixed monthly affiliation fees are charged to both commercial and non-commercial radio stations which affiliate with the Morningstar format and non-commercial radio stations which affiliate with The Word in Music(R) and The Word in Praise. In addition to these three 24-hour music formats, Salem Radio Network(R) provides weekly music programs, including CCM Countdown with Gary Chapman, CCM Radio Magazine, Christian Pirate Radio Countdown, Let Us Worship and Rock Alive, to 136 affiliate radio stations as of May 17, 1999.

SALEM RADIO REPRESENTATIVES. We established Salem Radio Representatives in 1992 as a sales representation company specializing in placing national

advertising on religious and family issues format radio stations. Salem Radio Network(R) and Salem owned radio stations have agreements with Salem Radio Representatives for the sale of available advertising time. Salem Radio Representatives also contracts with radio stations not owned by Salem to sell air time to national advertisers. See "-- Radio Stations -- Advertising Revenue." Salem Radio Representatives administrative offices are located in Dallas, Texas, and its 11 commissioned sales personnel are located in field offices in Washington, D.C., Chicago, Nashville, Dallas, Seattle, St. Louis and Los Angeles.

OTHER MEDIA

INTERNET AND INFORMATION TECHNOLOGY. In January 1999, we purchased the assets of OnePlace, LLC for \$6.2 million. OnePlace(TM), based in Greensboro, North Carolina, is organized into two primary business units. The first, known as the Christian Marketplace, utilizes OnePlace's proprietary databases and digital imaging technologies to develop, market and sell products and services. The second, known as Technology Licensing, develops and licenses OnePlace's e-commerce, search engines and imaging applications.

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The Christian Marketplace business unit generates revenue from (i) the direct sales of products and services to consumers, families, churches, denominational houses and publishers and (ii) the Innovative Church Marketing Group which provides business-to-business applications for religious bookstores and vendors of products targeted to the religious market. The direct sales division includes numerous offerings.

- SermonSearch is a subscription based online database of sermons submitted by pastors and noted church leaders that is used by youth leaders, ministers and teachers who research and prepare sermons or lessons.
- CCIS-Membership software is designed to maintain and track church membership, contributions, pledges, attendance and activities.
- GuardiaNet(TM) is a consumer profiling, security and filtering application that allows customers to create a safe environment for families by defining access rights uniquely for each family member.
- OnePlace.com is an online community designed to offer access to church and consumer products and provide other information and resources in a family friendly Internet community. We plan to generate revenue from OnePlace.com through advertising, e-commerce and subscription services.
- The ChristianSuperstore.net is an online e-commerce "superstore" of more than 31,000 consumer Christian products, including books, music, Bibles, gift items, software and other products.
- The music superstore division of OnePlace(TM), accessible through OnePlace.com and ChristianSuperstore.net, is an online e-commerce site of Christian music. We complement the sale of music CDs with artist and concert information from CCM Magazine and streaming of audio samples, including samples from The CCM Countdown with Gary Chapman.
- OnePlace Search, located within OnePlace.com, is a "yellow pages" guide to Christian resources that include Web pages listings for churches, retail stores, retail bookstores, Christian counselors and other institutions.

The Innovative Church Marketing Group provides business-to-business products and services for vendors, publishers, distributors and retailers of Christian products. The division's services include the digital creation, storage and transmission of pictures, art work and audio and video streams that enable both print and electronic catalogs of products to be produced efficiently. The division also serves the institutional church market through the delivery of approximately 280,000 print catalogs annually, in addition to e-commerce versions of the same catalogs.

The Technology Licensing business unit licenses OnePlace's technologies to general market companies. These technologies include digital imaging software, search engines, e-commerce and subscription commerce applications and filtering security software for libraries and other institutions. As part of the technology licensing effort, OnePlace(TM) also generates revenue from building Web sites for organizations that incorporate OnePlace's technologies.

OnePlace(TM) currently generates substantially all of its revenue from SermonSearch, CCIS-Membership software and its Innovative Church Marketing Group.

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PUBLISHING. In January 1999, we purchased CCM Communications, Inc. for \$1.9 million. CCM, based in Nashville, Tennessee, has published magazines since 1978 which follow the Christian music industry and, more recently, has added

publications aimed at church staff. The products of CCM include the following:

- CCM Magazine, CCM's flagship publication for over 20 years, is published monthly and follows the Contemporary Christian music format through interviews with artists, feature articles, album reviews and concert schedules.
- Worship Leader, published bi-monthly and owned in partnership with The Corinthian Group, is a resource magazine for planning worship services and features columns by recognized authorities on worship and "how-to" articles and models designed to expand understanding of current trends and issues affecting worship.
- Youthworker, published bi-monthly, is a professional journal for Christian youthworkers who desire to keep current with leadership and youth trends and issues.
- The CCM Update, a weekly newsletter directed to Christian music retailers, radio stations and record company executives, features industry news, radio and sales charts and reviews.
- Christian Research Report, a weekly publication directed exclusively to Christian radio, includes national airplay charts and music research.
- CCM New Music Guide, published quarterly, provides listings of upcoming releases from major record labels and national product distributors and offers reviews of Contemporary Christian releases scheduled for the coming quarter.
- The CCM Radio division produces The CCM Countdown with Gary Chapman, a three-hour weekly program featuring the top 30 Adult Contemporary songs as compiled by The CCM Update, and The CCM Radio Magazine, a one-hour weekly program based on the editorial content of CCM Magazine. The programs are delivered by satellite on the Salem Radio Network(R).
- CCM Online maintains CCM's Web site that contains content from the magazines, listings of where CCM Radio programs are aired, concert schedules and links to artist-related Web sites.

COMPETITION

RADIO. The radio broadcasting industry, including the religious and family issues format segment of this industry, is a highly competitive business. The financial success of each of our radio stations that features talk programming is dependent, to a significant degree, upon its ability to generate revenue from the sale of block program time to national and local religious and educational organizations. We compete for this program revenue with a number of different commercial and non-commercial radio station licensees. While no group owner in the United States specializing in the religious format approaches Salem in size of potential listening audience and presence in major markets, religious format stations exist and enjoy varying degrees of prominence and success in all markets. We own 34 radio stations which broadcast to 19 of the top 25 radio markets in terms of audience size. Our closest commercial competitor in the top 25 radio markets owns 16 commercial radio stations which broadcast to eight of these major markets. Our closest non-commercial competitor in the top 25 radio markets owns five radio stations which broadcast to four of these major markets.

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We also compete for revenue in the advertising market with other commercial religious format and general format radio station licensees. We compete in the advertising market with other media as well, including broadcast television, cable television, newspapers, magazines, direct mail and billboard advertising.

Competition may also come from new media technologies and services that are currently being developed or introduced. These include delivery of audio programming by cable television, satellite, digital audio radio services, the Internet, personal communications services and the proposed authorization by the FCC of a new service of low powered, limited coverage FM radio stations. Digital audio broadcasting may deliver multiformat digital radio services by satellite to national and regional audiences. We have attempted to address these competitive threats, in part, through our acquisition of OnePlace(TM) and through our arrangement with XM Satellite Radio to provide religious and family issues talk and music formats on its proposed satellite digital audio radio service.

NETWORK. Salem Radio Network(R) competes with other commercial radio networks that offer news and talk programming to religious and general format radio stations and two non-commercial networks that offer religious music formats. Our network also competes with other radio networks for the services of talk show personalities.

OTHER MEDIA. Our magazines compete for readers and advertisers with other publications that follow the religious music industry and publications that address issues of interest to church leadership. Our Internet business competes

with other companies that deliver online audio programming, companies with Web sites targeted to persons interested in religious and family issues and e-commerce companies, such as Amazon.com, whose product offerings include religious books and music.

EMPLOYEES

At May 14, 1999, Salem employed 592 full-time and 239 part-time employees. None of Salem's employees are covered by collective bargaining agreements, and we consider our relations with our employees to be good. We have employment agreements with Edward G. Atsinger III, Stuart W. Epperson and Eric H. Halvorson.

In certain of our larger markets, we employ key managers and on-air talent who do not have employment contracts. While the loss of any of these individuals could have a material adverse effect upon the operations of the applicable radio station, we do not believe that any such loss would have a material adverse effect on our financial condition or results of operations taken as a whole.

PROPERTIES AND FACILITIES

The types of properties required to support our radio stations include offices, studios and tower and antenna sites. A station's studios are generally housed with its office in a downtown or business district. We generally select our tower and antenna sites to provide maximum market coverage. Our network operations are supported by offices and studios from which its programming originates or is relayed from a remote point of origination. The operations of our new media businesses are supported by office facilities.

Our radio stations' studios and offices, our network's operations, the operations of our new media businesses and our corporate headquarters are located in leased facilities. Our network leases satellite transponders used for delivery of its programming. We either own or lease our radio station tower and antenna sites. We do not anticipate difficulties in

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renewing those leases that expire within the next several years or in obtaining other lease arrangements, if necessary.

We lease certain property from the principal stockholders or trusts and partnerships created for the benefit of the principal stockholders and their families. See "Transactions Involving Officers, Directors and Principal Stockholders." All such leases have cost of living adjustments. Based upon our management's assessment and analysis of local market conditions for comparable properties, we believe such leases do not have terms that vary materially from those that would have been available from unaffiliated parties.

No one property is material to our overall operations. We believe that our properties are in good condition and suitable for our operations; however, we continually evaluate opportunities to upgrade our properties. We own substantially all of our equipment, consisting principally of transmitting antennae, transmitters, studio equipment and general office equipment.

LITIGATION

We are involved in various routine legal proceedings, incident to the ordinary course of our business. We believe that the outcome of all pending legal proceedings in the aggregate will not have a material adverse effect on our consolidated financial condition or our results of operations.

FEDERAL REGULATION OF RADIO BROADCASTING

INTRODUCTION. The ownership, operation and sale of broadcast stations, including those licensed to Salem, are subject to the jurisdiction of the FCC, which acts under authority derived from The Communications Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Communications Act"). The Communications Act was amended by the Telecommunications Act of 1996 (the "Telecommunications Act") to make changes in several broadcast laws. Among other things, the FCC assigns frequency bands for broadcasting; determines whether to approve changes in ownership or control of station licenses; regulates transmission facilities, including power employed, antenna and tower heights, and location of transmission facilities; adopts and implements regulations and policies that directly or indirectly affect the ownership, operation and employment practices of stations; and has the power to impose penalties for violations of its rules under the Communications Act.

The following is a brief summary of certain provisions of the Communications Act and of specific FCC regulations and policies. Failure to observe these or other rules and policies can result in the imposition of various sanctions, including monetary forfeitures, the grant of "short" (less than the maximum) license renewal terms or, for particularly egregious violations, the denial of a license renewal application, the revocation of a license or the denial of FCC consent to acquire additional broadcast properties. For further information concerning the nature and extent of federal regulation

of broadcast stations you should refer to the Communications Act, FCC rules and the public notices and rulings of the FCC.

LICENSE GRANT AND RENEWAL. Radio broadcast licenses are granted for maximum terms of eight years. Licenses may be renewed through an application to the FCC. Prior to the Telecommunications Act, during certain periods when a renewal application was pending, competing applicants could file for the radio frequency being used by the renewal applicant. The Telecommunications Act prohibits the FCC from considering such competing applications if the FCC finds that the station has served the public interest,

convenience and necessity, that there have been no serious violations by the licensee of the Communications Act or the rules and regulations of the FCC, and that there have been no other violations by the licensee of the Communications Act or the rules and regulations of the FCC that, when taken together, would constitute a pattern of abuse.

Petitions to deny license renewals can be filed by interested parties, including members of the public. Such petitions may raise various issues before the FCC. The FCC is required to hold hearings on renewal applications if the FCC is unable to determine that renewal of a license would serve the public interest, convenience and necessity, or if a petition to deny raises a "substantial and material question of fact" as to whether the grant of the renewal application would be prima facie inconsistent with the public interest, convenience and necessity. Also, during certain periods when a renewal application is pending, the transferability of the applicant's license is restricted. We are not currently aware of any facts that would prevent the timely renewal of our licenses to operate our radio stations, although there can be no assurance that our licenses will be renewed.

The FCC classifies each AM and FM station. An AM station operates on either a clear channel, regional channel or local channel. A clear channel is one on which AM stations are assigned to serve wide areas. Clear channel AM stations are classified as either: Class A stations, which operate on an unlimited time basis and are designated to render primary and secondary service over an extended area; Class B stations, which operate on an unlimited time basis and are designed to render service only over a primary service area; and Class D stations, which operate either during daytime hours only, during limited times only or on an unlimited time basis with low nighttime power. A regional channel is one on which Class B and Class D AM stations may operate and serve primarily a principal center of population and the rural areas contiguous to it. A local channel is one on which AM stations operate on an unlimited time basis and serve primarily a community and the suburban and rural areas immediately contiguous thereto. Class C AM stations operate on a local channel and are designed to render service only over a primary service area that may be reduced as a consequence of interference.

The minimum and maximum facilities requirements for an FM station are determined by its class. FM class designations depend in part upon the geographic zone in which the transmitter of the FM station is located. In general, commercial FM stations are classified as follows, in order of increasing power and antenna height: Class A, B1, C3, B, C2, C1 and C.

The following table sets forth in order of market size the market, call letters, FCC license classification, antenna height above average terrain (HAAT), power and frequency of each of the stations owned or operated by Salem and the date on which each station's FCC license expires. None of our FCC licenses expires prior to October 1, 2003.

<TABLE>
<CAPTION>

MARKET (1)	STATION CALL LETTERS	FCC CLASS	HAAT IN METERS	POWER IN KILOWATTS (2)	FREQUENCY	EXPIRATION DATE OF LICENSE
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<S>	<C>	<C>	<C>	<C>	<C>	<C>
New York, NY(3).....	WMCA-AM	B	NA	5.0/5.0	570 kHz	6/1/2006
	WWDJ-AM	B	NA	5.0/5.0	970 kHz	6/1/2006
Los Angeles, CA.....	KKLA-FM	B	878	10.5	99.5 MHz	12/1/2005
	KIEV-AM	B	NA	20/3	870 kHz	12/1/2005
	KLTX-AM	B	NA	5.0/3.6	1390 kHz	12/1/2005
Chicago, IL.....	WYLL-FM	B	91 (4)	50	106.7 MHz	12/1/2004
San Francisco, CA.....	KFAX-AM	B	NA	50	1100 kHz	12/1/2005
Philadelphia, PA.....	WFIL-AM	B	NA	5.0/5.0	560 kHz	8/1/2006
	WZZD-AM	B	NA	50.0/10.0	990 kHz	8/1/2006
Dallas-Ft. Worth, TX.....	KWRD-FM	C	460	100	94.9 MHz	8/1/2005
Boston, MA.....	WEZE-AM	B	NA	5.0/5.0	590 kHz	4/1/2006
Washington, D.C.	WAVA-FM	B	165	41	105.1 MHz	10/1/2003
Houston-Galveston, TX.....	KENR-AM	B	NA	10.0/5.0	1070 kHz	8/1/2005
	KKHT-FM	C	579	100	106.9 MHz	8/1/2005
	KTEK-AM	D	NA	2.7/2.067 (5)	1110 kHz	8/1/2005

Seattle-Tacoma, WA.....	KGNW-AM	B	NA	50.0/5.0	820 kHz	2/1/2006
	KLFE-AM	B	NA	5.0/5.0	1590 kHz	2/1/2006
	KKOL-AM	B	NA	5.0/5.0	1300 kHz	2/1/2006
	KKMO-AM	B	NA	5.0/5.0	1360 kHz	2/1/2006
Phoenix, AZ.....	KPXQ-AM	B	NA	5.0/5.0	960 kHz	10/1/2005
San Diego, CA.....	KPRZ-AM	B	NA	20.0/5.0	1210 kHz	12/1/2005
Minneapolis-St Paul, MN.....	KKMS-AM	B	NA	5.0/5.0	980 kHz	4/1/2005
	KYCR-AM	B	NA	3.8/0.230	1570 kHz	4/1/2005
Baltimore, MD.....	WITH-AM	C	NA	1.0/1.0	1230 kHz	10/1/2003
Pittsburgh, PA.....	WORD-FM	B	154	48	101.5 MHz	8/1/2006
	WPIT-AM	D	NA	5.0/0.024	730 kHz	8/1/2006
Denver-Boulder, CO.....	KNUS-AM	B	NA	5.0/5.0	710 kHz	4/1/2005
	KRKS-AM	B	NA	5.0/0.39	990 kHz	4/1/2005
	KRKS-FM(6)	C	300	100	94.7 MHz	4/1/2005
Cleveland, OH.....	WCCD-AM	D	NA	0.5	1000 kHz	10/1/2004
	WHK-AM	B	NA	5.0/5.0	1420 kHz	10/1/2004
Portland, OR.....	KPDQ-AM	B	NA	1.0/0.51	800 kHz	2/1/2006
	KPDQ-FM(6)	C	387	100	93.7 MHz	2/1/2006
Cincinnati, OH.....	WTSJ-AM	B	NA	1.0/0.28	1050 kHz	10/1/2004
Sacramento, CA.....	KFIA-AM	B	NA	25.0/1.0	710 kHz	12/1/2005
	KTKZ-AM	B	NA	5.0/5.0	1380 kHz	12/1/2005
Riverside-San Bernardino, CA.....	KKLA-AM	C	NA	1.0/1.0	1240 kHz	12/1/2005
Columbus, OH.....	WRFD-AM	D	NA	23/6.1(5)	880 kHz	10/1/2004
San Antonio, TX.....	KSLR-AM	B	NA	5.0/4.3	630 kHz	8/1/2005
Akron, OH.....	WHLO-AM	B	NA	5.0/0.50	640 kHz	10/1/2004
Colorado Springs, CO.....	KBIQ-FM	C	695	72	102.7 MHz	4/1/2005
	KGFT-FM	C	676	78	100.7 MHz	4/1/2005
	KPRZ-FM(7)	C3	614	0.51	96.1 MHz	4/1/2005
Oxnard, CA.....	KDAR-FM	B1	393	1.5	98.3 MHz	12/1/2005
Canton, OH.....	WHK-FM(8)	B	175	36	98.1 MHz	10/1/2004

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- (1) Actual city of license may be different from the metropolitan market served.
 - (2) Pursuant to FCC rules and regulations, many AM radio stations are licensed to operate at a reduced power during nighttime broadcasting hours, which results in reducing the radio station's coverage during those hours of operation. Both power ratings are shown, where applicable.
 - (3) This market includes the Nassau-Suffolk, NY Metro market which independently has a MSA rank of 17.
 - (4) The FCC has issued a construction permit to Salem which allows the antenna for this station to be increased to 129m HAAT.
 - (5) Pursuant to FCC rules and regulations, many AM radio stations are licensed to operate at a reduced power during critical hours, the two-hour periods immediately following sunrise and preceding sunset. Both daytime power ratings are shown. KTEK-AM and WRFD-AM do not operate during nighttime hours.
 - (6) The FCC has issued a notice of proposed rulemaking that contemplates adding a new class of FM station known as C0. For further information, see "-- Proposed Changes" below.
 - (7) The FCC has issued a construction permit to Salem which allows the license for this station to be changed to class C2, the antenna to be increased to 670m HAAT, the power to be increased to 1.7kW.
 - (8) The FCC has issued a construction permit to Salem which allows the antenna for this station to be increased to 268m HAAT and the power to be changed to 15.5kW. Construction has been completed pursuant to the permit and the station is now operating with its new antenna facility. An application to license the new facility is pending before the FCC.

OWNERSHIP MATTERS. The Communications Act prohibits the assignment of a broadcast license or the transfer of control of a broadcast license without the prior approval of the FCC. In determining whether to assign, transfer, grant or renew a broadcast license, the FCC considers a number of factors pertaining to the licensee, including compliance with various rules limiting common ownership of media properties, the "character" of the licensee and those persons holding "attributable" interests therein, and compliance with the Communications Act's limitation on alien ownership, as well as compliance with other FCC policies, including equal employment opportunity requirements.

Once a station purchase agreement has been signed, an application for FCC consent to assignment of license or transfer of control (depending upon whether the underlying transaction is an asset purchase or stock acquisition) is filed with the FCC. Approximately 10 to 15 days after this filing, the FCC publishes a notice assigning a file number to the application and advising that the

application has been "accepted for filing." This begins a 30-day statutory public notice period during which third parties have the opportunity to file formal petitions to deny the proposed transaction. Informal objections to the transaction may be filed at any time prior to the grant of an application. During this 30-day period, the FCC staff generally begins its review of the application and may request additional information from the applicants in response to any questions the staff may have.

Assuming that no petitions are filed during the public notice period and that the proposed transaction poses no issues requiring higher level consent, the FCC staff often grants the application by delegated authority approximately 10 days after the end of the public notice period. If there is a back log of applications or the transaction proposes an issue requiring higher level consent, the 10-day period can extend to 30 days or more. The parties to the application are legally authorized to close on the transaction at any time after the application is granted. At this point, however, the grant is not a "final order."

Public notice of the FCC staff grant of an application is usually issued within seven days of the date on which the application is granted. For a period of 30 days following the date of this public notice interested parties may file petitions seeking staff reconsideration or full FCC review of the staff action. In addition, for a period of 40 days following the date of the public notice, the FCC, on its own, can review and reconsider the grant. If the FCC itself adopts an order granting an application or adopts an order affirming the staff grant of an application, judicial review of the FCC action may be sought

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in the United States Court of Appeals for the District of Columbia within 30 days of the public notice of the FCC's action. In the event the court affirms the FCC's action, further judicial review may be sought by seeking rehearing en banc from the Court of Appeals or by certiorari from the United States Supreme Court.

Assuming that no petitions are filed by third parties and no action staying or reversing the grant is made by the FCC, then the grant will become a final order by operation of law at the close of business on the 40th day following the public notice of the grant. Upon a grant becoming a final order, counsel is able to deliver an opinion that the grant is no longer subject to administrative or judicial review, although such actions can nevertheless be set aside in rare circumstances (for example, fraud on the agency by a party to the application).

The FCC will not issue an unconditional assignment or transfer grant if an application for renewal of license for the station is pending. Thus, the foregoing timetables will be altered in the event an application for assignment or transfer is filed while a license renewal application is pending.

Under the Communications Act, a broadcast license may not be granted to or held by a corporation that has more than one-fifth of its capital stock owned or voted by aliens or their representatives, by foreign governments or their representatives, or by non-U.S. corporations. Under the Communications Act, a broadcast license also may not be granted to or held by any corporation that is controlled, directly or indirectly, by any other corporation more than one-fourth of whose capital stock is owned or voted by aliens or their representatives, by foreign governments or their representatives, or by non-U.S. corporations. These restrictions apply in modified form to other forms of business organizations, including partnerships. We therefore may be restricted from having more than one-fourth of our stock owned or voted by aliens, foreign governments or non-U.S. corporations.

The Communications Act and FCC rules also generally restrict the common ownership, operation or control of radio broadcast stations serving the same local market, of a radio broadcast station and a television broadcast station serving the same local market, and of a radio broadcast station and a daily newspaper serving the same local market. Under these "cross-ownership" rules, absent waivers, we would not be permitted to acquire any daily newspaper or television broadcast station (other than low power television) in a local market where we then owned any radio broadcast station. The FCC's rules provide for the liberal grant of a waiver of the rule prohibiting common ownership of radio and television stations in the same geographic market in the top 25 television markets if certain conditions are satisfied. The Telecommunications Act extends this waiver policy to stations in the top 50 television markets, although the FCC has not yet implemented this change.

In response to the Telecommunications Act, the FCC amended its multiple ownership rules to eliminate the national limits on ownership of AM and FM stations. The FCC's broadcast multiple ownership rules restrict the number of radio stations one person or entity may own, operate or control on a local level. These limits, as specified in the Telecommunications Act, are:

- in a market with 45 or more commercial radio stations, an entity may own up to eight commercial radio stations, not more than five of which are in the same service (FM or AM);

- in a market with between 30 and 44 (inclusive) commercial radio stations, an entity may own up to seven commercial radio stations, not more than four of which are in the same service;
- in a market with between 15 and 29 (inclusive) commercial radio stations, an entity may own up to six commercial radio stations, not more than four of which are in the same service;
- in a market with 14 or fewer commercial radio stations, an entity may own up to five commercial radio stations, not more than three of which are in the same service, except that an entity may not own more than 50% of the stations in such market.

None of these multiple ownership rules requires any change in our current ownership of radio broadcast stations; however, these rules will limit the number of additional stations that we may acquire in the future in certain of our markets.

Because of these multiple and cross-ownership rules, a purchaser of voting stock of the company that acquires an "attributable" interest in the company may violate the FCC's rule if it also has an attributable interest in other television or radio stations, or in daily newspapers, depending on the number and location of those radio or television stations or daily newspapers. Such a purchaser also may be restricted in the other companies in which it may invest, to the extent that these investments give rise to an attributable interest. If an attributable stockholder of the company violates any of these ownership rules, the company may be unable to obtain from the FCC one or more authorizations needed to conduct its radio station business and may be unable to obtain FCC consents for certain future acquisitions.

The FCC generally applies its television/radio/newspaper cross-ownership rules and its broadcast multiple ownership rules by considering the "attributable," or cognizable interests held by a person or entity. A person or entity can have an interest in a radio station, television station or daily newspaper by being an officer, director, partner or stockholder of a company that owns that station or newspaper. Whether that interest is cognizable under the FCC's ownership rules is determined by the FCC's attribution rules. If an interest is attributable, the FCC treats the person or entity who holds that interest as an "owner" of the radio station, television station or daily newspaper in question, and therefore subject to the FCC's ownership rules.

With respect to a corporation, officers and directors and persons or entities that directly or indirectly can vote 5% or more of the corporation's stock (10% or more of such stock in the case of insurance companies, investment companies, bank trust departments which act as "passive investors" that hold such stock for investment purposes only) generally are attributed with an ownership interest in whatever radio stations, television stations and daily newspapers the corporation owns.

With respect to a partnership, the interest of a general partner is attributable, as is the interest of any limited partner who is "materially involved" in the media-related activities of the partnership. Debt instruments, nonvoting stock, options and warrants for voting stock that have not yet been exercised, limited partnership interests where the limited partner is not "materially involved" in the media-related activities of the partnership, and minority (under 5%) voting stock, generally do not subject their holders to attribution.

The FCC has issued a notice of proposed rulemaking that contemplates tightening attribution standards where parties have multiple nonattributable interests in and

relationships with stations that would be prohibited by the FCC's cross-ownership rules, if the interest/relationships were attributable. The proposed rule contemplates that this change in attribution will apply only to persons holding debt or equity interests that exceed certain benchmarks. For further information, see "-- Proposed Changes" below.

In addition, the FCC has a "cross-interest" policy that under certain circumstances could prohibit a person or entity with an attributable interest in a broadcast station or daily newspaper from having a "meaningful" nonattributable interest in another broadcast station or daily newspaper in the same local market. Among other things, "meaningful" interests could include significant equity interests (including nonvoting stock, voting stock and limited partnership interests) and significant employment positions. This policy may limit the permissible investments a purchaser of the company's voting stock may make or hold.

PROGRAMMING AND OPERATION. The Communications Act requires broadcasters to serve the "public interest." The FCC has gradually relaxed or eliminated many of the more formalized procedures it had developed in the past to promote the

broadcast of certain types of programming responsive to the needs of a station's community of license. Licensees continue to be required, however, to present programming that is responsive to community problems, needs and interests and to maintain certain records demonstrating such responsiveness. Complaints from listeners concerning a station's programming will be considered by the FCC when it evaluates the licensee's renewal application, but such complaints may be filed and considered at any time.

Stations also must pay regulatory and application fees and follow various FCC rules that regulate, among other things, political advertising, the broadcast of obscene or indecent programming, sponsorship identification and technical operations (including limits on radio frequency radiation) and equal employment opportunity requirements. The broadcast of contests and lotteries is regulated by FCC rules.

Failure to observe these or other rules and policies can result in the imposition of various sanctions, including monetary forfeitures, the grant of "short" (less than the maximum) renewal terms or, for particularly egregious violations, the denial of a license renewal application or the revocation of a license.

LOCAL MARKETING AGREEMENTS. Over the past five years, a number of radio stations, including certain of our stations, have entered into "time brokerage agreements" of the type which are commonly referred to as "local marketing agreements." These LMAs take various forms. Separately-owned and licensed stations may agree to function cooperatively in terms of programming, advertising sales and other matters, subject to compliance with the antitrust laws and the FCC's rules and policies, including the requirement that the licensee of each station maintains independent control over the programming and other operations of its own station. The FCC has held that such agreements do not violate the Communications Act as long as the licensee of the station that is being substantially programmed by another entity maintains complete responsibility for, and control over, operations of its broadcast stations and otherwise ensures compliance with applicable FCC rules and policies.

A station that brokers substantial time on another station in its market or engages in an LMA with a station in the same market will be considered to have an attributable ownership interest in the brokered station for purposes of the FCC's ownership rules. As a result, a broadcast station may not enter into an LMA that allows it to program more than 15% of the broadcast time, on a weekly basis, of another local station that it could not own under the FCC's local multiple ownership rules. FCC rules also prohibit the broadcast

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licensee from simulcasting more than 25% of its programming on another station in the same broadcast service (that is, AM-AM or FM-FM) where the two stations serve substantially the same geographic area, whether the licensee owns the stations or owns one and programs the other through an LMA arrangement.

PROPOSED CHANGES. In December, 1994, the FCC initiated a proceeding to solicit comment on whether it should revise its radio ownership "attribution" rules by among other proposals:

- raising the basic benchmark for attributing ownership in a corporate licensee from 5% to 10% of the licensee's voting stock;
- increasing from 10% to 20% of the licensee's voting stock the attribution benchmark for "passive investors" in corporate licensees; and
- restricting the availability of the attribution exemption when a single party controls more than 50% of the voting stock.

At this time, no decision has been made by the FCC in these matters. We can make no determination as to what effect, if any, this proposed rulemaking will have on Salem.

The Congress and the FCC from time to time have under consideration, and may in the future consider and adopt, new laws, regulations and policies regarding a wide variety of matters that could, directly or indirectly, affect the operation, ownership and profitability of the company's radio stations, result in the loss of audience share and revenue for the company's radio stations, and affect the ability of the company to acquire additional radio stations or finance such acquisitions. Such matters include:

- proposals to impose spectrum use or other fees on FCC licensees;
- the FCC's equal employment opportunity rules and matters relating to political broadcasting;
- technical and frequency allocation matters;
- changes in the FCC's cross interest policies;
- changes in multiple ownership and cross-ownership rules;

- changes to broadcast technical requirements;
- proposals to allow telephone or cable television companies to deliver audio and video programming to the home through existing phone lines;
- proposals to limit the tax deductibility of advertising expenses by advertisers; and
- proposals to auction the right to use the radio broadcast spectrum to the highest bidder, instead of granting FCC licenses and subsequent license renewals without such bidding.

The Balanced Budget Act of 1997, enacted August 5, 1997, requires the FCC to resolve mutually-exclusive requests for use of the commercial radio broadcast spectrum by auction under most circumstances, including requests for new radio stations or major changes in the facilities of existing stations filed after June 30, 1997. The FCC may use auctions to resolve such mutually-exclusive requests filed before July 1, 1997, which remain pending after a mandated period ending February 1, 1998, in which the applicants may enter into settlement agreements to resolve the mutual exclusivity of their applications.

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On November 25, 1997, the FCC adopted a notice of proposed rulemaking seeking to implement its statutory auction authority. In connection with the November 25, 1997 notice of proposed rulemaking, the FCC has imposed a temporary freeze on the filing of most requests for new commercial broadcast radio stations or for major changes of existing commercial broadcast facilities until it completes the adoption of auction rules and procedures. On August 6, 1998, the FCC adopted a First Report and Order amending certain of its rules and enacting new rules to implement its auction authority, and delegated authority to the Chief of the Mass Media Bureau to prescribe procedures and mechanisms for the conduct of broadcast service auctions under the new and amended rules. Petitions for reconsideration of that First Report and Order were filed and considered by the FCC. On April 15, 1999, the FCC acted on those petitions by generally reaffirming the auction rules adopted August 6, 1998, which among other provisions award bidding credits to owners of no or very few mass media outlets. The Mass Media Bureau has scheduled the first auction of commercial broadcast station construction permits for September 28, 1999. The Mass Media Bureau and Wireless Telecommunications Bureau have under consideration proposed procedural rules for that auction. Still under consideration by the FCC is a further refinement of the rule under which bidding credits will be awarded.

The freeze imposed in connection with the November 25, 1997 auction notice remains in effect. On March 30, 1999, the FCC adopted an order in a separate proceeding which, among other actions, amended the definition of a major change application for existing AM radio stations, redefining many former major changes as minor changes and potentially lessening the impact of the freeze on licensees of commercial AM radio stations.

The FCC has issued a notice of proposed rulemaking that contemplates adopting rules to authorize a new service of low powered, limited coverage FM stations. Should this new low powered FM service be authorized, the FCC has proposed to adopt ownership limitations which would exclude present multiple station owners. The FCC has asked for comments on whether this new service, if authorized, should be limited to noncommercial operation.

The FCC has also issued a notice of proposed rulemaking that contemplates adding a new class of FM station known as C0. If the proposed rule is adopted and if a station's facilities place it in the C0 class, it may be precluded from increasing its antenna height and power combination above the limits set for C0 classification. Some of Salem's FM stations which are now Class C stations may become Class C0 stations dependent upon the outcome of that rulemaking proceeding. The FCC has proposed to adopt a three-year transition period, should it adopt the new C0 classification, during which a station subject to the new classification could apply for and obtain a construction permit to increase the antenna height to a level at which it could retain Class C status.

We cannot predict whether any proposed changes will be adopted or what other matters might be considered in the future, nor can we judge in advance what impact, if any, the implementation of any of these proposals or changes might have on our business.

The FCC, on April 2, 1997, awarded two licenses for the provision of satellite digital radio services. Under rules adopted for this service, licensees must begin construction of their space stations within one year, begin operating within four years, and be operating their entire system within six years. We cannot predict whether the service will be subscription or advertiser supported. Digital technology also may be used in the future by terrestrial radio broadcast stations either on existing or alternate broadcasting frequencies,

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and the FCC has stated that it will consider making changes to its rules to permit AM and FM radio stations to offer digital sound following industry analysis of technical standards. In addition, the FCC has authorized an additional 100 kHz of bandwidth for the AM band and on March 17, 1997, adopted an allotment plan for the expanded band that identified the 88 AM radio stations selected to move into the band. At the end of a five-year transition period, those licensees will be required to return to the FCC either the license for their existing AM band station or the license for the expanded AM band station. Salem has received two expanded band authorizations, one for KBJD-AM, paired with KRKS-AM, Denver-Boulder, Colorado, and one for KAZJ-AM, paired with KLFE-AM, Seattle-Tacoma, Washington.

The foregoing summary of certain provisions of the Communications Act and of specific FCC rules and policies does not purport to be comprehensive. For further information concerning the nature and extent of federal regulation of radio broadcast stations you should refer to the Communications Act, the FCC's rules and the public notices and rulings of the FCC.

FEDERAL ANTITRUST CONSIDERATIONS. The FTC and the DOJ, which evaluate transactions to determine whether those transactions should be challenged under the federal antitrust laws, have been increasingly active recently in their review of radio station acquisitions, particularly where an operator proposes to acquire additional stations in its existing markets.

For an acquisition meeting certain size thresholds, the Hart-Scott-Rodino Improvements Act ("HSR Act") and the rules promulgated thereunder require the parties to file Notification and Report Forms with the FTC and the DOJ and to observe specified waiting period requirements before consummating the acquisition. At any time before or after the consummation of a proposed acquisition, the FTC or the DOJ could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the acquisition or seeking divestiture of the business acquired or other assets of the company. Acquisitions that are not required to be reported under the HSR Act may be investigated by the FTC or the DOJ under the antitrust laws before or after consummation. In addition, private parties may under certain circumstances bring legal action to challenge an acquisition under the antitrust laws.

As part of its increased scrutiny of radio station acquisitions, the DOJ has stated publicly that it believes that LMAs and other similar agreements customarily entered into in connection with radio station transfers prior to the expiration of the waiting period under the HSR Act could violate the HSR Act.

Although we do not believe that our acquisition strategy as a whole will be adversely affected in any material respect by antitrust review, we cannot be sure that this will be the case.

MANAGEMENT

EXECUTIVE AND OTHER KEY OFFICERS AND DIRECTORS

The executive officers, directors and key employees of Salem and its subsidiaries and their ages and positions with Salem are as follows:

<TABLE>
<CAPTION>

NAME	AGE	POSITION
----	---	-----
<S>	<C>	<C>
Edward G. Atsinger III.....	59	President, Chief Executive Officer and Director
Stuart W. Epperson.....	62	Chairman of the Board
Eric H. Halvorson.....	50	Executive Vice President, Chief Operating Officer, General Counsel and Director
Greg R. Anderson.....	52	President, Salem Radio Network
Dirk Gastaldo.....	43	Vice President and Chief Financial Officer
Kenneth L. Gaines.....	60	Vice President - Operations
Dave Armstrong.....	53	Vice President - Operations and General Manager/KKLA-FM/AM, KLTX-AM and KIEV-AM
Joe D. Davis.....	55	Vice President - Operations and General Manager/WMCA-AM and WWDJ-AM
Kenneth W. Sasso.....	52	Vice President - Operations and General Manager/KGFT-FM, KPRZ-FM and KBIQ-FM
David Ruleman.....	52	Vice President - Operations and General Manager/WAVA-FM and WITH-AM
W. Douglas Young.....	48	Chief Executive Officer, OnePlace, Ltd.
John W. Styll.....	47	President, CCM Communications, Inc.
Richard A. Riddle.....	54	Director
Roland S. Hinz.....	60	Director
Joseph S. Schuchert.....	70	Director
Donald P. Hodel.....	64	Director

</TABLE>

All directors hold office until the next annual meeting of stockholders

following their election, or until their successors are elected and qualified. Officers are elected annually by the board of directors and serve at the discretion of the board.

Mr. Atsinger has been President, Chief Executive Officer and a director of Salem since its inception. He has been engaged in the ownership and operation of radio stations since 1969 and is a member of the board of directors of the National Religious Broadcasters.

Mr. Epperson has been Chairman of Salem since its inception. Mr. Epperson has been engaged in the ownership and operation of radio stations since 1961. In addition, he is a member of the board of directors of the National Religious Broadcasters. Mr. Epperson is married to Nancy A. Epperson who is Mr. Atsinger's sister.

Mr. Halvorson has been Chief Operating Officer of Salem since 1995, Executive Vice President since 1991 and a director since 1988. In addition, he serves as Executive Vice President of each subsidiary of Salem. From 1991 to the present, Mr. Halvorson has also served as the General Counsel of Salem. Mr. Halvorson was the managing partner of the law firm of Godfrey & Kahn, S.C.-Green Bay from 1988 until 1991. From 1985 to 1988, he was Vice President and General Counsel of Salem. From 1976 until 1985, he was an associate and then a partner of Godfrey & Kahn, S.C.-Milwaukee. Mr. Halvorson was a Certified Public Accountant with Arthur Andersen & Co. from 1971 to 1973.

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Mr. Anderson has been President of Salem Radio Network(R) since 1994. From 1993 to 1994, Mr. Anderson was the Vice President-General Manager of the Network. Mr. Anderson was employed by Multimedia, Inc. from 1980 to 1993. After serving as program director and general manager at Multimedia stations in Greenville, Shreveport and Milwaukee, he was named Vice President, Operations, of the Multimedia radio division in 1987 and was subsequently appointed as Executive Vice President and group head of Multimedia's radio division.

Mr. Gastaldo has been Chief Financial Officer of Salem since 1993, and a Vice President since 1992. From 1992 to 1993, Mr. Gastaldo was Vice President - Administration of Salem, and from 1989 to 1991 he was Manager - Internal Audit. He was a Certified Public Accountant with Ernst & Young from 1978 to 1989.

Mr. Gaines has been Vice President - Operations of Salem since 1994. Prior to that time, he served as General Manager of KKLA-FM from 1992 to 1994 and General Manager of WYLL-FM from 1990 to 1992. Mr. Gaines has been involved in the management of radio stations since 1964. He served as Executive Vice President of Commonwealth Communications from 1988 to 1990, Vice President of Penn Communications from 1985 to 1988, Executive Vice President of Broadstreet Communications from 1974 to 1985 and Vice President and General Manager of Metromedia from 1964 to 1974.

Mr. Armstrong has been Vice President - Operations of Salem since 1996 and General Manager of KKLA-FM/AM since 1994. He has also supervised operations of KLTX-AM since January 1997 and of KIEV-AM since August 1998. Mr. Armstrong has 28 years of radio broadcast experience and has been general manager of radio stations in Santa Ana and Orange, California.

Mr. Davis has been Vice President - Operations of Salem since 1996 and General Manager of WMCA-AM since 1989. He has also been the General Manager of WWDJ-AM since 1994. He has previously served as Vice President and Executive Director of Christian Fund for the Disabled as well as President of Practice Resources, Inc., Davis Eaton Corporation and Vintage Specialty Advertising Company.

Mr. Sasso has been Vice President - Operations of Salem since 1996 and General Manager of Salem's Colorado Springs radio stations from 1994 to present. He also served as General Manager of Salem's Denver radio stations from 1994 to 1996. Mr. Sasso is the former owner of eight radio stations in Florida, Mississippi and Louisiana which were sold in 1989. From 1969 to 1979, he served in various radio management capacities for King Broadcasting and The American Broadcasting Companies.

Mr. Ruleman has been Vice President - Operations of Salem since January 1999 and General Manager of WAVA-FM since 1992 and WITH-AM since 1997. He was General Manager of KPRZ-AM from 1986 to 1992. From 1973 to 1986, Mr. Ruleman served as Vice President of Palomar Broadcasting Corporation, a group owner of radio stations in Southern California.

Mr. Young has been Chief Executive Officer of OnePlace, Ltd. since January 1999, and was Chief Executive Officer and a shareholder of its predecessor corporation, OnePlace, LLC since August 1998. From 1997 to 1998, Mr. Young served as Chief Executive Officer of Landmark Community Interests, an Internet-based technology company controlled by Landmark Communications, Inc. He served as President of networkMCI Digital Imaging, the Web site development and electronic commerce implementation division of MCI Telecommunications, from 1995 to 1997. Prior to 1995 Mr. Young founded and developed several technology

companies including Image Technology, Inc., and Advanced MediaGraphics Center, both of which companies were sold to MCI Telecommunications.

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Mr. Styll founded Praise Productions, the predecessor of CCM Communications, Inc., in 1978 and has served as the President of CCM Communications, Inc. since its incorporation in 1979. He served as President of the Gospel Music Association from 1991 to 1994 and as President of the Christian Music Trade Association from 1996 to 1998. Mr. Styll is a member of the National Academy of Recording Arts and Sciences.

Mr. Riddle has been a director of Salem since September 1997. Mr. Riddle is an independent businessman specializing in providing financial assistance and consulting to manufacturing companies. Since 1991 he has been the President of Richray Industries, a holding company for various manufacturing companies. He was President and majority stockholder of I. L. Walker Company from 1987 to 1997 when the company was sold. He also was Chief Operating Officer and majority stockholder of Richter Manufacturing from 1970 to 1987.

Mr. Hinz has been a Director of Salem since September 1997. Mr. Hinz has been the owner and President of Hi-Torque Publishing Company, a publisher of magazines covering the motorcycling and biking industries, since 1981. He is active in a number of non-profit organizations and serves as Chairman of the Fund Development Committee of English Language Institute China. Mr. Hinz also serves on the boards of directors of Gordon Conwell Theological Seminary, Association for Community Education, Inc., Truth for Life, and Lake Avenue Congregational Church.

Mr. Schuchert has been a Director of Salem since May 1999. He was a founder of the investment firm Kelso & Company, Inc. in 1970 and served as its Chairman and Chief Executive Officer through December 1997 and Chairman since January 1998. Mr. Schuchert currently serves on the boards of directors of American Standard Corporation, Earl M. Jorgensen Company, the United States Chamber of Commerce and St. Vincent College. He is Director Emeritus of Carnegie Mellon University.

Mr. Hodel has been a Director of Salem since May 1999. Mr. Hodel is a founder and has been the Managing Director of Summit Group International, Ltd., an energy and natural resources consulting firm, since 1989. He has served as Vice Chairman of Texon Corporation, an oil and natural gas marketing company, since 1994. Mr. Hodel served as President of the Christian Coalition from June 1997 to January 1999 and as Executive Vice President of Focus on the Family from January 1996 to August 1996. Mr. Hodel currently serves on the boards of directors of Integrated Electrical Services, Inc., Eagle Publishing, Inc. and Focus on the Family. During the Reagan Administration, Mr. Hodel served as Secretary of Energy and Secretary of the Interior.

COMMITTEES OF THE BOARD OF DIRECTORS

Salem has formed an Audit Committee and a Compensation Committee of its board of directors, and all of the directors serving on the Audit Committee and the Compensation Committee are directors who are not employees of Salem.

The Audit Committee consists of Messrs. Riddle and Hodel. The Audit Committee will review the results and scope of the audit performed by Salem's independent accountants and establish standards for review of Salem's compliance with applicable accounting and regulatory standards. The Compensation Committee consists of Messrs. Hinz and Schuchert. The Compensation Committee will make decisions or recommendations to the board of directors concerning salaries, incentive compensation and severance benefits for officers and senior employees of Salem.

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EXECUTIVE COMPENSATION

The following table sets forth all compensation paid by Salem for 1998, 1997 and 1996 to its Chief Executive Officer and four highest paid executive officers.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITIONS	ANNUAL COMPENSATION			OTHER ANNUAL COMPENSATION	ALL OTHER COMPENSATION
	YEAR	SALARY	BONUS		
<S>	<C>	<C>	<C>	<C>	<C>
Edward G. Atsinger III....	1998	\$400,000	\$250,000	\$ --	\$ --
President, Chief	1997	400,000	--	1,281,192 (1)	--
Executive Officer	1996	400,000	350,000 (2)	996,372 (1)	--
and Director					

Stuart W. Epperson.....	1998	400,000	288,000	--	--
Chairman of the Board	1997	400,000	--	1,281,192 (1)	--
	1996	400,000	350,000 (2)	1,012,319 (1)	--
Eric H. Halvorson.....	1998	285,000	87,500	--	570 (3)
Executive Vice President,	1997	270,000	85,000	--	63,525 (4)
Chief Operating Officer and Director	1996	255,000	85,000	--	909 (3)
Dave Armstrong.....	1998	175,658	38,000	--	876 (3)
Vice President -	1997	163,683	--	--	19 (3)
Operations	1996	149,019	15,000	--	585 (3)
Joe D. Davis.....	1998	172,362	20,000	--	1,000 (3)
Vice President -	1997	163,524	--	--	950 (3)
Operations	1996	159,026	--	--	950 (3)

</TABLE>

(1) Represents tax reimbursement payments made to satisfy individual federal and state income tax liabilities generated by New Inspiration and Golden Gate as a result of their S corporation status. See note 1 to our consolidated financial statements included elsewhere in this prospectus. Of the 1997 amounts, approximately \$390,000 was paid to each executive as distributions from New Inspiration and Golden Gate.

(2) Paid as distributions from New Inspiration and Golden Gate.

(3) Represents employer matching contributions to individuals' 401(k) accounts.

(4) Includes employer matching contributions to Mr. Halvorson's 401(k) account and cancellation of \$25,000 indebtedness owed to Salem by Mr. Halvorson, plus accrued interest of \$7,420 and a distribution to Mr. Halvorson of \$30,155, an amount equal to the tax liability incurred by Mr. Halvorson as a result of cancellation of this debt.

COMPENSATION OF DIRECTORS

Officers of Salem who also serve as directors do not receive compensation for their services as directors other than the compensation they receive as officers of Salem. Directors of Salem who are not also officers or employees of Salem were paid a one-time fee of \$7,500 in 1998 and receive \$2,500 per quarter for their services as directors of Salem. Directors of Salem are entitled to reimbursement of their reasonable out-of-pocket expenses in connection with their travel to and attendance at board meetings.

1999 STOCK INCENTIVE PLAN

On May 26, 1999, we adopted the 1999 stock incentive plan, conditioned upon completion of the offering, designed to provide incentives relating to equity ownership to plan participants including present and future directors, officers, employees, consultants and advisors of Salem and our subsidiaries as may be selected in the sole discretion of the

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board of directors or a board committee that the board may appoint to administer the plan. The plan provides for the granting of awards to participants as the board of directors, or such administrative board committee it may designate, deems to be consistent with the purposes of the plan. Awards under the plan may include any one or more of the following: stock options, performance awards, restricted stock, stock appreciation rights, stock payments, dividend equivalents, stock bonuses, stock sales, phantom stock and other stock-based benefits. An aggregate of 1,000,000 shares of Class A common stock have been reserved for issuance under the plan. The plan affords Salem latitude in tailoring incentive compensation for the retention of key personnel, to support corporate and business objectives, and to anticipate and respond to a changing business environment and competitive compensation practices.

The board of directors, or the board committee it has appointed, has exclusive discretion to select the plan participants, to determine the type, size and terms of each award, to modify the terms of awards, to determine when awards will be granted and paid, and to make all other determinations which it deems necessary or desirable in the interpretation and administration of the plan. The plan terminates ten years from its effective date as adopted by the board of Salem. The board or the appointed committee has the ability to administer and amend the plan without stockholder approval except as required by law or the plan.

In general, a participant's rights and interest under the plan are not transferable and only a recipient of an award may exercise such awards. The assignability and transferability of awards are further subject to limitations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Internal Revenue Code of 1986, as amended.

Stock Options. Options awardable under the plan, which include non-qualified stock options and incentive stock options, are rights to purchase a specified number of shares of Class A common stock at a price fixed by the board or appointed committee as of the date the option is granted. The option price may not be less than the fair market value of the underlying shares of Class A common stock. Each stock option will become exercisable, as a whole or in part, on the date or dates specified by the board or the appointed committee and will expire on a date determined by the board or the appointed committee, but not later than 10 years after the date the stock option is granted. The options will be subject to earlier termination as provided in the plan or the award document. Upon termination of a participant's employment with Salem, options that are not exercisable will be forfeited immediately and options that are exercisable may be subject to a shortened exercise period determined by the board or appointed committee, as set forth in the agreement establishing the award or as agreed to by the participant. Payment of the option price must be made in full at the time of exercise in such form (including, but not limited to, cash or Class A common stock of Salem) as the board or appointed committee may determine.

Performance Awards. Performance awards are awards payable in cash, Class A common stock or a combination of both, and vest and become payable over a period of time upon attainment of performance criteria established by the board or the appointed committee. Each performance award will expire on a date determined by the board or appointed committee and is subject to earlier termination as provided in the plan.

Restricted Stock. Restricted stock awards are grants or sales of Class A common stock that are nontransferable and subject to a substantial risk of forfeiture until specific conditions are met. The board or appointed committee determines the purchase price (if any) to be paid for the restricted stock, the terms of payment, the restrictions upon the restricted stock, and when such restrictions will lapse. Subject to any restrictions imposed

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upon the restricted stock, the recipient will have all rights of a stockholder with respect to the restricted stock granted or sold to such recipient, including, without limitation, the right to vote the shares and receive all dividends and other distributions paid or made with respect thereto. Unless the board or the appointed committee determines otherwise, upon a participant's termination of employment, Salem will repurchase grants of restricted stock that remain subject to restrictions on the date of such termination at the purchase price paid by the recipient, if any.

Stock Appreciation Rights. Stock appreciation rights are rights to receive payments measured with reference to the amount by which the fair market value of a specified number of shares of Class A common stock appreciates from a specified date, such as the date of grant, to the date of exercise. The board or the appointed committee has full discretion to determine the form in which payment of a stock appreciation right will be made and to consent to or disapprove the election of a recipient to receive cash in full or partial settlement of a stock appreciation right. In addition, the board or the appointed committee may, at the time a stock appreciation right is granted, impose such conditions on the exercise of the stock appreciation right as may be required to comply with requirements of the Exchange Act.

Stock Payments. Stock payments are payments in shares of Class A common stock that are made to replace all or any portion of a participant's non-base salary compensation that would otherwise become payable to the participant in cash.

Dividend Equivalents. Dividend equivalents are payments made to a participant who holds stock options, stock appreciation rights or other award in which the payments are equivalent to the amount of dividends payable to such participant with respect to the shares of common stock underlying such other award. Dividend equivalents may be paid in cash, Class A common stock or another award, and the amount of dividend equivalents paid other than in cash will be determined by the board or the appointed committee by application of such formula as the board or the appointed committee may deem appropriate to translate the cash value of dividends paid to the alternative form of payment of the dividend equivalent.

Stock Bonuses. Stock bonuses are awards of restricted or unrestricted shares of Class A common stock as bonuses for services rendered or for any other valid consideration on such terms and conditions as the board or the appointed committee may determine.

Stock Sales. Stock sales are sales of Class A common stock on such terms and conditions as the board or the appointed committee may determine.

Phantom Stock. Phantom stock grants are grants of cash bonuses measured by the fair market value of a specified number of shares of Class A common stock on a specified date or measured by the excess of such fair market value over a specified minimum, which may, but need not, include dividend equivalents.

Other Stock-Based Benefits. The board or appointed committee may grant to eligible persons other stock-based benefits not otherwise described above that (i) by their terms might involve the issuance or sale of Class A common stock or (ii) involve a benefit that is measured, as a whole or in part, by the value, appreciation, dividend yield or other features attributable to a specified number of shares of Class A common stock.

In the event of a reorganization not involving a change of control in which holders of shares of Class A common stock are entitled to receive any securities, cash or other

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consideration for their shares of Class A common stock, each award outstanding under the plan shall become exercisable, in accordance with the plan, for the kind and amount of securities, cash and/or other consideration receivable by a holder of the same number of shares of Class A common stock upon such reorganization. Any adjustments to the consideration will be made in the sole discretion of the board or appointed committee at it deems appropriate to give effect to the reorganization.

In the event of a reorganization that involves a change of control, as of the effective time of the reorganization, the plan and any then outstanding awards, whether or not vested, shall automatically terminate unless otherwise provided in writing in connection with such reorganization or by the board. If the plan and the awards terminate by reason of a change in control reorganization as described in the preceding sentence, then any recipient holding outstanding awards shall have the right, at such time immediately prior to the consummation of the reorganization as the board shall designate, to exercise the recipient's awards to the full extent not theretofore exercised, including any installments which have not yet become vested.

Upon the completion of the offering, the board of directors intends to grant options under the plan for the purchase of an aggregate of up to 334,000 shares of Class A common stock to selected directors, executive officers and employees of Salem. The exercise price of the options will be the public offering price set forth on the cover page of this prospectus.

EMPLOYMENT AGREEMENTS

Edward G. Atsinger III and Stuart W. Epperson entered into employment agreements with Salem effective as of August 1, 1997 and as amended effective as of May 19, 1999, pursuant to which Mr. Atsinger will serve as President and Chief Executive Officer of Salem and Mr. Epperson will serve as chairman of Salem for an initial period expiring July 31, 2001. Pursuant to the employment agreements, each of Messrs. Atsinger and Epperson will be paid an annual base salary and an annual bonus determined at the discretion of the board of directors. Effective as of June 1, 1999, the annual base salary payable to each of Messrs. Atsinger and Epperson will be \$600,000. Messrs. Atsinger's and Epperson's employment agreements provide that, in the event of a termination of employment by Salem without cause (or a constructive termination by Salem) during the initial term of employment, Salem will pay a severance benefit in the form of salary continuation payments for the longer of six months or the remainder of the initial term, plus accrued bonus through the date of termination. Following the initial term of employment, a termination of employment by Salem without cause (or a constructive termination by Salem) or a failure by Salem to renew the initial or any subsequent term of employment for an additional annual term would entitle Messrs. Atsinger and Epperson to three months of severance plus accrued bonus through the date of termination.

Additionally, the employment agreements with Messrs. Atsinger and Epperson provide Salem with a right of first refusal on corporate opportunities, which includes acquisitions of radio stations in any market in which Salem is interested, and includes a noncompete provision for a period of two years from the cessation of employment with Salem and a nondisclosure provision which is effective for the term of the employment agreement and indefinitely thereafter.

Eric H. Halvorson is a party to an employment agreement with Salem pursuant to which he serves as Executive Vice President of Salem at an annual salary of \$400,000, with a term of employment through December 2003. If Mr. Halvorson is terminated without cause by Salem, he is entitled to severance payments equal to his salary for the remaining term of his agreement. Mr. Halvorson also entered into a deferred compensation agreement with Salem effective as of November 1991, pursuant to which Mr. Halvorson

will receive (i) 50% of the average of his three highest years of compensation, payable for a period of ten consecutive years, if he remains employed by Salem until age 60, or (ii) a discounted amount, based upon the compensation he would have received if he had remained employed until age 60, if his employment terminates for any reason after the term of the employment agreement or before he reaches age 60 by reason of death, disability or termination by Salem without cause.

On May 26, 1999, we granted 75,000 shares of Class A common stock to Eric H. Halvorson and a cash bonus to be paid in an amount equal to the individual income tax liability incurred by Mr. Halvorson in connection with the stock grant.

401(k) PLAN

Salem adopted a 401(k) savings plan in 1993 for the purpose of providing, at the option of the employee, retirement benefits to full-time employees of Salem and its subsidiaries. Contributions to the 401(k) savings plan are made by the employee and, on a voluntary basis, by the company. The company currently matches 25% of the employee's contributions to the 401(k) savings plan which do not exceed 6% of the employee's annual compensation. Salem made a contribution of \$87,000 to the 401(k) savings plan during 1998.

TRANSACTIONS INVOLVING OFFICERS, DIRECTORS AND PRINCIPAL STOCKHOLDERS

OUR 1997 REORGANIZATION

Salem's August 1997 reorganization was effected by each of the three stockholders contributing their shares of stock in New Inspiration and Golden Gate to Salem (which in turn effected the contribution to Salem of the stockholders' interests in Beltway Media Partners in exchange for new shares in Salem). The share conversion factors were based on the ratio of asset values of each of Salem, New Inspiration and Golden Gate to the combined asset value of all of these entities. The asset values of these entities were determined by an independent radio station broker. Following our 1997 reorganization, Mrs. Epperson, who had been a 50% owner of New Inspiration, became a stockholder of Salem.

In connection with our 1997 reorganization, New Inspiration and Golden Gate, which were each S corporations prior to our 1997 reorganization, distributed cash and promissory notes to their respective stockholders in the aggregate amount of \$8.5 million. Of such amount, \$1.8 million, which equaled the estimated federal and state income tax liability of the stockholders on the earnings of New Inspiration and Golden Gate, was paid by New Inspiration and Golden Gate in cash. The remainder, \$6.7 million, was paid in the form of promissory notes payable to the stockholders immediately following the closing of the offering of our senior subordinated notes. After that closing, Salem borrowed \$6.7 million under its credit agreement and applied this amount to the payment of indebtedness owed by Salem to New Inspiration and Golden Gate. The cash made available from the repayment of such loans was then used by New Inspiration and Golden Gate to pay the notes due to the stockholders.

LOAN TRANSACTIONS

In December 1996, Messrs. Atsinger and Epperson, Salem's principal stockholders, repaid Salem \$4.8 million for outstanding principal and accrued interest under two promissory notes given for loans made to them in 1991. Salem made these loans,

approximately \$1.7 million each, to Messrs. Atsinger and Epperson, to facilitate the repayment of personal indebtedness each of them had incurred in connection with prior radio station acquisitions. The notes bore interest at a floating rate. The repayments to Salem were made with the proceeds of a distribution to Messrs. Atsinger and Epperson from Golden Gate and New Inspiration of previously taxed S corporation income. Principal and accrued interest on these notes amounted to approximately \$4.6 million at December 31, 1995. Salem earned approximately \$189,000 in interest on these two notes in 1996.

In December 1996, Salem borrowed \$1.9 million from Mr. Atsinger. Salem repaid the note for this borrowing, including interest at 9 1/4%, in January 1997, with proceeds from a borrowing under our credit facility.

In July 1997, Salem canceled certain indebtedness owed to us by Eric H. Halvorson, an executive officer and director of Salem, in the amount of \$25,000 plus accrued interest calculated at a floating rate. At the same time, Salem made a distribution to Mr. Halvorson in an amount equal to the tax liability he incurred as a result of the cancellation of this debt.

In December 1997, Salem borrowed \$2.0 million from Mr. Atsinger pursuant to a promissory note with a revolving principal amount of up to \$2.5 million. The

outstanding balance on the note as of December 31, 1998 was \$1.8 million and the note was repaid in full and cancelled in April 1999. The note bore interest at a floating rate that was last set at 8%.

In January 1998, Salem borrowed \$1.5 million from Mr. Epperson pursuant to a promissory note with a revolving principal amount of up to \$2.5 million. In May 1998, Salem repaid \$1.5 million and there was no outstanding balance on the note as of December 31, 1998. The note was cancelled in April 1999. The note bore interest at a floating rate that was last set at 8%.

In 1997, Salem purchased split-dollar life insurance policies for Messrs. Atsinger and Epperson. Mr. Epperson selected a one-year policy in the amount of \$20 million while Mr. Atsinger selected a one-year policy in the amount of \$40 million, resulting in a premium difference of \$94,000 between the two policies, which difference was paid to Mr. Epperson in cash in the form of an interest-free loan. The loan will be called upon payment by Mr. Atsinger of \$94,000 to Salem. In 1998, Salem purchased one-year split-dollar life insurance policies in the amount of \$20 million for each of Messrs. Atsinger and Epperson.

LEASES WITH PRINCIPAL STOCKHOLDERS

Salem leases the studios and tower and antenna sites described in the table below from Messrs. Atsinger and Epperson or trusts and partnerships created for the benefit of Messrs. Atsinger and Epperson and their families. All such leases have cost of living adjustments. Based upon management's assessment and analysis of local market conditions

for comparable properties, we believe that such leases do not have terms that vary materially from those that would have been available from unaffiliated parties.

<TABLE>
<CAPTION>

MARKET	STATION CALL LETTERS	FACILITIES LEASED	CURRENT ANNUAL RENTAL	EXPIRATION DATE (1)
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
LEASES WITH BOTH MESSRS. ATSINGER AND EPPERSON:				
Los Angeles, CA.....	KKLA-AM	Antenna/Tower/Studios	\$ 46,260	2002
	KLTX-AM	Antenna/Tower	140,172	2002
Chicago, IL.....	WYLL-FM	Antenna/Tower	42,048	2002
San Francisco, CA.....	KFAX-AM	Antenna/Tower	145,680	2003
Philadelphia, PA.....	WFIL-AM/ WZZD-AM	Antenna/Tower/Studios	112,044	2004
Houston-Galveston, TX.....	KKHT-FM	Antenna/Tower	150,000	2008
	KENR-AM	Antenna/Tower	32,184	2005
	KTEK-AM	Antenna/Tower	16,800	2009
Seattle-Tacoma, WA.....	KGNW-AM	Antenna/Tower	36,444	2002
	KLFE-AM	Antenna/Tower	26,484	2004
Minneapolis-St. Paul, MN.....	KKMS-AM	Antenna/Tower/Studios	135,120	2006
Pittsburgh, PA.....	WORD-FM	Antenna/Tower	27,156	2003
Denver-Boulder, CO.....	KNUS-AM	Antenna/Tower	18,816	2006
Cleveland, OH.....	WHK-AM	Antenna/Tower	34,080	2008
Portland, OR.....	KPDQ-AM/FM	Studios	61,680	2002
		Antenna/Tower	14,016	2002
Cincinnati, OH.....	WTSJ-AM	Antenna/Tower/Studios	24,096	2007
Sacramento, CA.....	KFIA-AM	Antenna/Tower	80,916	2006
San Antonio, TX.....	KSLR-AM	Antenna/Tower	34,730	2007
Akron, OH.....	WHLO-AM	Antenna/Tower	12,162	2007
Canton, OH.....	WHK-FM	Antenna/Tower	12,162	2007

			\$1,203,050	

LEASE WITH MR. ATSINGER:				
San Diego, CA.....	KPRZ-FM	Antenna/Tower	46,812	2002

			\$1,249,862	
			=====	

</TABLE>

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(1) The expiration date reported for certain facilities represents the expiration date assuming exercise of lease term extensions at Salem's option.

Rental expense paid by Salem to Messrs. Atsinger and Epperson or trusts or partnerships created for the benefit of their families for 1998, 1997 and 1996 amounted to approximately \$1,000,000, \$1,000,000 and, \$800,000, respectively. Rental expense paid by Salem solely to Mr. Atsinger or trusts created for the benefit of his family for 1998, 1997 and 1996 amounted to approximately \$60,000, \$57,000 and \$57,000, respectively. Rental expense paid by Salem to Messrs. Atsinger and Epperson in 1998, 1997 and 1996 represented payment under

substantially the same leases as currently in effect, however, leases for radio station properties disposed of by Salem during 1996, 1997 and 1998 are not included in the preceding summary table.

KKOL-AM

In April 1999, Salem purchased KKOL-AM, Seattle, Washington for \$1.4 million from Sonsinger, Inc., a corporation owned by Messrs. Atsinger and Epperson. Prior to the acquisition, pursuant to a local marketing agreement with Sonsinger entered into on June 13, 1997, Salem programed KKOL-AM and sold all the airtime. Under that local marketing agreement we retained all of the revenue (approximately \$82,000 and \$20,400 for 1998 and 1997, respectively) and incurred all of the expenses related to our operation

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of KKOL-AM and incurred approximately \$164,000 and \$64,000 in local marketing fees under the agreement in 1998 and 1997, respectively. We also agreed to purchase the real estate and transmitter site for KKOL-AM for \$400,000 from Sonsinger.

TOWER CONSTRUCTION CONTRACT

In August 1997, in order to reduce the indebtedness under our credit facility, we assigned our contract with a tower construction company to build a broadcast tower in Houston to a corporation owned by Messrs. Atsinger and Epperson. Messrs. Atsinger and Epperson reimbursed us for our costs and expenses of \$3.7 million on December 31, 1997. The antenna for our station in Houston, KKHT-FM, is located on the tower and we pay rent to Messrs. Atsinger and Epperson at an annual rate of \$150,000.

RADIO STATIONS OWNED BY THE EPPERSONS

Mrs. Epperson has personally acquired four radio stations in the Norfolk-Virginia Beach-Newport News, Virginia market. Additionally, Mr. Epperson has personally acquired certain radio stations in the Greensboro-Winston-Salem, North Carolina market. These Virginia and North Carolina markets are not currently served by Salem's radio stations. Acquisitions in these markets are not part of our current business and acquisition strategies. Under his employment agreement, Mr. Epperson is required to offer Salem a right of first refusal on opportunities related to Salem's business.

TRANSPORTATION SERVICES SUPPLIED BY PRINCIPAL STOCKHOLDER

From time to time, Salem rents an airplane and a helicopter from Atsinger Aviation LLC, which is owned by Mr. Atsinger. As approved by the independent members of Salem's board of directors, Salem rents these aircraft on an hourly basis at below-market rates and uses them for general corporate needs. In 1998, 1997 and 1996, Salem paid approximately \$69,000, \$60,000 and \$38,000 respectively to Atsinger Aviation for airplane rental; no amounts were paid for helicopter rental in 1998, 1997 or 1996.

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SECURITY OWNERSHIP OF SELLING STOCKHOLDERS,
BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information with respect to the beneficial ownership of Salem's common stock by (i) 5% stockholders, (ii) each of the directors who beneficially owns shares, (iii) Salem's Chief Executive Officer and each of its four highest paid executive officers who beneficially owns shares and (iv) all directors and executive officers as a group.

Individually and through family and charitable trusts, Edward G. Atsinger III and Stuart W. Epperson, our CEO and chairman, are the selling stockholders and have granted the underwriters an option to acquire up to an additional 1,125,000 shares of Class A common stock. See "Underwriting."

The address of the individuals listed below is 4880 Santa Rosa Road, Suite 300, Camarillo, California 93012.

<TABLE>
<CAPTION>

OF	CLASS A COMMON STOCK				PERCENT OF VOTE
	-----				ALL CLASSES
OF	BEFORE		AFTER		COMMON STOCK
-----	OFFERING	SHARES	OFFERING	STOCK	-----
	-----	BEING	-----	-----	BEFORE

AFTER NAME OF BENEFICIAL OWNER OFFERING	NUMBER	%	OFFERED	NUMBER	%	NUMBER	%	OFFERING	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Edward G. Atsinger III(1) 44.8%	5,553,696	49.7%	750,000	4,803,696	28.0%	2,776,848	50%	49.9%	
Stuart W. Epperson 44.8%	5,553,696(2)	49.7%	750,000	4,803,696(2)	28.0%	2,776,848(3)	50%	49.9%	
Nancy A. Epperson 44.8%	5,553,696(2)	49.7%	0	4,803,696(2)	28.0%	2,776,848(3)	50%	49.9%	
Eric H. Halvorson *	75,000(4)	*	0	75,000(4)	*	0	0%	*	
All directors and executive officers as a group (16 persons) 89.7%	11,182,392	100.0%	1,500,000	9,682,392	56.4%	5,553,696	100%	100.0%	

* Less than 1%.

- (1) Represents shares of Class A and Class B common stock held by trusts of which Mr. Atsinger is trustee.
- (2) Includes shares of Class A common stock held by trusts of which Mr. Epperson is trustee and held directly by Mr. Epperson. As husband and wife, Mr. and Mrs. Epperson are each deemed to be the beneficial owner of shares held by the other and, therefore, their combined beneficial ownership is shown in the table.
- (3) Includes shares of Class B common stock held directly by Mr. Epperson and held directly by Mrs. Epperson.
- (4) Represents shares of Class A common stock held by a trust of which Mr. Halvorson and his wife are trustees.

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DESCRIPTION OF CAPITAL STOCK

Salem's authorized capital stock consists of 80,000,000 shares of Class A common stock, \$.01 par value, 20,000,000 shares of Class B common stock, \$.01 par value, and 10,000,000 shares of preferred stock, \$.01 par value. Together, the Class A common stock and the Class B common stock comprise all of the authorized common stock.

COMMON STOCK

Upon completion of this offering, there will be 17,182,392 shares of Class A common stock and 5,553,696 shares of Class B common stock outstanding. All of the outstanding Class B common stock is beneficially owned by Edward G. Atsinger III, Stuart W. Epperson and Nancy A. Epperson.

Voting. Holders of Class A common stock are entitled to one vote for each share held of record, and holders of Class B common stock are entitled to 10 votes for each share held of record, except that:

- in the case of a proposed acquisition of a company where any director, officer, holder of 10% or more of any class of common stock or any of their affiliates has an interest in the company, the assets to be acquired or in the proceeds from the transaction, holders of both classes of common stock are entitled to one vote for each share held of record; and
- in the case of a proposed going private transaction involving Salem or Edward G. Atsinger III, Stuart W. Epperson or Nancy A. Epperson or any of their affiliates, holders of both classes of common stock are entitled to one vote for each share held of record.

The Class A common stock and the Class B common stock vote together as a single class on all matters submitted to a vote of stockholders, including the election of directors by proxy, except as required by law and except as follows. Beginning with Salem's first annual meeting following the offering, the holders of Class A common stock will vote as a separate class for two independent directors, in addition to voting together with holders of Class B common stock

for the remaining directors. Shares of common stock do not have cumulative voting rights with respect to the election of directors.

For purposes of the election of independent directors by the holders of Class A common stock, an independent director is a person who is not an officer, employee, affiliate, agent, principal stockholder, consultant, or partner of Salem or its subsidiaries, and who does not otherwise have a relationship which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Prior to the first annual meeting following this offering, these directors will be appointed by the board of directors.

As a result of this offering, excluding any over-allotment shares, the percentage of the voting power of the outstanding common stock controlled by Messrs. Atsinger and Epperson and Mrs. Epperson will decline to approximately 90% (88% if the underwriters' over-allotment option is exercised in full); but they will continue to control all actions to be taken by the stockholders, including the election of all directors to the board of directors other than the two independent directors to be elected by the holders of Class A common stock. See "Security Ownership of Selling Stockholders, Beneficial Owners and Management" and "Risk Factors -- Existing Stockholders Have the Ability to Control Matters on Which Salem's Existing Stockholders May Vote."

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Dividends. Holders of the common stock are entitled to receive, as when and if declared by the board of directors from time to time, such dividends and other distributions in cash, stock or property from Salem's assets or fund legally available for such purposes subject to any dividend preferences that may be attributable to preferred stock that may be authorized. Each share of Class A common stock and Class B common stock is equal in respect of dividends and other distributions in cash, stock or property, including distributions upon liquidation of Salem and consideration to be received upon a merger or consolidation of Salem or a sale of all or substantially all of the Salem's assets, except that in the case of stock dividends, only shares of Class A common stock will be distributed with respect to the Class A common stock and only shares of Class B common stock will be distributed with respect to Class B common stock. In no event will either Class A common stock or Class B common stock be split, divided or combined unless the other class is proportionately split, divided or combined.

Conversion. The shares of Class A common stock are not convertible into any other series or class of securities. Each share of Class B common stock, however, is freely convertible into one share of Class A common stock at the option of the Class B stockholder. Shares of Class B common stock may not be transferred to third parties. Except for transfers to certain family members and for estate planning purposes, any such attempt to transfer Class B common stock will result in the automatic conversion of such shares into Class A common shares. All conversions of Class B common stock are subject to any necessary FCC approval.

Liquidation. Upon liquidation, dissolution or winding up of Salem, the holders of the common stock are entitled to share ratably in all assets available for distribution after payment in full of creditors and holders of the preferred stock of Salem, if any.

The Class A common stock will be quoted on the Nasdaq National Market under the symbol "SALM."

PREFERRED STOCK

The board of directors, without further action by the stockholders, is authorized to issue an aggregate of 10,000,000 shares of preferred stock. No shares of preferred stock are outstanding and the board of directors currently has no plans to issue a new series of preferred stock. The board of directors may, without stockholder approval, issue preferred stock with dividend rates, redemption prices, preferences on liquidation or dissolution, conversion rights, voting rights and any other preferences, which rights and preferences could adversely affect the voting power of the holders of common stock. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions or other corporate purposes, could have the effects of making it more difficult for a third party to acquire, or could discourage or delay a third party from acquiring, a majority of our outstanding stock and of decreasing the amount of earnings or assets available for distribution to the holders of common stock.

CERTAIN CERTIFICATE OF INCORPORATION AND BYLAW PROVISIONS

Advance Notice. Salem's bylaws provide that advance notice of all director nominations or other business matters proposed to be brought before an annual meeting of stockholders be delivered to our secretary at our corporate office not later than 90 nor more than 120 days prior to the first anniversary of the preceding year's annual meeting. This provision may make it more difficult for

stockholders to nominate or elect directors or take action opposed by the board.

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Special Meetings. Our bylaws provide that special meetings of the stockholders may be called only by the board of directors, the chairman of the board of directors or the president. This provision may make it more difficult for stockholders to take action opposed by the board.

No Stockholder Action by Written Consent. Our certificate of incorporation provides that stockholders can take action only at an annual or special meeting of stockholders duly called in accordance with Salem's bylaws. Accordingly, stockholders of Salem will not be able to take action by written consent in lieu of a meeting. This provision may have the effect of deterring hostile takeovers or delaying changes in control or management of Salem.

Indemnification of Directors and Officers. Salem's certificate of incorporation and bylaws provide a right to indemnification to the fullest extent permitted by law for expenses, attorney's fees, damages, punitive damages, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by any person whether or not the indemnified liability arises or arose from any threatened, pending or completed proceeding by or in Salem's right by reason of the fact that such person is or was serving as a director or officer at Salem's request, as a director, officer, partner, venturer, proprietor, employee, agent, or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise. Salem's certificate of incorporation and bylaws provide for the advancement of expenses to an indemnified party upon receipt of an undertaking by the party to repay those amounts if it is finally determined that the indemnified party is not entitled to indemnification.

Salem's bylaws authorize it to take steps to ensure that all persons entitled to the indemnification are properly indemnified, including, if the board of directors so determines, purchasing and maintaining insurance.

CERTAIN PROVISIONS OF DELAWARE LAW

Salem is a Delaware corporation and is subject to the provisions of Section 203 of the Delaware General Corporation Law, an anti-takeover law. In general, the statute prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction by which that person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a "business combination" includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an "interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior did own, 15% or more of Salem's voting stock.

FOREIGN OWNERSHIP RESTRICTIONS

Salem's certificate of incorporation includes provisions designed to ensure that control and management of Salem remains with citizens of the United States and/or corporations formed under the laws of the United States or any of the states of the United States, as required by the Communications Act.

These provisions include restrictions on transfers to and holdings of Salem's capital stock by an "Alien." For the purposes of these restrictions, an Alien is (i) a person who is a citizen of a country other than the United States; (ii) any entity organized under the laws of a government other than the government of the United States or any state, territory, or possession of the United States; (iii) a government other than the government

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of the United States or of any state, territory, or possession of the United States; or (iv) a representative of, or an individual or entity controlled by, any of the foregoing.

Specifically, Salem's foreign ownership restrictions provide:

- Salem shall not issue to an Alien any shares of its capital stock if such issuance would result in the total number of shares of such capital stock held or voted by Aliens (or for or by the account of Aliens) to exceed 25% of (i) the total number of all shares of such capital stock outstanding at any time and from time to time or (ii) the total voting power of all shares of such capital stock outstanding and entitled to vote at any time and from time to time. Salem shall not permit the transfer on its books of any capital stock to any Alien that would result in the total number of shares of such capital stock held or voted by Aliens (or for or by the account of Aliens) exceeding such 25% limits.
- No Alien or Aliens, individually or collectively, shall be entitled to vote or direct or control the vote of more than 25% of (i) the total number of all shares of capital stock of Salem outstanding at any time

and from time to time or (ii) the total voting power of all shares of capital stock of Salem outstanding and entitled to vote at any time and from time to time. Issuance or transfer of Salem's capital stock in violation of this provision is prohibited.

Salem's board of directors shall have all powers necessary to implement these provisions of Salem's certificate of incorporation and to ensure compliance with the alien ownership restrictions (the "Alien Ownership Restrictions") of the Communications Act, including, without limitation, the power to prohibit the transfer of any shares of capital stock of Salem to any Alien and to take or cause to be taken such action as it deems appropriate to implement such prohibition, including placing a legend regarding restrictions on foreign ownership of the capital stock on certificates representing such capital stock.

In addition, any shares of Salem's capital stock determined by the board of directors to be owned beneficially by an Alien or Aliens shall always be subject to redemption by Salem by action of the board of directors or any other applicable provision of law, to the extent necessary, in the judgment of the board of directors, to comply with the Alien Ownership Restrictions. The terms and conditions of such redemption are as follows:

- the redemption price shall be equal to the lower of (i) the fair market value of the shares to be redeemed, as determined by the board of directors in good faith, and (ii) such Alien's purchase price for such shares;
- the redemption price may be paid in cash, securities or any combination thereof;
- if less than all the shares held by Aliens are to be redeemed, the shares to be redeemed shall be selected in any manner determined by the board of directors to be fair and equitable;
- at least 10 days' prior written notice of the redemption date shall be given to the holders of record of the shares selected to be redeemed (unless waived in writing by any such holder), provided that the redemption date may be the date on which written notice shall be given to holders if the cash or securities necessary to effect the redemption shall have been deposited in trust for the benefit of such holders and subject to immediate withdrawal by them upon surrender of the stock certificates for their shares to be redeemed duly endorsed in blank or accompanied by duly executed proper instruments of transfer;
- from and after the redemption date, the shares to be redeemed shall cease to be regarded as outstanding and any and all rights of the holders in respect of the

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shares to be redeemed or attaching to such shares of whatever nature (including without limitation any rights to vote or participate in dividends declared on capital stock of the same class or series as such shares) shall cease and terminate, and the holders thereof thereafter shall be entitled only to receive the cash or securities payable upon redemption; and

- such other terms and conditions as the board of directors shall determine.

LIMITATION OF LIABILITY

Salem's certificate of incorporation provides that none of the directors shall be personally liable to Salem or its stockholders for monetary damages for a breach of fiduciary duty as a director, except for liability:

- for any breach of such person a duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law;
- for the payment of unlawful dividends and certain other actions prohibited by Delaware corporate law; and
- for any transaction resulting in receipt by such person of an improper personal benefit.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Class A common stock is The Bank of New York.

SHARES ELIGIBLE FOR FUTURE SALE

SHARES OUTSTANDING AND FREELY TRADEABLE AFTER OFFERING

Upon completion of this offering, Salem will have 17,182,392 shares of Class A common stock and 5,553,696 shares of Class B common stock outstanding (assuming that the underwriters do not exercise their over-allotment option). Shares of Class B common stock are convertible at the option of the holder into an equal number of Class A common stock. The 6,000,000 shares of Class A common stock to be sold by Salem in this offering and all shares sold by the selling stockholders will be freely tradeable without restriction or limitation under the Securities Act, except for any such shares held by "affiliates" of Salem, as such term is defined under Rule 144 of the Securities Act. Shares of Class A and Class B common stock held by affiliates of Salem may be sold only if registered under the Securities Act or sold in accordance with an applicable exemption from registration, such as Rule 144. Salem's directors, executive officers and its existing stockholders have agreed not to sell, directly or indirectly, any shares owned by them for a period of 180 days after the date of this prospectus without the prior written consent of Deutsche Bank Securities Inc. and ING Barings LLC. See "Underwriting." Upon the expiration of this 180 day lock-up period, substantially all of these shares will become eligible for sale subject to the restrictions of Rule 144.

RULE 144

In general, under Rule 144, as currently in effect, a person, or persons whose shares are aggregated, who has beneficially owned shares for at least one year, including an affiliate of Salem, would be entitled to sell, within any three-month period, that number of

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shares that does not exceed the greater of 1% of the then-outstanding shares of common stock and the average weekly trading volume in the common stock during the four calendar weeks immediately preceding the date on which the notice of sale is filed with the Commission, provided certain manner of sale and notice requirements and requirements as to the availability of current public information about Salem are satisfied. A holder of "restricted securities" who is not deemed an affiliate of the issuer and who has beneficially owned shares for a least two years would be entitled to sell shares under Rule 144(k) without regard to these limitations. Affiliates of Salem must comply with the restrictions and requirements of Rule 144, other than the one-year holding period requirement, in order to publicly sell shares of common stock. As defined in Rule 144, an "affiliate" of an issuer is a person who, directly or indirectly, through the use of one or more intermediaries controls, or is controlled by, or is under common control with, such issuer.

EFFECT OF SUBSTANTIAL SALES ON MARKET PRICE OF COMMON STOCK

Salem is unable to estimate the number of shares that may be sold in the future by its existing stockholders or the effect, if any, that such sales will have on the market price of the Class A common stock prevailing from time to time. Sales of substantial amounts of Class A common stock, or the prospect of such sales, could adversely affect the market price of the Class A common stock.

CERTAIN U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF CLASS A COMMON STOCK

The following is a general discussion of certain U.S. federal income and estate tax consequences of the ownership and disposition of Class A common stock by a beneficial owner thereof that is a "Non-U.S. Holder." A "Non-U.S. Holder" is a person or entity that, for U.S. federal income tax purposes, is a non-resident alien individual, a foreign corporation, a foreign partnership, or a foreign estate or trust.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), and administrative interpretations as of the date hereof, all of which are subject to change, including changes with retroactive effect. This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to Non-U.S. Holders in light of their particular circumstances and does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction. Prospective holders should consult their tax advisors with respect to the particular tax consequences to them of owning and disposing of Class A common stock, including the consequences under the laws of any state, local or foreign jurisdiction.

DIVIDENDS

Subject to the discussion below, dividends paid to a Non-U.S. Holder of Class A common stock generally will be subject to withholding tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. For purposes of determining whether tax is to be withheld at a 30% rate or at a reduced rate as specified by an income tax treaty, Salem ordinarily will presume that dividends paid on or before December 31, 1999 to an address in a foreign country are paid to a resident of such country absent knowledge that such presumption is not warranted.

Under United States Treasury Regulations issued on October 6, 1997, which are applicable to dividends paid after December 31, 1999 (the "New Regulations"), to obtain a reduced rate of withholding under a treaty, a Non-U.S. Holder will generally be required to provide an Internal Revenue Service Form W-8 certifying such Non-U.S. Holder's

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entitlement to benefits under a treaty. The New Regulations also provide special rules to determine whether, for purposes of determining the applicability of a tax treaty, dividends paid to a Non-U.S. Holder that is an entity should be treated as paid to the entity or those holding an interest in that entity.

There will be no withholding tax on dividends paid to a Non-U.S. Holder that are effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States if a Form 4224 stating that the dividends are so connected is filed with Salem. Instead, the effectively connected dividends will be subject to regular U.S. income tax in the same manner as if the Non-U.S. Holder were a U.S. resident. A non-U.S. corporation receiving effectively connected dividends may also be subject to an additional "branch profits tax" that is imposed, under certain circumstances, at a rate of 30% (or such lower rate as may be specified by an applicable treaty) of the non-U.S. corporation's effectively connected earnings and profits, subject to certain adjustments. Under the New Regulations, Form W-8 will replace Form 4224.

Generally, Salem must report to the U.S. Internal Revenue Service the amount of dividends paid, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the holder. Pursuant to tax treaties or certain other agreements, the U.S. Internal Revenue Service may make its reports available to tax authorities in the recipient's country of residence.

Dividends paid to a Non-U.S. Holder at an address within the United States may be subject to backup withholding imposed at a rate of 31% if the Non-U.S. Holder fails to establish that it is entitled to an exemption or to provide a correct taxpayer identification number and certain other information.

Under current United States federal income tax law, backup withholding imposed at a rate of 31% generally will not apply to dividends paid on or before December 31, 1999 to a Non-U.S. Holder at an address outside the United States (unless the payer has knowledge that the payee is a U.S. Person). Under the New Regulations, however, a Non-U.S. Holder will be subject to backup withholding unless applicable certification requirements are met.

GAIN ON DISPOSITION OF CLASS A COMMON STOCK

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to gain realized on a sale or other disposition of Class A common stock unless (i) the gain is effectively connected with a trade or business of such holder in the United States, (ii) in the case of certain Non-U.S. Holders who are non-resident alien individuals and hold the Class A common stock as a capital asset, such individuals are present in the United States for 183 or more days in the taxable year of the disposition, (iii) the Non-U.S. Holder is subject to a tax pursuant to the provisions of the Code regarding the taxation of U.S. expatriates, or (iv) Salem is or has been a "U.S. real property holding corporation" within the meaning of Section 897(c)(2) of the Code at any time within the shorter of the five-year period preceding such disposition or such holder's holding period. Salem is not, and does not anticipate becoming, a U.S. real property holding corporation.

INFORMATION REPORTING REQUIREMENTS AND BACKUP WITHHOLDING ON DISPOSITION OF CLASS A COMMON STOCK

Under current United States federal income tax law, information reporting and backup withholding imposed at a rate of 31% will apply to the proceeds of a disposition of Class A common stock effected by or through a U.S. office of a broker unless the disposing holder certifies as to its non-U.S. status or otherwise establishes an exemption. Generally, U.S. information reporting and backup withholding will not apply to a payment of disposition proceeds where the transaction is effected outside the United States through a non-U.S.

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office of a non-U.S. broker. However, U.S. information reporting requirements (but not backup withholding) will apply to a payment of disposition proceeds where the transaction is effected outside the United States by or through an office outside the United States of a broker that is either (i) a U.S. person, (ii) a foreign person which derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) a "controlled foreign corporation" for U.S. federal income tax purposes or (iv) in the case of payments made after December 31, 1999, a foreign partnership with certain connections to the United States, unless such broker has documentary evidence in its files of the holder's non-U.S. status and has no actual knowledge to the contrary or unless the holder establishes an exemption.

Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is furnished to the U.S. Internal Revenue Service.

FEDERAL ESTATE TAX

An individual Non-U.S. Holder who is treated as the owner of, or has made certain lifetime transfers of, an interest in the Class A common stock will be required to include the value thereof in his gross estate for U.S. federal estate tax purposes, and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

UNDERWRITING

We intend to offer our Class A common stock through a number of underwriters. Deutsche Bank Securities Inc., ING Barings LLC and Salomon Smith Barney Inc. are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in a purchase agreement among Salem, the selling stockholders and the underwriters, we and the selling stockholders have agreed to sell to the underwriters, and each of the underwriters severally and not jointly has agreed to purchase from Salem and the selling stockholders, the number of shares of Class A common stock set forth opposite its name below.

<TABLE>
<CAPTION>

UNDERWRITER -----	NUMBER OF SHARES -----
<S>	<C>
Deutsche Bank Securities Inc.....	
ING Barings LLC.....	
Salomon Smith Barney Inc.....	

Total.....	7,500,000
	=====

</TABLE>

In the purchase agreement, the several underwriters have agreed, subject to the terms and conditions set forth in the purchase agreement, to purchase all of the shares of Class A common stock being sold under the terms of the purchase agreement if any of the shares of Class A common stock being sold under the terms of the purchase agreement are purchased. In the event of a default by an underwriter, the purchase agreement provides that, in certain circumstances, the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including certain liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The shares of Class A common stock are being offered by the several underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the underwriters and certain other conditions. The underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part.

COMMISSIONS AND DISCOUNTS

The representatives have advised us and the selling stockholders that the underwriters propose initially to offer the shares of Class A common stock to the public at the initial public offering price set forth on the cover page of this prospectus, and to certain dealers at such price less a concession not in excess of \$ per share of Class A common stock. The underwriters may allow, and such dealers may reallow, a discount not in excess of \$ per share of Class A common stock on sales to certain other dealers. After the initial public offering, the public offering price, concession and discount may change.

The following table shows the per share and total public offering price, underwriting discount to be paid by us and the selling stockholders to the underwriters and the proceeds before expenses to us and the selling stockholders. This information is presented assuming either no exercise or full exercise by the underwriters of the over-allotment option.

<TABLE>
<CAPTION>

	PER SHARE	WITHOUT OPTION	WITH OPTION
	-----	-----	-----
<S>	<C>	<C>	<C>
Public offering price.....	\$	\$	\$
Underwriting discount.....	\$	\$	\$
Proceeds, before expenses, to Salem.....	\$	\$	\$
Proceeds, before expenses, to the selling stockholders.....	\$	\$	\$

</TABLE>

The expenses of the offering, exclusive of the underwriting discount, are estimated at \$1.2 million and are payable by us.

OVER-ALLOTMENT OPTION

The selling stockholders have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to an aggregate of 1,125,000 additional shares of our Class A common stock at the public offering price set forth on the cover page of this prospectus, less the underwriting discount. The underwriters may exercise this option solely to cover over-allotments, if any, made on the sale of our Class A common stock offered hereby. To the extent that the underwriters exercise this option, each underwriter will be obligated, subject to certain conditions, to purchase a number of additional shares of our Class A common stock proportionate to such underwriter's initial amount reflected in the foregoing table.

RESERVED SHARES

At our request, the underwriters have reserved for sale, at the initial public offering price, up to 5% of the shares offered hereby to be sold to some of our directors, officers, employees, distributors, dealers, business associates and related persons. The number of shares of our Class A common stock available for sale to the general public will be reduced to the extent that those persons purchase the reserved shares. Any reserved shares which are not orally confirmed for purchase within one day of the pricing of the offering will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

LOCK-UP

We and our executive officers and directors and all existing stockholders have agreed, subject to certain exceptions, without the prior written consent of Deutsche Bank Securities Inc. and ING Barings LLC on behalf of the underwriters for a period of 180 days after the date of this prospectus, not to directly or indirectly:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of or otherwise dispose of or transfer any shares of our common stock or securities convertible into or exchangeable or exercisable for or repayable with our common stock, whether now owned or later acquired by the person executing the agreement or with respect to which the person executing the agreement later acquires the power of disposition, or file a registration statement under the Securities Act with respect to any shares of our common stock or

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- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of our common stock whether any such swap or transaction is to be settled by delivery of our common stock or other securities, in cash or otherwise.

NASDAQ NATIONAL MARKET QUOTATION

Our Class A common stock has been approved for quotation on the Nasdaq National Market under the symbol "SALM."

Before this offering, there has been no public market for our Class A common stock. The initial public offering price will be determined through negotiations among us, the selling stockholders and the representatives. The factors considered in determining the initial public offering price, in addition to prevailing market conditions, are the valuation multiples of publicly traded companies that the representatives believe to be comparable to us, certain of our financial information, our history, our prospects, the industry in which we compete, and an assessment of our management, its past and present operations, the prospects for, and timing of, our future revenue, the present state of our

development, and the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours. There can be no assurance that an active trading market will develop for our Class A common stock or that our Class A common stock will trade in the public market subsequent to the offering at or above the initial public offering price.

The underwriters do not expect sales of the our Class A common stock to any accounts over which they exercise discretionary authority to exceed 5% of the number of shares offered in this offering.

PRICE STABILIZATION, SHORT POSITIONS AND PENALTY BIDS

Until the distribution of our Class A common stock is completed, rules of the Securities and Exchange Commission may limit the ability of the underwriters and certain selling group members to bid for and purchase our Class A common stock. As an exception to these rules, the representatives are permitted to engage in transactions that stabilize the price of our Class A common stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of our Class A common stock.

If the underwriters create a short position in our Class A common stock in connection with the offering, that is, if they sell more shares of our Class A common stock than are set forth on the cover page of this prospectus, the representatives may reduce that short position by purchasing our Class A common stock in the open market. The representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

The representatives may also impose a penalty bid on underwriters and selling group members. This means that if the representatives purchase shares of our Class A common stock in the open market to reduce the underwriters' short position or to stabilize the price of our Class A common stock, they may reclaim the amount of the selling concession from the underwriters and selling group members who sold those shares.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price

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of our Class A common stock to the extent that it discourages resales of our Class A common stock.

Neither Salem nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Class A common stock. In addition, neither Salem nor any of the underwriters makes any representation that the representatives will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

ING Barings LLC and Salomon Smith Barney Inc. have engaged in investment banking transactions with Salem for which they have received customary compensation, and may do so in the future.

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LEGAL MATTERS

The validity of our Class A common stock offered hereby will be passed upon for us by Gibson, Dunn & Crutcher LLP, Orange County, California. Debevoise & Plimpton, New York, New York has acted as counsel to the underwriters in connection with certain legal matters related to this offering.

EXPERTS

The consolidated financial statements of Salem at December 31, 1997 and 1998, and for each of the three years in the period ended December 31, 1998, included in this prospectus have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included in this prospectus, and are included in reliance upon their report given upon the authority of that firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

We have filed with the Commission, a registration statement on Form S-1 under the Securities Act of 1933 with respect to the Class A common stock offered by this prospectus. This prospectus does not contain all of the information included in the registration statement and the exhibits and schedules included in the registration statement, certain portions of which are omitted as permitted by the rules and regulations of the Commission. For further information with respect to Salem and our Class A common stock offered hereby, reference is made to the registration statement, including the exhibits and the

financial statements, notes and schedules filed as part of the registration statement. Statements contained in this prospectus regarding the contents of any contract or other document referred to in the prospectus or registration statement are not necessarily complete. In each instance, reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference.

We file reports and other information with the Securities and Exchange Commission. Such reports and other information, as well as the registration statement, exhibits and schedules, may be inspected, without charge, or copied, at prescribed rates, at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington D. C. 20549, as well as at the following regional offices: Seven World Trade Center, New York, New York 10048, and Citicorp Center, 500 W. Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549, at prescribed rates. In addition, the Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of the Commission's Web site is <http://www.sec.gov>.

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Salem Communications Corporation

We have audited the accompanying consolidated balance sheets of Salem Communications Corporation as of December 31, 1997 and 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Salem Communications Corporation at December 31, 1997 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Woodland Hills, California
March 24, 1999, except for
Note 10, as to which
the date is May 26, 1999

SALEM COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<TABLE>
<CAPTION>

	DECEMBER 31		MARCH 31
	1997	1998	1999
			(UNAUDITED)
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 1,645	\$ 1,917	\$ 2,037
Accounts receivable (less allowance for doubtful accounts of \$1,249 in 1997, \$862 in 1998 and \$1,350 in 1999).....	12,227	14,289	14,275
Other receivables.....	81	67	121
Prepaid expenses.....	640	658	1,342
Prepaid income taxes.....	48	--	--
Deferred income taxes.....	2,254	2,443	3,163
	-----	-----	-----
Total current assets.....	16,895	19,374	20,938
Property, plant and equipment, net.....	36,638	40,749	47,715
Intangible assets:			
Broadcast licenses.....	138,837	167,870	167,880
Noncompetition agreements.....	14,593	14,593	14,593
Customer lists and contracts.....	4,094	4,094	4,094
Favorable and assigned leases.....	1,800	1,800	1,800
Goodwill.....	5,999	6,689	11,176
Other intangible assets.....	972	2,567	4,262
	-----	-----	-----
Less accumulated amortization.....	166,295	197,613	203,805
	46,212	55,837	58,697
	-----	-----	-----
Intangible assets, net.....	120,083	141,776	145,108
Notes receivable from stockholders.....	94	94	94
Bond issue costs.....	4,907	4,657	4,524
Other assets.....	6,196	1,100	1,018
	-----	-----	-----
Total assets.....	\$184,813	\$207,750	\$219,397
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable.....	\$ 1,050	\$ 1,676	\$ 2,073
Accrued expenses.....	476	489	581
Accrued compensation and related.....	1,381	1,613	1,827
Accrued interest.....	3,804	3,968	187
Deferred subscription revenue.....	--	--	1,578
Income taxes.....	341	89	226
Current portion of capital lease obligations.....	--	--	252
Current portion of long-term debt.....	--	--	2,810
	-----	-----	-----
Total current liabilities.....	7,052	7,835	9,534
Capital lease obligations, less current portion.....	--	--	290
Long-term debt, less current portion.....	154,500	178,610	187,550
Deferred income taxes.....	12,122	11,581	13,331
Other liabilities.....	457	623	899
Stockholders' equity:			
Class A common stock, \$.01 par value; authorized 80,000,000 shares; issued and outstanding 11,107,392 shares.....	111	111	111
Class B common stock, \$.01 par value; authorized 20,000,000 shares; issued and outstanding 5,553,696 shares.....	56	56	56
Additional paid-in capital.....	5,665	5,665	5,665
Retained earnings.....	4,850	3,269	1,961
	-----	-----	-----
Total stockholders' equity.....	10,682	9,101	7,793
	-----	-----	-----
Total liabilities and stockholders' equity.....	\$184,813	\$207,750	\$219,397
	=====	=====	=====

</TABLE>

See accompanying notes.

SALEM COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<TABLE>
<CAPTION>

ENDED 31	YEAR ENDED DECEMBER 31			THREE MONTHS
	1996	1997	1998	MARCH 1998
(UNAUDITED)	<C>	<C>	<C>	<C>
Gross broadcasting revenue..... 22,326	\$ 65,141	\$ 74,830	\$ 85,411	\$ 19,459
Less agency commissions..... 1,901	6,131	6,918	7,520	1,757
Net broadcasting revenue..... 20,425	59,010	67,912	77,891	17,702
Other media revenue..... 1,095	--	--	--	--
Total revenue..... 21,520	59,010	67,912	77,891	17,702
Operating expenses:				
Broadcasting operating expenses..... 11,379	33,463	39,626	42,526	9,930
Other media operating expenses..... 1,298	--	--	--	--
Corporate expenses..... 1,796	4,663	6,210	7,395	1,503
Tax reimbursements to S corporation shareholders..... --	2,038	1,780	--	--
Depreciation and amortization (including \$195 in 1999 for other media businesses)..... 4,111	8,394	12,803	14,058	3,337
Total operating expenses..... 18,584	48,558	60,419	63,979	14,770
Net operating income..... 2,936	10,452	7,493	13,912	2,932
Other income (expense):				
Interest income..... 25	523	230	291	103
Gain (loss) on disposal of assets..... --	16,064	4,285	236	(22)
Interest expense..... (4,375)	(7,361)	(12,706)	(15,941)	(3,772)
Other expense..... (120)	(270)	(389)	(422)	(105)
Income (loss) before income taxes and extraordinary item.... (1,534)	19,408	(1,087)	(1,924)	(864)
Provision (benefit) for income taxes..... (226)	6,655	106	(343)	(290)
Income (loss) before extraordinary item..... (1,308)	12,753	(1,193)	(1,581)	(574)
Extraordinary loss on early extinguishment of debt (net of income tax benefit of \$659 in 1997)..... --	--	(1,185)	--	--
Net income (loss)..... (1,308)	\$ 12,753	\$ (2,378)	\$ (1,581)	\$ (574)
Basic and diluted income (loss) per share before extraordinary item..... (0.08)	\$ 0.77	\$ (0.07)	\$ (0.09)	\$ (0.03)
Extraordinary loss..... --	--	(0.07)	--	--

Basic and diluted net income (loss) per share.....	\$ 0.77	\$ (0.14)	\$ (0.09)	\$ (0.03)	\$
(0.08)					

Basic and diluted weighted average shares outstanding.....	16,661,088	16,661,088	16,661,088	16,661,088	
16,661,088					
=====					
Pro forma information for 1996 and 1997 (unaudited):					
Income (loss) before income taxes and extraordinary item as					
reported above.....	\$ 19,408	\$ (1,087)			
Add back tax reimbursements to S Corporation shareholders...	2,038	1,780			

Pro forma income (loss) before income taxes and					
extraordinary item.....	21,446	693			
Pro forma provision (benefit) for income taxes.....	8,608	278			

Pro forma income (loss) before extraordinary item.....	12,838	415			
Extraordinary loss.....	--	(1,185)			

Pro forma net income (loss).....	\$ 12,838	\$ (770)			
=====					
Pro forma basic and diluted income (loss) per share before					
extraordinary item.....	\$ 0.77	\$ 0.02			
Extraordinary loss per share.....	--	(0.07)			

Pro forma basic and diluted net income (loss) per share....	\$ 0.77	\$ (0.05)			

Basic and diluted weighted average shares outstanding.....	16,661,088	16,661,088			
=====					

</TABLE>

See accompanying notes.

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SALEM COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>
<CAPTION>

	CLASS A COMMON STOCK		CLASS B COMMON STOCK		ADDITIONAL PAID-IN-CAPITAL	RETAINED EARNINGS	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Stockholders' equity,							
January 1, 1996.....	11,107,392	\$111	5,553,696	\$56	\$5,665	\$ 7,450	\$13,282
Net income.....	--	--	--	--	--	12,753	12,753
Stockholder							
distributions.....	--	--	--	--	--	(5,501)	(5,501)

Stockholders' equity,							
December 31, 1996.....	11,107,392	111	5,553,696	56	5,665	14,702	20,534
Net loss.....	--	--	--	--	--	(2,378)	(2,378)
Stockholder							
distributions.....	--	--	--	--	--	(7,474)	(7,474)

Stockholders' equity,							
December 31, 1997.....	11,107,392	111	5,553,696	56	5,665	4,850	10,682
Net loss.....	--	--	--	--	--	(1,581)	(1,581)

Stockholders' equity,							
December 31, 1998.....	11,107,392	111	5,553,696	56	5,665	3,269	9,101
Net loss (unaudited)....	--	--	--	--	--	(1,308)	(1,308)

Stockholders' equity,							
March 31, 1999							
(unaudited).....	11,107,392	\$111	5,553,696	\$56	\$5,665	\$ 1,961	\$ 7,793
=====							

</TABLE>

See accompanying notes.

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SALEM COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31			THREE MONTHS ENDED MARCH 31	
	1996	1997	1998	1998	1999
	(UNAUDITED)				
<S>	<C>	<C>	<C>	<C>	<C>
OPERATING ACTIVITIES					
Net income (loss).....	\$ 12,753	\$ (2,378)	\$ (1,581)	\$ (574)	\$ (1,308)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization.....	8,394	12,803	14,058	3,337	4,111
Amortization of bank loan fees.....	109	175	42	11	11
Amortization of bond issue costs.....	--	126	531	132	133
Deferred income taxes.....	6,133	(1,022)	(730)	(369)	(382)
Loss (gain) on sale of assets.....	(16,064)	(4,285)	(236)	22	--
Loss on early extinguishment of debt.....	--	1,844	--	--	--
Changes in operating assets and liabilities:					
Accounts receivable.....	(1,370)	(1,572)	(2,048)	923	1,285
Prepaid expenses and other current assets.....	(111)	(473)	(18)	(260)	(330)
Accounts payable and accrued expenses.....	258	1,844	1,035	(3,897)	(4,736)
Deferred subscription revenue.....	--	--	--	--	56
Other liabilities.....	270	78	166	38	(231)
Income taxes.....	123	174	(204)	118	136
Net cash provided by (used in) operating activities.....	10,495	7,314	11,015	(519)	(1,255)
INVESTING ACTIVITIES					
Capital expenditures.....	(6,982)	(7,521)	(7,360)	(1,982)	(1,579)
Purchases of other media businesses.....	--	--	--	--	(8,372)
Purchases of radio stations.....	(21,160)	(19,436)	(33,682)	--	--
Deposits on radio station acquisitions.....	(6,314)	(4,907)	4,907	--	--
Proceeds from disposal of property, plant and equipment and intangible assets.....	15,867	5,120	4,226	42	--
Other assets.....	(334)	418	147	5	(72)
Net cash used in investing activities.....	(18,923)	(26,326)	(31,762)	(1,935)	(10,023)
FINANCING ACTIVITIES					
Proceeds from issuance of long-term debt and notes payable to stockholders.....	23,800	222,710	40,500	6,000	13,750
Payments of long-term debt and notes payable to stockholders.....	(15,430)	(190,100)	(19,000)	(3,500)	(2,310)
Payments of bank loan fees.....	--	(1,025)	--	--	--
Payments of costs related to debt refinancing.....	--	(417)	--	--	--
Payments on capital lease obligations.....	--	--	--	--	(42)
Payments of bond issue costs.....	--	(5,033)	(281)	(252)	--
Repayments (additions) of stockholder notes and repayment of accrued interest receivable--net.....	4,614	(66)	(200)	--	--
Proceeds from stockholder notes payable.....	1,900	100	--	--	--
Distributions to stockholders.....	(5,501)	(7,474)	--	--	--
Net cash provided by financing activities.....	9,383	18,695	21,019	2,248	11,398
Net (decrease) increase in cash and cash equivalents.....	955	(317)	272	(206)	120
Cash and cash equivalents at beginning of period.....	1,007	1,962	1,645	1,645	1,917
Cash and cash equivalents at end of period.....	\$ 1,962	\$ 1,645	\$ 1,917	\$ 1,439	\$ 2,037
Supplemental disclosures of cash flow information:					
Cash paid during the period for:					
Interest.....	\$ 6,158	\$ 9,523	\$ 14,965	\$ 7,381	\$ 7,715
Income taxes.....	400	295	591	--	20
Noncash transactions:					
Acquisition of radio station (KWRD-FM in 1996, KIEV-AM in 1998)					
Fair market value of assets acquired.....	\$ 40,100	\$ --	\$ 33,210	\$ --	\$ --
Debt to seller.....	(30,500)	--	(2,810)	--	--
Fair market value of assets exchanged.....	(8,000)	--	--	--	--
Acquisition of other media businesses					
Fair market value of assets acquired.....	--	--	--	--	14,365
Fair market value of liabilities assumed.....	--	--	--	--	(5,993)
Cash paid.....	\$ 1,600	\$ --	\$ 30,400	\$ --	\$ 8,372

</TABLE>

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(INFORMATION AT MARCH 31, 1999 AND FOR
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Reorganization

The accompanying consolidated financial statements of Salem Communications Corporation (Salem or the Company) include the Company and its wholly-owned subsidiaries. Prior to the reorganization described below (the Reorganization) the financial statements had been presented on a combined basis and included Salem, New Inspiration Broadcasting Company, Inc. (New Inspiration), Golden Gate Broadcasting Company, Inc. (Golden Gate) and Beltway Media Partners (Beltway), since all of these entities were under common control. New Inspiration and Golden Gate were S corporations for income tax purposes. Salem, New Inspiration and Golden Gate were the partners of Beltway. The combined financial statements were entitled Salem Broadcasting Entities. Pursuant to the Reorganization the financial statements have been renamed and the disclosure of common stock information has been retroactively restated for all periods presented as if the Reorganization had been completed as of the beginning of the earliest period presented. All significant intercompany balances and transactions have been eliminated.

Information with respect to the three months ended March 31, 1999 and 1998 is unaudited. The accompanying unaudited consolidated financial statements have been prepared on the same basis as the audited financial statements and, in the opinion of management contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position, results of operations and cash flows of the Company and subsidiaries, for the periods presented. The results of operations for the three month period are not necessarily indicative of the results of operations for the full year.

The Company is a holding company with substantially no assets, operations or cash flows other than its investments in subsidiaries. All of the Company's subsidiaries are Guarantors of the 9 1/2% Senior Subordinated Notes due 2007 (the Notes) discussed in Note 4. The Guarantors (i) are wholly owned subsidiaries of the Company, (ii) comprise all the Company's direct and indirect subsidiaries and (iii) have fully and unconditionally guaranteed on a joint and several basis, the Notes. The Company has not presented separate financial statements and other disclosures concerning the Guarantors because management has determined that such information is not material to investors.

In August 1997, the Company, New Inspiration and Golden Gate effected the Reorganization pursuant to which New Inspiration and Golden Gate became wholly-owned subsidiaries of the Company, with Beltway remaining a partnership. The Company accounted for the Reorganization as a combination of entities under common control, which is a method similar to a pooling of interests. In October 1998, the Company, New Inspiration and Golden Gate contributed their partnership interests in Beltway to Salem Media of Virginia, Inc. (SMV), thereby dissolving Beltway. SMV is an indirectly wholly-owned subsidiary of the Company.

The S Corporation status of New Inspiration and Golden Gate was terminated in the Reorganization. Prior to the Reorganization, New Inspiration and Golden Gate distributed cash and promissory notes to their respective shareholders in the aggregate amount of

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(INFORMATION AT MARCH 31, 1999 AND FOR
THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

\$8.5 million. Of such amount, \$1.8 million, equal to the estimated federal and state income tax liability of the S corporation shareholders on the earnings of New Inspiration and Golden Gate, was paid by New Inspiration and Golden Gate in cash. The balance, \$6.7 million representing the balance of the net income of New Inspiration and Golden Gate that had previously been taxed, but not distributed to the shareholders, was paid in the form of promissory notes. In September 1997, the Company financed the repayment of these promissory notes by an additional borrowing.

Description of Business

Salem is a domestic U.S. radio broadcast company which focuses on talk and music programming targeted at audiences interested in religious and family issues. Salem operated 45 and 43 radio stations across the United States at December 31, 1998 and 1997, respectively. The Company also owns and operates Salem Radio Network (SRN), SRN News Network (SNN), Salem Music Network (SMN) and Salem Radio Representatives (SRR). SRN, SNN and SMN are radio networks which produce and distribute talk, news and music programming to Salem's radio stations and other independent radio station affiliates. SRR sells commercial air time to national advertisers for Salem's radio stations and networks, and

for independent radio station affiliates.

The significant accounting policies of Salem are summarized below and conform with generally accepted accounting principles and reflect practices appropriate to the radio broadcasting industry.

Segments

The Company operates in one reportable segment.

Revenue Recognition

Revenue from radio programs and commercial advertising is recognized when broadcast. Salem's customers principally include not-for-profit charitable organizations and commercial advertisers.

Advertising by the radio stations exchanged for goods and services is recorded as the advertising is broadcast and is valued at the fair market value of goods or services received or to be received. The value of the goods and services received in such barter transactions is charged to expense when used. Barter revenue for the years ended December 31, 1996, 1997 and 1998, was approximately \$1,498,000, \$1,743,000 and \$2,510,000, respectively. Barter expenses were approximately the same.

Cash Equivalents

Salem considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. The recorded amount for cash and cash equivalents approximates the fair market value.

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (INFORMATION AT MARCH 31, 1999 AND FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives as follows:

<TABLE> <S>	<C>
Buildings.....	40 years
Office furnishings and equipment.....	5 - 10 years
Antennae, towers and transmitting equipment.....	20 years
Studio and production equipment.....	10 years
Computer software.....	3 - 5 years
Record and tape libraries.....	20 years
Automobiles.....	5 years
Leasehold improvements.....	15 years

</TABLE>

The carrying value of property, plant and equipment is evaluated periodically in relation to the operating performance and anticipated future cash flows of the underlying radio stations and businesses for indicators of impairment. When indicators of impairment are present and the undiscounted cash flows estimated to be generated from these assets are less than the carrying value of these assets an adjustment to reduce the carrying value (if necessary) to the fair market value of the assets is recorded. No adjustments to the carrying amounts of property, plant and equipment have been made during the years ended December 31, 1996, 1997 and 1998.

Intangible Assets

Intangible assets acquired in conjunction with the acquisition of various radio stations are being amortized over the following estimated useful lives using the straight-line method:

<TABLE> <S>	<C>
Broadcast licenses.....	10 - 25 years
Noncompetition agreements.....	3 - 5 years
Customer lists and contracts.....	10 years
Favorable and assigned leases.....	Life of the lease
Goodwill.....	15 - 40 years
Other.....	5 - 10 years

</TABLE>

The carrying value of intangibles is evaluated periodically in relation to the operating performance and anticipated future cash flows of the underlying radio stations and businesses for indicators of impairment. When indicators of

impairment are present and the undiscounted cash flows estimated to be generated from these assets are less than the carrying amounts of these assets, an adjustment to reduce the carrying value (if necessary) to the fair market value of these assets is recorded. No adjustments to the carrying amounts of intangible assets have been made during the year ended December 31, 1996, 1997 and 1998.

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 (INFORMATION AT MARCH 31, 1999 AND FOR
 THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

Bond Issue Costs

Bond issue costs are being amortized over the term of the Notes as an adjustment to interest expense.

Tax Reimbursements to S Corporation Shareholders

"Tax reimbursements to S Corporation shareholders" represents additional salary payments made in the amount necessary to satisfy individual federal and state income tax liabilities of the S Corporation shareholders on the earnings of New Inspiration and Golden Gate prior to the Reorganization.

Income Taxes

The Company accounts for income taxes in accordance with the Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." SFAS No. 109 prescribes the liability method of providing for deferred income taxes. Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

Federal and state income taxes (except for 1.5% state franchise tax) have not been provided through August 12, 1997 for New Inspiration and Golden Gate because they were S Corporations and income tax attributes of these S Corporations were passed through to their shareholders.

Basic and Diluted Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common stock shares outstanding. Diluted net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common stock shares and common stock share equivalents outstanding. There were no common stock share equivalents outstanding in any of the periods presented and, as such, basic and diluted net income (loss) per share are the same.

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 (INFORMATION AT MARCH 31, 1999 AND FOR
 THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

The following table sets forth the computation of basic and diluted net income (loss) per share for the periods indicated:

<TABLE>
 <CAPTION>

	YEAR ENDED DECEMBER 31			THREE MONTHS ENDED MARCH 31	
	1996	1997	1998	1998	1999
	(IN THOUSANDS, EXCEPT SHARE DATA)			(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
Numerator:					
Net income (loss)....	\$ 12,753	\$ (2,378)	\$ (1,581)	\$ (574)	\$ (1,308)
Denominator:					
Weighted average shares.....	16,661,088	16,661,088	16,661,088	16,661,088	16,661,088
Basic and diluted net income (loss) per share.....	\$ 0.77	\$ (0.14)	\$ (0.09)	\$ (0.03)	\$ (0.08)

</TABLE>

Concentrations of Business and Credit Risks

The majority of the Company's operations are conducted in several locations across the country. The Company's credit risk is spread across a large number of customers, none of which accounted for a significant volume of revenue or outstanding receivables. The Company does not normally require collateral on credit sales; however, credit histories are reviewed before extending substantial credit to any customer. The Company establishes an allowance for doubtful accounts based on customers' payment history and perceived credit risks. Bad debts have been within management's expectations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications were made to the prior year financial statements to conform to the current year presentation.

2. ACQUISITIONS AND DISPOSITIONS OF ASSETS

Pro forma information to present operating results as if the acquisitions discussed below had occurred at the beginning of the year acquired is not presented because the Company, generally, changes the programming format of the radio stations such that the source and nature of revenue and operating expenses are significantly different than they were prior to the acquisition and, accordingly, historical and pro forma financial

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 (INFORMATION AT MARCH 31, 1999 AND FOR
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information is not considered meaningful by management. Pro forma and historical financial information of radio stations acquired where the format was not changed is not significant to the consolidated financial position or operating results of the Company.

In January 1999, the Company purchased the assets of OnePlace, LLC ("OnePlace"), for \$6.2 million, and all the outstanding shares of stock of CCM Communications, Inc. ("CCM"), for \$1.9 million. OnePlace is engaged in the business of applying Internet, e-commerce, consumer profiling and other information technologies in the Christian products industry. CCM publishes magazines which follow the contemporary Christian music industry. The purchases were financed primarily by an additional borrowing. OnePlace earns its revenue by selling products and services on the Internet and licensing its e-commerce, search engines and imaging applications. CCM earns its revenue by selling advertising in and subscriptions to its publications. In March 1999, the Company acquired the assets of Christian Research Report for \$300,000. The publications of Christian Research Report follow the contemporary Christian music industry. The revenue and operating expenses of these businesses are reported as "other media" on our consolidated statements of operations.

During the year ended December 31, 1998, the Company purchased the assets (principally intangibles) of the following radio stations:

<TABLE>
 <CAPTION>

ACQUISITION DATE	STATION	MARKET SERVED	PURCHASE PRICE
-----	-----	-----	-----
			(IN THOUSANDS)
<S>	<C>	<C>	<C>
August 21, 1998.....	KKMO-AM	Seattle-Tacoma, WA	\$ 500
August 26, 1998.....	KIEV-AM	Los Angeles, CA	33,210
October 30, 1998.....	KYCR-AM	Minneapolis-St. Paul, MN	500
October 30, 1998.....	KTEK-AM	Houston-Galveston, TX	2,061

			\$36,271
			=====

</TABLE>

The aggregate purchase price has been allocated to the assets acquired as follows:

<TABLE>
 <CAPTION>

ASSET	AMOUNT
----	-----
	(IN THOUSANDS)

<S>	<C>
Property and equipment.....	\$ 4,507
Broadcast licenses.....	29,627
Goodwill and other intangibles.....	2,137

	\$36,271
	=====

</TABLE>

In 1998, the Company sold the assets (principally intangibles) of radio stations KTSL-FM (Spokane, WA) for \$1.3 million and KAVC-FM (Lancaster, CA) for \$1.6 million.

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(INFORMATION AT MARCH 31, 1999 AND FOR
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During the year ended December 31, 1997, the Company purchased the assets (principally intangibles) of the following radio stations:

<TABLE>
<CAPTION>

ACQUISITION DATE	STATION	MARKET SERVED	PURCHASE PRICE
-----	-----	-----	-----
			(IN THOUSANDS)
<S>	<C>	<C>	<C>
January 21, 1997.....	WHK-AM	Cleveland, OH	\$ 6,220
February 20, 1997.....	WHK-FM	Canton, OH	5,903
February 20, 1997.....	WHLO-AM	Akron, OH	1,995
February 28, 1997.....	WEZE-AM	Boston, MA	7,030
April 2, 1997.....	KTKZ-AM	Sacramento, CA	1,385
July 18, 1997.....	WITH-AM	Baltimore, MD	1,114
July 18, 1997.....	WTSJ-AM	Cincinnati, OH	1,114
October 24, 1997.....	WCCD-AM	Cleveland, OH	700

			\$25,461
			=====

</TABLE>

The aggregate purchase price has been allocated to the assets acquired as follows:

<TABLE>
<CAPTION>

ASSET	AMOUNT
-----	-----
	(IN THOUSANDS)
<S>	<C>
Property and equipment.....	\$ 3,634
Broadcast licenses and other intangibles.....	21,827

	\$25,461
	=====

</TABLE>

In November 1997, the Company sold the assets (principally intangibles) of radio station WPZE-AM (Boston, MA) for \$5 million. Proceeds from the sale (included in other assets as a deposit at December 31, 1997) were initially being held by a qualified intermediary under a like-kind exchange agreement to preserve the Company's ability to effect a tax-deferred exchange. The Company did not effect a tax-deferred exchange and received the proceeds from the sale in 1998.

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(INFORMATION AT MARCH 31, 1999 AND FOR
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During the year ended December 31, 1996, the Company purchased the assets (principally intangibles) (and in the case of KBIQ-FM, all of the outstanding shares of common stock) of the following radio stations:

<TABLE>
<CAPTION>

ACQUISITION DATE	STATION	MARKET SERVED	PURCHASE PRICE
-----	-----	-----	-----

<S>	<C>	<C>	(IN THOUSANDS) <C>
February 1, 1996...	KTSL-FM	Spokane, WA	\$ 900
February 1, 1996...	KLTE-FM	Kirksville, MO	550
February 1, 1996...	KPRZ-FM	Colorado Springs, CO	1,400
March 1, 1996.....	KGFT-FM	Colorado Springs, CO	3,000
March 15, 1996.....	KNUS-AM	Denver-Boulder, CO	1,100
October 5, 1996.....	KPXQ-AM	Phoenix, AZ	6,500
October 25, 1996...	KBIQ-FM	Colorado Springs, CO	2,825
December 6, 1996...	KKMS-AM	Minneapolis-St. Paul, MN	1,894
December 30, 1996.....	KWRD-FM	Dallas-Ft. Worth, TX	40,100
April 3, 1996.....	Standard News Network	Washington, D.C.	--
August 1, 1996.....	The Word in Music(I)	Colorado Springs, CO	120
August 23, 1996....	Morningstar Radio Network	Nashville, TN	1,232

			\$59,621
			=====

</TABLE>

The aggregate purchase price has been allocated to the assets acquired as follows:

<TABLE>
<CAPTION>

ASSET	AMOUNT
-----	-----
	(IN THOUSANDS)
<S>	<C>
Property and equipment.....	\$ 3,767
Broadcast licenses.....	53,116
Goodwill and other intangibles.....	2,738

	\$59,621
	=====

</TABLE>

In 1996, the Company sold the assets (principally intangibles) of radio stations WTJY-FM (Columbus, Ohio), for \$1.5 million, KLTE-FM (Kirksville, Missouri), for \$550,000 and KDBX-FM (Portland, Oregon), for \$14 million. In addition, KDFX-AM (Dallas, Texas), was exchanged as part of the purchase price of KWRD-FM. The Company received approximately \$8 million of value of KDFX-AM towards the total purchase price of KWRD-FM of \$40.1 million, resulting in a gain recognized of approximately \$4.0 million.

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(INFORMATION AT MARCH 31, 1999 AND FOR
THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31:

<TABLE>
<CAPTION>

	DECEMBER 31		MARCH 31,
	-----	-----	1999
	1997	1998	(UNAUDITED)
	-----	-----	-----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Land.....	\$ 325	\$ 1,440	\$ 1,443
Buildings.....	1,477	1,417	1,434
Office furnishings and equipment.....	8,902	9,775	10,977
Antennae, towers and transmitting equipment.....	25,652	25,665	25,857
Studio and production equipment.....	14,033	14,817	15,692
Computer software.....	--	--	5,252
Record and tape libraries.....	442	511	511
Automobiles.....	68	69	114
Leasehold improvements.....	3,684	3,797	3,868
Construction-in-progress.....	4,054	8,767	9,327
	-----	-----	-----
	58,637	66,258	74,475
Less accumulated depreciation.....	21,999	25,509	26,760
	-----	-----	-----
	\$36,638	\$40,749	\$47,715
	=====	=====	=====

</TABLE>

4. LONG-TERM DEBT

Long-term debt consisted of the following at:

<TABLE>
<CAPTION>

	DECEMBER 31		MARCH 31,
	1997	1998	1999 (UNAUDITED)
	-----		-----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Revolving line of credit with banks....	\$ 2,500	\$ 24,000	\$ 36,750
9 1/2% Senior Subordinated Notes due 2007.....	150,000	150,000	150,000
Obligation to acquire KIEV-AM property.....	--	2,810	2,810
Unsecured note payable to stockholder with interest at 9% in 1997 and 8 1/4% in 1998.....	2,000	1,800	800
	-----	-----	-----
	154,500	178,610	190,360
Less current portion.....	--	--	2,810
	-----	-----	-----
	\$154,500	\$178,610	\$187,550
	=====	=====	=====

</TABLE>

Since the note payable to stockholder and revolving line of credit carry floating interest rates, the carrying amount approximates their fair market value. The Notes were issued in September 1997 at par. At December 31, 1998, their fair market value was approximately \$156.8 million.

Revolving Line of Credit with Banks

In September 1997, Salem entered into a new credit agreement with five banks (the Credit Agreement) to provide for borrowing capacity of up to \$75 million under a revolving line of credit (reduced to \$72.3 million as of December 31, 1998). The

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (INFORMATION AT MARCH 31, 1999 AND FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

maximum amount that the Company may borrow under the Credit Agreement is limited by the Company's debt to cash flow ratio, adjusted for recent radio station acquisitions as defined in the Credit Agreement (the Adjusted Debt to Cash Flow Ratio). At December 31, 1998, the maximum Adjusted Debt to Cash Flow Ratio allowed under the Credit Agreement was 6.75 to 1.00. The Company's ability to borrow for the purpose of acquiring a radio station is further limited by the Credit Agreement in that the Company may not borrow for an acquisition if the Adjusted Debt to Cash Flow Ratio is greater than 6.00 to 1.00. At December 31, 1998, the Adjusted Debt to Cash Flow Ratio was 5.99 to 1.00, resulting in total borrowing availability (i.e., in addition to amounts already outstanding) of approximately \$22.6 million, approximately \$483,000 of which can currently be used for radio station acquisitions. At March 31, 1999, the Adjusted Debt to Cash Flow Ratio was 6.65 to 1.00, resulting in total borrowing availability of approximately \$10.2 million, none of which can currently be used for radio station acquisitions. The note evidencing the indebtedness bears interest at a fluctuating base rate plus a spread that was determined by Salem's Adjusted Debt to Cash Flow Ratio. At Salem's option, the base rate is either a bank's prime rate or LIBOR. For purposes of determining the interest rate the prime rate spread ranges from 0% to 1.75%, and the LIBOR spread ranges from 1% to 3%. At December 31, 1998, the interest rate on amounts outstanding under the Credit Agreement was 8.25%. Interest is payable quarterly. Commencing March 31, 1999, the commitment under the Credit Agreement reduces by \$2.5 million quarterly through December 31, 2003, and by \$6.25 million quarterly through June 30, 2004. The Credit Agreement expires August 31, 2004. The classification of the amounts due under the revolving line of credit in the accompanying balance sheet at December 31, 1998 is based on the terms of the Credit Agreement.

In January 1999, the Credit Agreement was amended to increase the maximum Adjusted Debt to Cash Flow Ratio to 7.00 to 1.00 through June 29, 1999. The interest rate spreads were also amended. The prime rate spread ranges from 0% to 2.25%, and the LIBOR spread ranges from 1% to 3.5%.

The Credit Agreement with the banks (a) provides for restrictions on additional borrowings and leases; (b) prohibits Salem, without prior approval from the banks, from paying dividends, liquidating, merging, consolidating or selling its assets or business, and (c) requires Salem to maintain certain financial ratios and other covenants. Salem has pledged all of its assets as collateral under the Credit Agreement. Additionally, all the Company's stock

holdings in its subsidiaries are pledged as collateral.

In September 1997, in connection with the issuance of the Notes and the Credit Agreement the Company repaid all amounts due under its previous revolving line of credit with the banks. The Company wrote off certain deferred financing costs and terminated all of its interest rate swap and cap agreements associated with the line of credit (see Note 5). The write-off and termination fees of \$1,185,000, net of a \$659,000 income tax benefit, was recorded as an extraordinary item in the accompanying statement of operations for the year ended December 31, 1997.

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 (INFORMATION AT MARCH 31, 1999 AND FOR
 THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

9 1/2% Senior Subordinated Notes due 2007

The Notes bear interest at 9 1/2% per annum, with interest payment dates on April 1 and October 1, commencing April 1, 1998. Principal is due on the maturity date, October 1, 2007. The Notes are redeemable at the option of the Company, in whole or in part, at any time on or after October 1, 2002, at the redemption prices (including applicable redemption premium) specified in the indenture. The Notes are fully and unconditionally guaranteed, jointly and severally, on a senior subordinated basis by the Guarantors (the Company's subsidiaries). The Notes are general unsecured obligations of the Company, subordinated in right of payment to all existing and future senior indebtedness, including the Company's obligations under the Credit Agreement. The indenture limits the incurrence of additional indebtedness by the Company, the payment of dividends, the use of proceeds of certain asset sales, and contains certain other restrictive covenants affecting the Company. In March 1998, the Company consummated an exchange offer for the original notes (Original Notes) which were issued in September 1997. The exchange offer commenced when the Company's registration statement under the Securities Act of 1933 was declared effective. The Notes are identical in all material respects to the Original Notes except that the Notes do not contain terms with respect to transfer restrictions. The Notes are fully and unconditionally guaranteed, jointly and severally, on a senior subordinated basis by the Guarantors.

Other Debt

In August 1998, in connection with the Company's acquisition of KIEV-AM, the Company agreed to lease the real property on which the station's towers and transmitter are located for \$10,000 per month. The Company also agreed to purchase the property for \$3 million in February 2000. The Company recorded this transaction in a manner similar to a capital lease. The amount recorded as a long-term obligation at December 31, 1998, represents the present value of the future commitments under the lease and purchase contract, discounted at 8.5%.

At December 31, 1998 and 1997, the Company owed \$1.8 million and \$2 million, respectively, to one of its stockholders. Interest is payable monthly. The note is payable upon demand by the stockholder. The Company intends to refinance the borrowing if demanded by the stockholder with the proceeds from a borrowing under the Credit Agreement. Accordingly, the amount is reflected as long-term debt in the accompanying balance sheet at December 31, 1998, consistent with the terms of the Credit Agreement.

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 (INFORMATION AT MARCH 31, 1999 AND FOR
 THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

Maturities of Long-Term Debt

Principal repayment requirements under all long-term debt agreements outstanding at December 31, 1998 and March 31, 1999, for each of the next five years and thereafter are as follows:

<TABLE>
 <CAPTION>

	DECEMBER 31, 1998	MARCH 31, 1999 (UNAUDITED)
	-----	-----
	(IN THOUSANDS)	
<S>	<C>	<C>
1999.....	\$ --	\$ --
2000.....	2,810	2,810
2001.....	--	--

2002.....	--	5,250
2003.....	3,500	10,000
Thereafter.....	172,300	172,300
	-----	-----
	\$178,610	\$190,360
	=====	=====

</TABLE>

5. INTEREST RATE CAP AND SWAP AGREEMENTS

In 1996 and 1997 Salem had entered into interest rate swap and cap agreements to reduce the impact of changes in interest rates on its floating-rate long-term debt. In September 1997, in connection with the issuance of the Notes and the Credit Agreement the Company terminated all of its interest rate swap and cap agreements for aggregate fees of \$417,000. The Company wrote off these costs (unamortized swap fee of \$201,000 and the swap termination fee of \$417,000) in September 1997. This write-off, net of income tax benefit, was included in the extraordinary loss in the accompanying statement of operations for the year ended December 31, 1997 (see Note 4).

6. INCOME TAXES

As discussed in Note 1, prior to the Reorganization, New Inspiration and Golden Gate were S Corporations for income tax purposes. Accordingly, any federal and state income tax liability on net income of the S Corporations has been the liability of shareholders of the S Corporations. The S Corporation status of New Inspiration and Golden Gate was terminated in the Reorganization, which was effective August 13, 1997, and the income of New Inspiration and Golden Gate will thereafter be subject to federal and state income taxes. The accompanying consolidated statements of operations include an unaudited pro forma income tax adjustment, using an estimated combined effective tax rate of approximately 40%, to reflect the estimated income tax expense of the Company as if New Inspiration and Golden Gate had been subject to federal and state income taxes for the periods presented. In connection with the Reorganization, which resulted in the termination of the S Corporation status of New Inspiration and Golden Gate, the Company recorded a deferred tax liability and provision of approximately \$609,000 in December 1997.

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(INFORMATION AT MARCH 31, 1999 AND FOR
THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

The consolidated provision (benefit) for income taxes for Salem consisted of the following at December 31:

<TABLE>
<CAPTION>

	1996	1997	1998
	-----	-----	-----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Current:			
Federal.....	\$ 189	\$ (149)	\$ --
State.....	333	618	387
	-----	-----	-----
	522	469	387
Deferred:			
Federal.....	5,737	(1,162)	(467)
State.....	396	140	(263)
	-----	-----	-----
	6,133	(1,022)	(730)
Current tax benefit reflected in net extraordinary loss.....	--	(659)	--
	-----	-----	-----
Income tax provision (benefit).....	\$6,655	\$ 106	\$(343)
	=====	=====	=====

</TABLE>

The consolidated deferred tax asset and liability consisted of the following at December 31:

<TABLE>
<CAPTION>

	1997	1998
	-----	-----
	(IN THOUSANDS)	
<S>	<C>	<C>
Deferred tax assets:		
Financial statement accruals not currently deductible.....	\$ 610	\$ 665
Net operating loss, AMT credit and other		

carryforwards.....	2,224	2,367
State taxes.....	197	122
	-----	-----
Total deferred tax assets.....	3,031	3,154
Valuation allowance for deferred tax assets.....	(95)	(95)
	-----	-----
Net deferred tax assets.....	2,936	3,059
Deferred tax liabilities:		
Excess of net book value of property, plant and equipment for financial reporting purposes over tax basis.....	3,806	4,263
Excess of net book value of intangible assets for financial reporting purposes over tax basis.....	8,118	7,305
Other.....	880	629
	-----	-----
Total deferred tax liabilities.....	12,804	12,197
	-----	-----
Net deferred tax liabilities.....	\$ 9,868	\$ 9,138
	=====	=====

</TABLE>

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(INFORMATION AT MARCH 31, 1999 AND FOR
THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

A reconciliation of the statutory federal income tax rate to the effective tax rate, as a percentage of income before income taxes, is as follows:

<TABLE>
<CAPTION>

	YEAR ENDED		
	DECEMBER 31		
	1996	1997	1998
	----	----	----
<S>	<C>	<C>	<C>
Statutory federal income tax rate.....	34%	(34)%	(34)%
State income taxes, net.....	3	49	4
Nondeductible expenses.....	--	5	7
Exclusion of income taxes of S corporations and the Partnership.....	(7)	(76)	--
Change in taxable entity (S corporation to C corporation).....	--	56	--
Other, net.....	4	10	5
	----	----	----
	34%	10%	(18)%
	==	===	===

</TABLE>

The S Corporations had book income (loss) before income taxes of \$3,800,000 and \$2,400,000 in 1996 and 1997, respectively. These amounts include the S Corporations' 85% ownership interest in Beltway.

At December 31, 1998, the Company has net operating loss carryforwards for federal income tax purposes of approximately \$5,800,000 which expire in years 2010 through 2018 and for state income tax purposes of approximately \$4,600,000 which expire in years 1999 through 2013. The Company has federal alternative minimum tax credit carryforwards of approximately \$147,000. For financial reporting purposes, a valuation allowance of \$95,000 has been provided in 1998 and 1997 to offset a portion of the deferred tax assets related to the state net operating loss carryforwards.

7. COMMITMENTS AND CONTINGENCIES

Salem leases various land, offices, studios and other equipment under operating leases that expire over the next 10 years. The majority of these leases are subject to escalation clauses and may be renewed for successive periods ranging from one to five years on terms similar to current agreements and except for specified increases in lease payments. Rental expense included in operating expense under all lease agreements was \$3,800,000, \$4,800,000 and \$4,800,000 in 1996, 1997, and 1998 respectively.

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(INFORMATION AT MARCH 31, 1999 AND FOR
THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

Future minimum rental payments required under operating leases that have

initial or remaining noncancelable lease terms in excess of one year as of December 31, 1998, are as follows:

<TABLE>
<CAPTION>

	RELATED PARTIES -----	OTHER -----	TOTAL -----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
1999.....	\$1,102	\$ 3,895	\$ 4,997
2000.....	1,102	3,421	4,523
2001.....	1,102	2,696	3,798
2002.....	747	2,165	2,912
2003.....	690	1,961	2,651
Thereafter.....	1,100	10,440	11,540
	-----	-----	-----
	\$5,843	\$24,578	\$30,421
	=====	=====	=====

</TABLE>

The Company is involved in certain legal actions and claims arising in the normal course of business. It is the opinion of management that such litigation and claims will be resolved without material effect on the Company's consolidated financial position, operations and cash flows.

The Company has a deferred compensation agreement with one of its officers, which provides for retirement payments to the officer for a period of ten consecutive years, if he remains employed by the Company until age 60. The retirement payments are based on a formula defined in the agreement. The estimated obligation under the deferred compensation agreement is being provided for over the service period. At December 31, 1997 and 1998, a liability of approximately \$370,000 and \$432,000 respectively, is included in other liabilities in the accompanying balance sheets for the amounts earned under this agreement.

8. RELATED PARTY TRANSACTIONS

In December 1996, the Company borrowed \$1.9 million from one of its principal stockholders. The Company repaid the note for the borrowing, including interest at 9 1/4%, in January 1997, with proceeds from a borrowing under its credit facility.

In December 1997, the Company borrowed \$2 million from a stockholder pursuant to a promissory note with a revolving principal amount of up to \$2.5 million. The outstanding balance on the note as of December 31, 1998 and 1997 was \$1.8 million and \$2 million, respectively (see Note 4). The note is a demand note which bears interest at a floating rate (8 1/4% at December 31, 1998). During the term of the note, the interest rate will at all times be 1% lower than the rate for base rate borrowings under the Company's Credit Agreement. The Company will borrow under the Credit Agreement when the stockholder demands repayment.

In January 1998, the Company borrowed \$1.5 million from another stockholder pursuant to another promissory note with a revolving principal amount of up to

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) (INFORMATION AT MARCH 31, 1999 AND FOR THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

\$2.5 million. The Company repaid all amounts outstanding in May 1998. There were no amounts outstanding at December 31, 1998 and 1997. The note is a demand note which bears interest at a floating rate. During the term of the note, the interest rate will at all times be 1% lower than the rate for base rate borrowings under the Company's Credit Agreement. The Company will borrow under the Credit Agreement when the stockholder demands repayment of any amounts outstanding.

A stockholder's trust owns real estate on which certain assets of two radio stations are located. Salem, in the ordinary course of its business, entered into two separate lease agreements with this trust. Rental expense included in operating expense for 1996, 1997 and 1998 amounted to \$57,000, \$57,000 and \$60,000, respectively.

Land and buildings occupied by various Salem radio stations are leased from the stockholders of Salem. Rental expense under these leases included in operating expense for 1996, 1997 and 1998 amounted to \$800,000, \$1,000,000 and \$1,000,000, respectively.

In August 1997, the Company assigned its contract with a tower construction company to build a broadcast tower in Houston, Texas to a corporation owned by

the principal stockholders subject to the principal stockholders obtaining financing. The principal stockholders obtained such financing on December 31, 1997 and reimbursed the Company for its costs and expenses under the contract, which amounted to approximately \$3.7 million.

At December 31, 1995, notes receivable from stockholders totaled approximately \$3,400,000. The notes bore interest at the Applicable Federal Rate and were payable upon demand. In December 1996, New Inspiration and Golden Gate distributed \$5.5 million to the stockholders, of which \$4.8 million was used by the stockholders to repay the notes receivable and accrued interest.

In June 1997, the Company entered into a local marketing agreement (LMA) with a corporation, Sonsinger, Inc. (Sonsinger), owned by two of Salem's stockholders for radio station KKOL-AM. The stockholders and the Company are parties to an Option to Purchase Agreement whereunder the Company has been granted an option to purchase KKOL-AM from the stockholders at any time on or before December 31, 1999 at a price equal to the lower of the cost of the station to the stockholders, \$1.4 million, and its fair market value as determined by an independent appraisal. Under the LMA, Salem programs KKOL-AM and sells all the airtime. Salem retains all of the revenue and incurs all of the expenses related to the operation of KKOL-AM and incurred approximately \$64,000 and \$164,000 in 1997 and 1998, respectively in LMA fees to Sonsinger.

From time to time, the Company rents an airplane and a helicopter from a company which is owned by one of the principal stockholders. As approved by the independent members of the Company's board of directors, the Company rents these aircraft on an hourly basis at below-market rates and uses them for general corporate needs. Total rental expense for these aircraft for 1996, 1997 and 1998 amounted to approximately \$38,000, \$60,000 and \$69,000, respectively.

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(INFORMATION AT MARCH 31, 1999 AND FOR

THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

9. DEFINED CONTRIBUTION PLAN

In 1993, the Company established a 401(k) defined contribution plan (the Plan), which covers all eligible employees (as defined in the Plan). Participants are allowed to make nonforfeitable contributions up to 15% of their annual salary, but may not exceed the annual maximum contribution limitations established by the Internal Revenue Service. The Company currently matches 10% of the amounts contributed by each participant but does not match participants' contributions in excess of 10% of their compensation per pay period. Effective January 1, 1999 the Company matches 25% of the amounts contributed by each participant but does not match participants' contributions in excess of 6% of their compensation per pay period. The Company contributed and expensed \$48,000, \$80,000 and \$87,000 to the Plan in 1996, 1997 and 1998 respectively.

10. STOCKHOLDERS' EQUITY

On March 31, 1999, the Company changed its domicile from California to Delaware (the Reincorporation). In conjunction with the Reincorporation, the Company's capital structure was changed to authorize 80,000,000 shares of Class A common stock, \$0.01 par value, 20,000,000 shares of Class B common stock, \$0.01 par value, and 10,000,000 shares of preferred stock, \$0.01 par value. In the Reincorporation, the previously outstanding 5,553,696 shares of common stock were converted into 11,107,392 shares of Class A common stock and 5,553,696 shares of Class B common stock.

In April 1999, the Company filed a registration statement for an initial public offering (the Offering) of its Class A common stock with the Securities and Exchange Commission. In connection with the Offering, the Company's board of directors approved a 67-for-one stock dividend on the Company's Class A and Class B common stock. All references in the accompanying financial statements to Class A and Class B common stock and per share amounts have been retroactively adjusted to give effect to the stock dividend.

Holders of Class A common stock are entitled to one vote per share and holders of Class B common stock are entitled to ten votes per share, except for specified related party transactions. Holders of Class A common stock and Class B common stock vote together as a single class on all matters submitted to a vote of stockholders, except that holders of Class A common stock vote separately for two independent directors.

The Company established, subject to the completion of the Offering, the 1999 Stock Incentive Plan under which awards of stock options, performance awards, restricted stock, stock appreciation rights, stock payments, dividend equivalents, stock bonuses, stock sales, phantom stock and other stock-based benefits may be granted. An aggregate of 1,000,000 shares of Class A common stock will be reserved for issuance under the plan.

On May 26, 1999, the Company awarded 75,000 shares of Class A common stock to an officer of the Company. The Company also agreed to pay the individual federal and state income tax liabilities associated with the stock award. The Class A common stock award will be valued based on the initial public offering price and along with the compensation resulting from the payment of the individual federal and state income taxes

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 (INFORMATION AT MARCH 31, 1999 AND FOR
 THE THREE MONTHS ENDED MARCH 31, 1998 AND 1999 IS UNAUDITED)

associated with the award will be recognized as compensation expense during the quarter ended June 30, 1999.

11. SUBSEQUENT EVENTS (UNAUDITED)

In April 1999, the Company purchased KKOL-AM, Seattle-Tacoma, Washington, for \$1.4 million from a corporation owned by our principal stockholders. The Company financed this acquisition primarily by a borrowing under its credit facility. The Company also agreed to purchase the real estate at the transmitter site for KKOL-AM for \$400,000.

In April 1999, the Company entered into an agreement to purchase radio station KGME-AM, Phoenix, Arizona, for \$5 million. The Company anticipates this purchase will close in July 1999. This radio station currently operates under the call letters KFDJ-AM and upon closing, the call letters will be changed to KCTK-AM.

In April 1999, the Company entered into letters of intent to purchase radio stations KAIM-AM, KAIM-FM, KGU-AM and KHNR-AM, Honolulu, Hawaii, and WLSY-FM and WRVI-FM, Louisville, Kentucky, in separate transactions for a total of \$8.4 million. Subject to the execution of mutually acceptable purchase agreements, the Company anticipates these purchases will close in July or August 1999.

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You may rely only on the information contained in this prospectus. We have not authorized anyone to provide information different from that contained in this prospectus. Neither the delivery of this prospectus nor the sale of Class A common stock means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or solicitation of an offer to buy these shares in any circumstances under which the offer or solicitation is unlawful.

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Dealer Prospectus Delivery Obligation:

Until , 1999 (25 days after the date of this prospectus), all dealers that buy, sell or trade in these shares of Class A common stock, whether or not participating in this offering, may be required to deliver a prospectus. Dealers are also obligated to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

[SALEM LOGO]

7,500,000 Shares

Class A Common Stock

Deutsche Banc Alex. Brown

ING Barings

Salomon Smith Barney
PROSPECTUS

, 1999

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the expenses, other than the underwriting discount, payable by Salem and the selling stockholders in connection with the issuance and distribution of the Common Stock being registered. All amounts are estimates except the Securities and Exchange Commission registration fee, the NASD filing fee and the Nasdaq listing fee.

<TABLE>	
<S>	
Securities and Exchange Commission registration fee....	\$ 55,600
NASD filing fee.....	20,500
Nasdaq listing fee.....	95,000
Accounting fees and expenses.....	200,000
Legal fees and expenses.....	600,000
Printing and engraving expenses.....	230,000
Transfer agent and registrar fees.....	15,000

Total.....	\$1,216,100
	=====

</TABLE>

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Salem is a Delaware corporation and, therefore, is subject to the Delaware General Corporation Law. Subject to certain limitations, Section 145 of the Delaware General Corporation Law provides in part that a corporation shall have power to indemnify any person who was or is a party, or is threatened to be made a party, to any proceeding (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful.

Salem's certificate of incorporation and bylaws contain provisions whereunder Salem will indemnify each of its officers and directors (or their heirs, executors or administrators, if applicable) and may indemnify any of its employees or agents to the fullest extent permitted by Delaware law. The indemnification provisions in Salem's certificate of incorporation and bylaws may permit indemnification for liabilities arising under the Securities Act. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of Salem pursuant to the foregoing provisions, or otherwise, it is Salem's understanding that in the opinion of the Securities and Exchange Commission such indemnification is

against public policy as expressed in the Securities Act and is, therefore, unenforceable. Salem maintains insurance on behalf of any person who is or was a director or officer of Salem.

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ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

The following is a summary of the sales during the past three years by Salem, or its immediate predecessor Salem Communications Corporation-California, securities that were not registered under the Securities Act:

(a) on August 13, 1997, Salem Communications Corporation-California issued 13,336 shares of common stock to Edward G. Atsinger III, 10,744 shares of common stock to Nancy A. Epperson and 2,592 shares of common stock to Stuart W. Epperson.

(b) on September 25, 1997, Salem Communications Corporation-California issued and sold \$150,000,000 aggregate principal amount of 9 1/2% Series A Senior Subordinated Notes due 2007 to several qualified institutional buyers; thereafter on March 19, 1998, Salem Communications-California issued and exchanged \$150,000,000 aggregate principal amount of 9 1/2% Series B Senior Subordinated Notes due 2007 for all of the previously issued 9 1/2% Series A Senior Subordinated Notes due 2007.

(c) on March 31, 1999, Salem Communications Corporation-California merged with and into Salem, whereby Salem, a Delaware corporation, was the surviving corporation and all previously issued and outstanding shares of Salem Communications Corporation-California, were canceled in exchange for two shares of Class A common stock and one share of Class B common stock in Salem. Each of the previously issued shares of common stock of Salem Communications Corporation-California held by Edward G. Atsinger III, Stuart W. Epperson and Nancy A. Epperson, thus became shares of Class A and Class B common stock of Salem.

(d) On May 26, 1999, Salem granted Eric H. Halvorson 75,000 shares of Class A common stock.

The transactions set forth in paragraph (a) above were undertaken in reliance upon the exemption from the registration requirements of the Securities Act afforded by Section 4(2) thereof, as sales not involving a public offering. The transactions set forth in paragraph (b) above were undertaken in reliance upon the exemption from the registration requirements of the Securities Act afforded by Rule 144A promulgated under the Securities Act and pursuant to an effective registration statement for the consummated exchange offer. The transaction set forth in paragraph (c) above was undertaken in reliance upon the exception for change of domicile provided for in Rule 145(a)(2) promulgated under the Securities Act. The acquirors of the securities described in paragraphs (a), (c) and (d) above acquired them for their own account and not with a view to any distribution thereof to the public. The certificates evidencing the outstanding securities described in paragraphs (a), (c) and (d) bear legends stating that the shares may not be offered, sold or transferred other than pursuant to an effective registration statement under the Securities Act or an exemption from such registration requirements. Salem believes that exemptions other than those specified above may exist with respect to the transactions set forth above.

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ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

<TABLE>

<CAPTION>

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----
<S>	<C>
1.01*	Form of Equity Underwriting Agreement, among Salem, the selling stockholders, and BT Alex. Brown Incorporated (now known as Deutsche Bank Securities Inc.), ING Baring Furman Selz LLC and Salomon Smith Barney Inc.
2.01**	Agreement and Plan of Merger of Salem Communications Corporation, a Delaware corporation, and Salem Communications Corporation, a California corporation, dated as of March 31, 1999.
3.01*	Amended and Restated Certificate of Incorporation of Salem Communications Corporation, a Delaware corporation.
3.02**	Bylaws of Salem Communications Corporation, a Delaware corporation.
4.01+	Indenture between Salem, certain named guarantors and The Bank of New York, as Trustee, dated as of September 25, 1997, relating to the 9 1/2% Series A and Series B Senior

Subordinated Notes due 2007.

4.02+ Form of 9 1/2% Senior Subordinated Note.

4.03+ Form of Note Guarantee.

4.04+ Credit Agreement, dated as of September 25, 1997, among Salem, the several Lenders from time to time parties thereto, and The Bank of New York, as Administrative Agent for the Lenders (incorporated by reference to Exhibit 4.07 of the previously filed Registration Statement on Form S-4 (No. 333-41733)).

4.05+ Borrower Security Agreement, dated as of September 25, 1997, by and between Salem and The Bank of New York, as Administrative Agent (incorporated by reference to Exhibit 4.08 of the previously filed Registration Statement on Form S-4 (No. 333-41733)).

4.06+ Subsidiary Guaranty and Security Agreement dated as of September 25, 1997, by and between Salem and The Bank of New York, as Administrative Agent and the Guarantors named therein (incorporated by reference to Exhibit 4.09 of the previously filed Registration Statement on Form S-4 (No. 333-41733)).

4.07++ Amendment No. 1 and Consent No. 1, dated as of August 5, 1998, to the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent, Bank of America NT&SA, as Documentation Agent, and the Lenders named therein (incorporated by reference to Exhibit 10.02 of previously filed Current Report on Form 8-K).

4.08++ Amendment No. 2 and Consent No. 2, dated as of January 22, 1999, to the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent, Bank of America NT&SA, as Documentation Agent, and the Lenders named therein.

4.09 Specimen of Class A common stock certificate.

4.10* Supplemental Indenture No. 1, dated as of March 31, 1999, to the Indenture, dated as of September 25, 1997, by and among Salem Communications Corporation, a California corporation, Salem Communications Corporation, a Delaware corporation, The Bank of New York, as Trustee, and the Guarantors named therein.

4.11* Consent No. 3, dated as of March 31, 1999, to the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as Documentation Agent, and the Lenders named therein.

</TABLE>

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<TABLE>
<CAPTION>
EXHIBIT
NUMBER

DESCRIPTION OF EXHIBITS

<S> <C>

4.12* Assumption Agreement, dated as of March 31, 1999, by and between Salem Communications Corporation, a Delaware corporation, and The Bank of New York, as Administrative Agent.

4.13* Amendment No. 1 to the Grant of Security Interest (Servicemarks) by Salem to The Bank of New York, as Administrative Agent, under the Borrower Security Agreement, dated as of September 25, 1997, with the Administrative Agent.

4.14* Amendment No. 3 and Consent No. 4, dated as of April 23, 1999, under the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as Documentation Agent, and the Lenders party thereto.

4.15 Form of First Amended and Restated Credit Agreement by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of American NT&SA, as Documentation Agent, and the Lenders named therein.

5.01* Opinion and Consent of Gibson, Dunn & Crutcher LLP, regarding validity of the Class A common stock.

10.01* Amended and Restated Employment Agreement, dated as of May 19, 1999, between Salem and Edward G. Atsinger III.

10.02* Amended and Restated Employment Agreement, dated as of May 19, 1999, between Salem and Stuart W. Epperson.

10.03.01+ Employment Contract, dated November 7, 1991, between Salem and Eric H. Halvorson.

10.03.02+ First Amendment to Employment Contract, dated April 22, 1996, between Salem and Eric H. Halvorson.

10.03.03+ Second Amendment to Employment Contract, dated July 8, 1997,

10.03.04+ between Salem and Eric H. Halvorson.
 Deferred Compensation Agreement, dated November 7, 1991,
 between Salem and Eric H. Halvorson.

10.03.05 Third Amendment to Employment Agreement, entered into May
 26, 1999 between Salem and Eric Halvorson.

10.04.01 Reserved.

10.05.01+ Antenna/tower lease between Caron Broadcasting, Inc.
 (WHLO-AM/ Akron, Ohio) and Messrs. Atsinger and Epperson
 expiring 2007.

10.05.02+ Antenna/tower/studio lease between Caron Broadcasting, Inc.
 (WTSJ-AM/Cincinnati, Ohio) and Messrs. Atsinger and Epperson
 expiring 2007.

10.05.03+ Antenna/tower lease between Caron Broadcasting, Inc.
 (WHK-FM/ Canton, Ohio) and Messrs. Atsinger and Epperson
 expiring 2007.

10.05.04+ Antenna/tower/studio lease between Common Ground
 Broadcasting, Inc. (KKMS-AM/Eagan, Minnesota) and Messrs.
 Atsinger and Epperson expiring in 2006.

10.05.05+ Antenna/tower lease between Common Ground Broadcasting, Inc.
 (WHK-AM/Cleveland, Ohio) and Messrs. Atsinger and Epperson
 expiring 2008.

10.05.06+ Antenna/tower lease (KFAX-FM/Hayward, California) and Salem
 Broadcasting Company, a partnership consisting of Messrs.
 Atsinger and Epperson, expiring in 2003.

10.05.07+ Antenna/tower/studio lease between Inland Radio, Inc.
 (KKLA-AM/San Bernardino, California) and Messrs. Atsinger
 and Epperson expiring 2002.

</TABLE>

II-4

<TABLE>

<CAPTION>

EXHIBIT

NUMBER

DESCRIPTION OF EXHIBITS

<S>

10.05.08+ Antenna/tower lease between Inspiration Media, Inc.
 (KGNW-AM/ Seattle, Washington) and Messrs. Atsinger and
 Epperson expiring in 2002.

10.05.09+ Antenna/tower lease between Inspiration Media, Inc.
 (KLFE-AM/Seattle, Washington) and The Atsinger Family Trust
 and Stuart W. Epperson Revocable Living Trust expiring in
 2004.

10.05.11.01+ Antenna/tower/studio lease between Pennsylvania Media
 Associates, Inc. (WZZD-AM/ WFIL-AM/Philadelphia,
 Pennsylvania) and Messrs. Atsinger and Epperson, as assigned
 from WEAZ-FM Radio, Inc., expiring 2004.

10.05.11.02+ Antenna/tower/studio lease between Pennsylvania Media
 Associates, Inc. (WZZD-AM/ WFIL-AM/Philadelphia,
 Pennsylvania) and The Atsinger Family Trust and Stuart W.
 Epperson Revocable Living Trust expiring 2004.

10.05.12+ Antenna/tower lease between Radio 1210, Inc.
 (KPRZ-AM/Olivenhain, California) and The Atsinger Family
 Trust expiring in 2002.

10.05.13+ Antenna/tower lease between Salem Media Corporation
 (WYLL-FM/ Arlington Heights, Illinois) and Messrs. Atsinger
 and Epperson expiring in 2002.

10.05.14+ Antenna/turner/studio leases between Salem Media Corporation
 (KLTX-AM/Long Beach and Paramount, California) and Messrs.
 Atsinger and Epperson expiring in 2002.

10.05.15+ Antenna/tower lease between Salem Media of Colorado, Inc.
 (KNUS-AM/Denver-Bolder, Colorado) and Messrs. Atsinger and
 Epperson expiring 2006.

10.05.16+ Antenna/tower lease between Salem Media of Ohio, Inc.
 (WRFD-AM/ Columbus, Ohio) and Messrs. Atsinger and Epperson
 expiring 2002.

10.05.17.01+ Studio Lease between Salem Media of Oregon, Inc.
 (KPDQ-AM/FM/ Portland, Oregon) and Edward G. Atsinger III,
 Mona J. Atsinger, Stuart W. Epperson, and Nancy K. Epperson
 expiring 2002.

10.05.17.02+ Antenna/tower lease between Salem Media of Oregon, Inc.
 (KPDQ-AM/ FM/Raleigh Hills, Oregon and Messrs. Atsinger and
 Epperson expiring 2002.

10.05.18+ Antenna/tower lease between Salem Media of Pennsylvania,
 Inc. (WORD-FM/WPIT-AM/ Pittsburgh, Pennsylvania) and The
 Atsinger Family Trust and Stuart W. Epperson Revocable
 Living Trust expiring 2003.

10.05.19+ Antenna/tower lease between Salem Media of Texas, Inc.
 (KSLR-AM/ San Antonio, Texas) and Epperson-Atsinger 1983
 Family Trust expiring 2007.

10.05.20+ Antenna/tower lease between South Texas Broadcasting, Inc.
 (KENR-AM/Houston-Galveston, Texas) and Atsinger Family Trust
 and Stuart W. Epperson Revocable Living Trust expiring 2005.

10.05.21+	Antenna/tower lease between Vista Broadcasting, Inc. (KFIA-AM/ Sacramento, California) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2006.
10.05.22++	Antenna/tower lease between South Texas Broadcasting, Inc. (KKHT-FM/Houston-Galveston, Texas) and Sonsinger Broadcasting Company of Houston, LP expiring 2008.
10.05.23++	Antenna/tower lease between Inspiration Media of Texas, Inc. (KTEK-AM/Alvin, Texas) and the Atsinger Family Trust and The Stuart W. Epperson Revocable Living Trust expiring 2009.

</TABLE>

<TABLE>
<CAPTION>
EXHIBIT
NUMBER

DESCRIPTION OF EXHIBITS

<S>	<C>
10.06.05+	Asset Purchase Agreement dated as of September 30, 1996 by and between Infinity Broadcasting Corporation of Dallas and Inspiration Media of Texas, Inc. (KEWS, Arlington, Texas; KDFX, Dallas, Texas).
10.06.07+	Asset Purchase Agreement dated June 2, 1997 by and between New England Continental Media, Inc. and Hibernia Communications, Inc. (WPZE-AM, Boston, Massachusetts).
10.06.08+	Option to Purchase dated as of August 18, 1997 by and between Sonsinger, Inc. and Inspiration Media, Inc. (KKOL-AM, Seattle, Washington).
10.06.09++	Asset Purchase Agreement dated as of April 13, 1998 by and between New Inspiration Broadcasting Company and First Scientific Equity Devices Trust (KIEV-AM, Glendale, California) (incorporated by reference to Exhibit 2.01 of the previously filed Current Report on Form 8-K).
10.06.10*	Asset Purchase Agreement dated as of April 1, 1999 by and between Inspiration Media, Inc. and Sonsinger, Inc. (KKOL-AM, Seattle, Washington).
10.07.01+	Tower Purchase Agreement dated August 22, 1997 by and between Salem and Sonsinger Broadcasting Company of Houston, L.P.
10.07.02+	Amendment to the Tower Purchase Agreement dated November 10, 1997 by and between Salem and Sonsinger Broadcasting Company of Houston, L.P.
10.07.03+	Promissory Note dated November 11, 1997 made by Sonsinger Broadcasting Company of Houston, L.P. payable to Salem.
10.07.04+	Promissory Note dated December 24, 1997 made by Salem payable to Edward G. Atsinger III.
10.07.05+	Promissory Note dated December 24, 1997 made by Salem payable to Stuart W. Epperson.
10.08.01+	Local Programming and Marketing Agreement dated June 13, 1997 between Sonsinger, Inc. and Inspiration Media, Inc.
10.09.01+	Evidence of Key man life insurance policy no. 2256440M insuring Edward G. Atsinger III in the face amount of \$5,000,000.
10.09.02+	Evidence of Key man life insurance policy no. 2257474H insuring Edward G. Atsinger III in the face amount of \$5,000,000.
10.09.03+	Evidence of Key man life insurance policy no. 2257476B insuring Stuart W. Epperson in the face amount of \$5,000,000.
10.10*	1999 Stock Incentive Plan.
21.01*	Subsidiaries of Salem.
23.01	Consent of Ernst & Young LLP.
23.02*	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.01).
24.01*	Powers of Attorney for all signators but Roland S. Hinz, Donald P. Hodel and Joseph S. Schuchert (included on signature pages of Registration Statement).
24.02*	Power of Attorney for Roland S. Hinz, Donald P. Hodel and Joseph S. Schuchert (included on signature pages of Amendment No. 1 to Registration Statement).

</TABLE>

+ Incorporated by reference to the exhibit of the same number, unless otherwise noted, of Salem's Registration Statement on Form S-4 (No. 333-41733), as amended, as declared effective by the Securities and Exchange Commission on February 9, 1998.

++ Incorporated by reference to the exhibit of the same number, unless otherwise noted, of Salem's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 4, 1998.

++ Incorporated by reference to the exhibit of the same number, unless otherwise noted, of Salem's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 31, 1999.

* Previously filed.

** Incorporated by reference to the exhibit of the same number to Salem's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 14, 1999.

(b) FINANCIAL STATEMENT SCHEDULES:

Schedule II -- Valuation and Qualifying Accounts

Other schedules have been omitted because they are not applicable or not required or because the information is included elsewhere in the consolidated financial statements or the related notes.

ITEM 17. UNDERTAKINGS

(a) The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in the denominations and registered in the names as required by the Underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described under Item 14 or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned Registrant undertakes:

(1) For purposes of determining any liability under the Securities Act, as amended, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be part of the registration statement as of the time it was declared effective.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 2 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Camarillo, California on June 25, 1999.

SALEM COMMUNICATIONS CORPORATION

By: _____
Edward G. Atsinger III
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 2 to Registration Statement has been signed by the following persons in the capacities indicated on June 25, 1999.

<TABLE>
<CAPTION>

NAME	TITLE
*	President and Chief Executive Officer (Principal Executive Officer)
Edward G. Atsinger III	
*	Vice President and Chief Financial Officer (Principal Financial Officer)
Dirk Gastaldo	
*	Vice President and Controller (Principal Accounting Officer)
Eileen E. Hill	
*	Director
Edward G. Atsinger III	
*	Director
Stuart W. Epperson	
/s/ ERIC H. HALVORSON	Director
Eric H. Halvorson	
*	Director
Richard A. Riddle	
*	Director
Roland S. Hinz	
*	Director
Donald P. Hodel	
*	Director
Joseph S. Schuchert	

</TABLE>

* Eric H. Halvorson, by signing his name hereto, does sign this document on behalf of each of the persons indicated above pursuant to powers of attorney duly executed by such persons and filed with the Securities and Exchange Commission.

<TABLE>

<C>	<S>
*By: /s/ ERIC H. HALVORSON	
Eric H. Halvorson	
Attorney-in-fact	

</TABLE>

II-8

SALEM COMMUNICATIONS CORPORATION

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
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DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		DEDUCTIONS	BALANCE AT END OF PERIOD
		CHARGED TO COST AND EXPENSES	CHARGED TO OTHER ACCOUNTS	BAD DEBT WRITE-OFFS	
Allowance for doubtful accounts	<C>	<C>	<C>	<C>	<C>
Year ended December 31, 1996.....	\$ 704	\$1,067	\$ --	\$ (766)	\$1,005
Year ended December 31, 1997.....	1,005	1,283	--	(1,039)	1,249
Year ended December 31, 1998.....	1,249	2,087	--	(2,474)	862

</TABLE>

EXHIBIT INDEX

<TABLE>
<CAPTION>
EXHIBIT
NUMBER

DESCRIPTION OF EXHIBITS

<C>	<S>
1.01*	Form of Equity Underwriting Agreement, among Salem, the selling stockholders, and BT Alex. Brown Incorporated (now known as Deutsche Bank Securities Inc.), ING Baring Furman Selz LLC and Salomon Smith Barney Inc.
3.01*	Amended and Restated Certificate of Incorporation of Salem Communications Corporation, a Delaware corporation.
4.09	Specimen of Class A common stock certificate.
4.10*	Supplemental Indenture No. 1, dated as of March 31, 1999, to the Indenture, dated as of September 25, 1997, by and among Salem Communications Corporation, a California corporation, Salem Communications Corporation, a Delaware corporation, The Bank of New York, as Trustee, and the Guarantors named therein.
4.11*	Consent No. 3, dated as of March 31, 1999, to the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as Documentation Agent, and the Lenders named therein.
4.12*	Assumption Agreement, dated as of March 31, 1999, by and between Salem Communications Corporation, a Delaware corporation, and The Bank of New York, as Administrative Agent.
4.13*	Amendment No. 1 to the Grant of Security Interest (Servicemarks) by Salem to The Bank of New York, as Administrative Agent, under the Borrower Security Agreement, dated as of September 25, 1997, with the Administrative Agent.
4.14*	Amendment No. 3 and Consent No. 4, dated as of April 23, 1999, under the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as Documentation Agent, and the Lenders party thereto.
4.15	Form of First Amended and Restated Credit Agreement by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of American NT&SA, as Documentation Agent, and the Lenders named therein.
5.01*	Opinion and Consent of Gibson, Dunn & Crutcher LLP, regarding validity of the Class A common stock.
10.01*	Amended and Restated Employment Agreement, dated as of May 19, 1999, between Salem and Edward G. Atsinger III.
10.02*	Amended and Restated Employment Agreement, dated as of May 19, 1999, between Salem and Stuart W. Epperson.
10.03.05	Third Amendment to Employment Agreement, entered into May 26, 1999 between Salem and Eric Halvorson.
10.06.10*	Asset Purchase Agreement dated as of April 1, 1999 by and between Inspiration Media, Inc. and Sonsinger, Inc. (KKOL-AM, Seattle, Washington).
10.10*	1999 Stock Incentive Plan.
21.01*	Subsidiaries of Salem.
23.01	Consent of Ernst & Young LLP.
23.02*	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.01).

</TABLE>

<TABLE>
<CAPTION>
EXHIBIT
NUMBER

DESCRIPTION OF EXHIBITS

<C>	<S>
24.01*	Powers of Attorney for all signators but Roland S. Hinz, Donald P. Hodel and Joseph S. Schuchert (included on signature pages of Registration Statement).
24.02*	Power of Attorney for Roland S. Hinz, Donald P. Hodel and Joseph S. Schuchert (included on signature pages of Amendment No. 1 to Registration Statement).

</TABLE>

- - - - -
* Previously filed.

TEMPORARY RECEIPT -- EXCHANGEABLE FOR DEFINITIVE
ENGRAVED RECEIPT WHEN READY FOR DELIVERY

CLASS A
COMMON STOCK

SALEM COMMUNICATIONS
CORPORATION

CLASS A
COMMON STOCK

INCORPORATED UNDER THE LAWS OF DELAWARE

CUSIP 794093 10 4

SEE REVERSE FOR CERTAIN DEFINITIONS

FULLY PAID AND NON-ASSESSABLE SHARES OF CLASS A
COMMON STOCK OF THE PAR VALUE OF \$0.01 OF

SALEM COMMUNICATIONS CORPORATION

transferable on the books of the Company by the holder hereof in person or by
duly authorized attorney upon surrender of this Certificate properly endorsed.

This Certificate is not valid unless duly countersigned by the Transfer
Agent and registered by the Registrar.

Witness the facsimile seal of the Company and the facsimile signatures of
its duly authorized Officers.

Dated:

Countersigned and Payor

THE BANK OF NEW YORK
Transfer Agent and Registrar

By:

AUTHORIZED SIGNATURE [SEAL] JONATHAN L. BLOCK SECRETARY EDWARD G. ATSINGER PRESIDENT
SALEM COMMUNICATIONS CORPORATION

The Corporation will furnish without charge to each stockholder who so
requests a statement of the powers, designations, preferences and relative,
participating, optional or other special rights of each class of stock or series
thereof which the Corporation is authorized to issue and the qualifications,
limitations or restrictions of such preferences and/or rights. Any such request
may be made to the Corporation or the Transfer Agent.

The shares represented by this certificate are subject to restrictions
under the Communications Act of 1934, as amended (the "Act"), relating to
ownership by foreign nationals, foreign entities, foreign governments or
representatives of the foregoing (an "Alien"). In addition, the amended and
restated certificate of incorporation of the Corporation provides that the
Board of Directors of the Corporation shall have all powers necessary to
implement the Alien ownership restrictions of the Act.

The following abbreviations, when used in the inscription on the face of
this Certificate, shall be constituted as though they were written out in full
according to applicable laws or regulations:

<TABLE>		
<S>	<C>	
TEN COM -- as tenants in common	UNIF GIFT MIN ACT --	Custodian

		(Cust) (Minor)
TEN ENT -- as tenants by the entireties		
		under Uniform Gifts to Minors Act
JT TEN -- as joint tenants with right of survivorship and not as tenants in common		-----
		(State)
</TABLE>		

Additional abbreviations may also be used though not in the above list.

For Value Received, hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESSES, INCLUDING ZIP CODE, OF ASSIGNEE)

SHARES

of the Stock represented by the within Certificate, and do hereby irrevocably
constitute and appoint

Attorney

to transfer the said Stock on the books of the within-named Corporation with
full power of substitution in the premises.

Dated: _____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND
WITH THE NAME AS WRITTEN UPON THE FACE OF THE
CERTIFICATE IN EVERY PARTICULAR, WITHOUT
ALTERATION OR ENLARGEMENT OR ANY CHANGE
WHATEVER.

SIGNATURE(S) GUARANTEED

By: _____
THE SIGNATURE(S) MUST BE GUARANTEED BY AN
ELIGIBLE GUARANTOR INSTITUTION (Banks,
Stockbrokers, Savings and Loan Associations
and Credit Unions with membership in an
approved signature guarantee Medallion
Program), pursuant to S.E.C. Rule 17AD-15.

SALEM COMMUNICATIONS CORPORATION

FIRST AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF JUNE __, 1999

BY AND AMONG

SALEM COMMUNICATIONS CORPORATION,

THE BANK OF NEW YORK,
AS ADMINISTRATIVE AGENT,

BANK OF AMERICA NT&SA,
AS DOCUMENTATION AGENT,

BANKBOSTON, N.A.,
FLEET BANK, N.A.,

AND

UNION BANK OF CALIFORNIA, N.A.,
AS CO-AGENTS

AND

THE LENDERS PARTY HERETO

WITH

BNY CAPITAL MARKETS, INC.,
AS LEAD ARRANGER AND BOOK MANAGER

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Exhibit B	Form of Revolving Credit Note
Exhibit C	Form of Borrowing Request
Exhibit D	Form of Letter of Credit Request
Exhibit E	Form of Opinion of Counsel to the Borrower and Subsidiaries
Exhibit F	Form of Opinion of FCC Counsel to the Borrower and Subsidiaries
Exhibit G	Form of Compliance Certificate
Exhibit H	Form of Borrower Security Agreement
Exhibit I	Form of Subsidiary Guaranty
Exhibit J	Form of Assignment and Assumption Agreement
Exhibit K	Form of RC Supplement

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Schedule 8.2	List of Liens
Schedule 8.5(c)	List of Investments

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FIRST AMENDED AND RESTATED CREDIT AGREEMENT, dated as of June __, 1999, by and among SALEM COMMUNICATIONS CORPORATION, a Delaware corporation (the "Borrower"), THE BANK OF NEW YORK, as administrative agent for the Lenders hereunder (in such capacity, the "Administrative Agent"), BANK OF AMERICA NT&SA, as Documentation Agent (in such capacity, the "Documentation Agent"), BANKBOSTON, N.A., FLEET BANK, N.A., and UNION BANK OF CALIFORNIA, N.A., as Co-Agents (in such capacity, the "Co-Agents") and each Lender party hereto or which becomes a "Lender" pursuant to the provisions of Section 11.7 (each a "Lender" and, collectively, the "Lenders").

RECITALS

A. This Agreement amends and restates the Credit Agreement, dated as of September 25, 1997, by and among Salem Communications Corporation, a California corporation ("Salem California"), the lenders party thereto, Bank of America NT&SA, as Documentation Agent, and The Bank of New York, as Administrative Agent, as amended and modified by Amendment No. 1 and Consent No. 1, dated as of August 5, 1998, Amendment No. 2 and Consent No. 2, dated as of January 22, 1999, Consent No. 3 ("Consent No. 3"), dated as of March 31, 1999, and Amendment No. 3 and Consent No. 4, dated as of April 23, 1999 (as so amended, the "Original Credit Agreement").

B. On March 31, 1999, Salem California merged into Salem Delaware with Salem Delaware as the survivor. Pursuant to the terms and conditions of Consent No. 3, Salem Delaware entered into the Assumption Agreement whereby Salem Delaware, among other things, assumed all of the obligations of Salem California under the Loan Documents.

C. For convenience, this Agreement is dated as of June __, 1999, and references to certain matters relating to the period prior thereto have been deleted.

1. DEFINITIONS

1.1 Defined Terms.

As used in this Agreement, terms defined in the preamble have the meanings therein indicated, and the following terms have the following meanings:

"ABR Loans": the Loans (or any portions thereof) at such time as they (or such portions) are made or are being maintained at a rate of interest based upon the Alternate Base Rate.

"Accountants": Ernst & Young LLP, or such other firm of certified public accountants of recognized national standing selected by the Borrower and reasonably satisfactory to the Administrative Agent.

"Adjusted Operating Cash Flow": Operating Cash Flow less Excluded Cash Flow.

"Affected Loan": as defined in Section 2.15.

"Affiliate": as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with,

such Person. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (i) to vote 5% or more of the securities having ordinary voting power for the election of directors of such Person or (ii) to direct or cause direction of the management and policies of such Person whether by contract or otherwise.

"Agreement": this First Amended and Restated Credit Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Alternate Base Rate": on any date, a rate of interest per annum equal to the higher of (i) the BNY Rate in effect on such date or (ii) 1/2 of 1% plus the Federal Funds Rate in effect on such date.

"Applicable Margin": (a) subject to paragraph (b) of this definition, at all times during the applicable periods set forth below, (i) with respect to the unpaid principal amount of the ABR Loans, the percentage set forth below under the heading "Alternate Base Rate Margin" next to the applicable period and (ii) with respect to the unpaid principal amount of the Eurodollar Loans, the percentage set forth below under the heading "Eurodollar Rate Margin" next to the applicable period:

Period	Alternate Base Rate Margin	Eurodollar Rate Margin
when the Total Leverage Ratio is equal to or greater than 5.50:1.00	1.000%	2.250%
when the Total Leverage Ratio is equal to or greater than 5.00:1.00 but less than 5.50:1.00	0.625%	1.875%

- 2 -

Period	Alternate Base Rate Margin	Eurodollar Rate Margin
when the Total Leverage Ratio is equal to or greater than 4.50:1.00 but less than 5.00:1.00	0.250%	1.500%
when the Total Leverage Ratio is equal to or greater than 4.00:1.00 but less than 4.50:1.00	0.000%	1.250%
when the Total Leverage Ratio is equal to or greater than 3.50:1.00 but less than 4.00:1.00	0.000%	1.000%
when the Total Leverage Ratio is less than 3.50:1.00	0.000%	0.875%

(b) Changes in the Applicable Margin resulting from a change in the Total Leverage Ratio, as evidenced by a Compliance Certificate delivered to the Administrative Agent pursuant to Section 7.1(d) or a Borrowing Request or

Letter of Credit Request delivered to the Administrative Agent pursuant to Section 5.2(c) evidencing such a change, shall become effective upon (i) in the case of the delivery of a Compliance Certificate, the first Business Day following the delivery of (x) such Compliance Certificate and (y) the applicable financial statements required to be delivered pursuant to Section 7.1(a) or (c), as the case may be, and (ii) in the case of the delivery of a Borrowing Request or Letter of Credit Request, the Borrowing Date applicable thereto. If the Borrower shall fail to deliver a Compliance Certificate within 60 days after the end of any of the first three fiscal quarters, or within 120 days after the

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end of the last fiscal quarter, of each fiscal year (each a "certificate delivery date"), for purposes of calculating the Applicable Margin, the Total Leverage Ratio from and including such certificate delivery date to the date of delivery by the Borrower to the Administrative Agent of such Compliance Certificate shall be conclusively presumed to be greater than 5.50:1.00. Notwithstanding anything to the contrary contained in this definition, during the period commencing on the Restatement Effective Date and ending on the earlier of (i) the delivery of the fourth Compliance Certificate after the Restatement Effective Date and (ii) the date upon which the fourth Compliance Certificate after the Restatement Effective Date should have been delivered pursuant to 7.1(d), the Total Leverage Ratio (solely for purposes of this definition) shall not be less than 3.50:1.00.

"Assignment": as defined in Section 11.7(b).

"Assignment and Assumption Agreement": an agreement substantially in the form of Exhibit J.

"Assignment Fee": as defined in Section 11.7(b).

"Assumption Agreement": the Assumption Agreement, dated as of March 31, 1999, made by Salem Delaware to the Administrative Agent.

"Authorized Signatory": the chief executive officer, the chief financial officer, the chief operating officer, the president, a general partner or any other duly authorized officer (acceptable to the Administrative Agent) of a Loan Party.

"BNY": The Bank of New York.

"BNY Rate": a rate of interest per annum equal to the rate of interest publicly announced in New York City by BNY from time to time as its prime commercial lending rate, such rate to be adjusted automatically (without notice) on the effective date of any change in such publicly announced rate.

"Borrower Security Agreement": the First Amended and Restated Borrower Security Agreement, dated as of the date hereof, between the Borrower and the Administrative Agent, substantially in the form attached hereto as Exhibit H, as the same may be amended, supplemented or otherwise modified from time to time.

"Borrowing Date": (i) any Business Day specified in a Borrowing Request as a date on which the Borrower requests the Lenders to make Loans or (ii) any Business Day specified in a Letter of Credit Request as a date on which the Borrower requests the Issuing Bank to issue a Letter of Credit.

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"Borrowing Request": a Borrowing Request substantially in the form of Exhibit C.

"Broadcasting Station": all related licenses, franchises and permits issued under federal, state or local laws from time to time which authorize a Person to receive or distribute, or both, over the airwaves, audio and visual, radio or microwave signals within a geographic area for the purpose of broadcasting radio programming, together with all Property owned or used in connection with the programming provided pursuant to, and all interest of such Person to receive revenues from any other Person which derives revenues from or pursuant to, said licenses, franchises and permits. The term "Broadcasting Station" shall also include a corporation incorporated in the United States which shall own one or more Broadcasting Stations.

"Business Day": (i) for all purposes other than as set forth in clause (ii) below, any day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law or other governmental action to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day which is a Business Day described in clause (i) above and which is also a day on which dealings in foreign currency and exchange between banks in the interbank eurodollar market may be carried on as determined

by the Administrative Agent.

"CERCLA": the Comprehensive Environmental Response, Compensation and Liability Act, as set forth at 42 U.S.C. Section 9601, et seq. as the same may be amended from time to time, and the rules and regulations issued thereunder, as from time to time in effect.

"Change of Control": any of the following: (i) the Permitted Holders fail to own (A) at least 51% of the total outstanding Voting Stock of the Borrower or (B) at least 35% of the economic interest of the Borrower, or (ii) a "Change of Control" (under and as defined in the Subordinated Indenture) occurs.

"Code": the Internal Revenue Code of 1986, as the same may be amended from time to time, or any successor thereto, and the rules and regulations issued thereunder, as from time to time in effect.

"Collateral": collectively, the Collateral under and as defined in the Collateral Documents.

"Collateral Documents": collectively, the Borrower Security Agreement, the Subsidiary Guaranty and the mortgages and deeds of trust delivered pursuant to Section 7.12.

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"Commitment Fee" and "Commitment Fees": as defined in Section 3.1(a).

"Common Equity Issuance": as defined in Section 5.1(g).

"Common Ground Collateral Release": as defined in Section 11.1.

"Common Ground Reorganization": collectively, (i) the transfer of certain of the assets of Common Ground Broadcasting, Inc. and Caron Broadcasting, Inc. to the Borrower or one or more wholly-owned Subsidiaries, and (ii) the merger of Caron Broadcasting, Inc. with and into the Borrower, with the Borrower as the survivor.

"Commonly Controlled Entity": any Subsidiary or any entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 414(b) or 414(c) of the Code.

"Communications Act": the Communications Act of 1934, as the same may be amended from time to time, and the rules and regulations issued thereunder, as from time to time in effect.

"Compliance Certificate": a certificate substantially in the form of Exhibit G.

"Consent No. 3": as defined in Recital A.

"Consolidated": the Borrower and its Subsidiaries which are consolidated for financial reporting purposes.

"Consolidated Adjusted Operating Cash Flow": Adjusted Operating Cash Flow of the Borrower and its Subsidiaries on a Consolidated basis.

"Consolidated Annual Adjusted Operating Cash Flow": at any time, Consolidated Adjusted Operating Cash Flow for the immediately preceding four fiscal quarters for which financial statements have been delivered pursuant to Section 7.1(a) or (c), or, in the event that the date of determination is a fiscal quarter ending date, the fiscal quarter then ended and the immediately preceding three fiscal quarters.

"Consolidated Annual Operating Cash Flow": at any time, Consolidated Operating Cash Flow for the immediately preceding four fiscal quarters for which financial statements have been delivered pursuant to Section 7.1(a) or (c), or, in the event that the date of determination is a fiscal quarter ending date, the fiscal quarter then ended and the immediately preceding three fiscal quarters.

"Consolidated Operating Cash Flow": Operating Cash Flow of the Borrower and its Subsidiaries on a Consolidated basis.

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"Consolidating": the Borrower and each of its Subsidiaries taken separately.

"Contingent Obligation": as to any Person, any obligation of such Person guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without

limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds for the purchase or payment of any such primary obligation or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the beneficiary of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the beneficiary of such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not include the indorsement of instruments for deposit or collection in the ordinary course of business. The term Contingent Obligation shall also include the liability of a general partner in respect of the Indebtedness of a partnership in which it is a general partner, excluding Indebtedness which is non-recourse to such general partner. The amount of any Contingent Obligation of a Person shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith.

"Control Person": as defined in Section 2.14.

"Copyright Act": Title 17 of the United States Code, as amended, and the rules and regulations issued thereunder, as from time to time in effect.

"Credit Exposure" with respect to any Lender at any time, its RC Commitment or, if no RC Commitment is in effect, the sum of its outstanding RC Loans and Letter of Credit Exposure, at such time.

"Credit Parties": the Administrative Agent, the Issuing Bank and the Lenders.

"Debt Service": the sum of Interest Expense and scheduled principal amortization (including scheduled mandatory reductions of revolving credit and similar commitments) of Total Debt, whether or not actually paid, for, as applicable, the immediately preceding four fiscal quarters for which financial statements have been delivered pursuant to Section 7.1(a) or (c), or, in the event that the date of determination is a fiscal quarter ending date, the fiscal quarter then ended and the immediately preceding three fiscal quarters.

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"Default": any of the events specified in Section 9, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Dollars" and "\$": lawful currency of the United States of America.

"Environmental Laws": any and all federal, state and local laws relating to the environment, the use, storage, transporting, manufacturing, handling, discharge, disposal or recycling of hazardous substances, materials or pollutants or industrial hygiene and including, without limitation, (i) CERCLA; (ii) the Resource Conservation and Recovery Act of 1976, as amended, 42 USCA Section 6901 et seq.; (iii) the Toxic Substance Control Act, as amended, 15 USCA Section 2601 et. seq.; (iv) the Water Pollution Control Act, as amended, 33 USCA Section 1251 et. seq.; (v) the Clean Air Act, as amended, 42 USCA Section 7401 et seq.; (vi) the Hazardous Material Transportation Authorization Act of 1994, as amended, 49 USCA Section 5101 et seq. and (viii) all rules, regulations judgments, decrees, injunctions and restrictions thereunder and any analogous state law, in each case as from time to time in effect.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations issued thereunder, as from time to time in effect.

"Eurodollar Loan": a portion of the Loans selected by the Borrower to bear interest during an Interest Period selected by the Borrower at a rate per annum based upon a Eurodollar Rate determined with reference to such Interest Period, all pursuant to and in accordance with Sections 2.3 and 2.8.

"Eurodollar Rate": with respect to any Interest Period, the rate per annum, as determined by the Administrative Agent, obtained by dividing (and then rounding to the nearest 1/16 of 1%, or, if there is no nearest 1/16 of 1%, the next higher 1/16 of 1%):

(a) the rate quoted by the Administrative Agent to major banks in the interbank eurodollar market as the rate at which the Administrative Agent is offering Dollar deposits in an amount approximately equal to BNY's pro rata share of the given portion of the Loans selected by the Borrower to bear interest during such Interest Period based upon a rate of interest determined under this definition, and having a term to maturity corresponding to such Interest Period, as quoted at approximately 10:00 A.M. two Business Days prior

to the date upon which such Interest Period is to commence, by

(b) a number equal to 1.00 minus the aggregate of the then stated maximum rates during such Interest Period of all reserve requirements (including, without limitation, marginal, emergency, supplemental and special reserves), expressed as a decimal, established by the Board of Governors of the Federal Reserve System and

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any other banking authority to which BNY and other major United States banks or money center banks are subject, in respect of eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D of the Board of Governors of the Federal Reserve System). Such reserve requirements shall include, without limitation, those imposed under such Regulation D. Eurodollar Loans shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed to be subject to such reserve requirements without benefit of credits for proration, exceptions or offsets which may be available from time to time to any Lender under such Regulation D. The Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in any such reserve requirement.

"Event of Default": any of the events specified in Section 9, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Excess Cash Flow": at any time, in respect of any period, Consolidated Operating Cash Flow for such period (before any adjustments to reflect acquisitions, sales and exchanges of Property during such period) less the sum of, without duplication, (i) Fixed Charges and (ii) voluntary principal prepayments made pursuant to Section 2.5(a), provided that the RC Commitments are permanently reduced in an aggregate amount equal to such prepayments made under Section 2.5(a).

"Exchange Act": the Securities Exchange Act of 1934, as amended.

"Excluded Cash Flow": at any time, for any period, Operating Cash Flow for such period allocable to all Excluded Properties at such time.

"Excluded Property": at any time, any Broadcasting Station, designated in writing by the Borrower to the Administrative Agent and the Lenders as an Excluded Property, that was acquired by the Borrower within the immediately preceding 18 month period and in respect of which the Borrower changed the format from that in effect at the time such Broadcasting Station was acquired by the Borrower.

"Excluded Taxes": with respect to any Credit Party or any other recipient of any payment to be made by or on account of any obligation of any Loan Party under any Loan Document, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Credit Party, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which such Loan Party is located and (c) in the case of a Foreign Lender, any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new

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lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.13(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from such Loan Party with respect to such withholding tax pursuant to Section 2.13(a).

"FCC": the Federal Communications Commission, or any Governmental Authority succeeding to the functions thereof.

"Federal Funds Rate": for any day, the rate per annum (rounded to the nearest 1/16 of 1% or, if there is no nearest 1/16 of 1%, then to the next higher 1/16 of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent on

such day on such transactions as determined by the Administrative Agent.

"Fixed Charges": the sum, without duplication, of (a) Debt Service, (b) cash income taxes paid and (c) capital expenditures (excluding capital expenditures made with insurance proceeds and capital expenditures associated with an acquisition made within the 12 month period immediately following such acquisition), in each case of the Borrower and its Subsidiaries on a Consolidated basis, determined in accordance with GAAP, for, as applicable, the immediately preceding four fiscal quarters for which financial statements have been delivered pursuant to Section 7.1(a) or (c), or, in the event that the date of determination is a fiscal quarter ending date, the fiscal quarter then ended and the immediately preceding three fiscal quarters.

"Foreign Lender": any Lender that is organized under the laws of a jurisdiction other than that in which the applicable Loan Party is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP": generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statement by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination, consistently applied. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set

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forth in this Agreement, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to reflect such change in GAAP (subject to the approval of the Required Lenders), provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent, and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

"Governmental Authority": the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government

"Hazardous Discharge": as defined in Section 11.11(b).

"Highest Lawful Rate": as to any Lender, the maximum rate of interest, if any, that at any time or from time to time may be contracted for, taken, charged or received by such Lender on the Notes held thereby, or which may be owing to such Lender pursuant to this Agreement and the other Loan Documents under the laws applicable to such Lender and this transaction.

"Indebtedness": as to any Person, at a particular time, all items which constitute, without duplication, (i) indebtedness for borrowed money or the deferred purchase price of Property (other than trade payables incurred in the ordinary course of business), (ii) indebtedness evidenced by notes, bonds, debentures or similar instruments, (iii) obligations with respect to any conditional sale agreement or title retention agreement, (iv) indebtedness arising under acceptance facilities and the amount available to be drawn under all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder to the extent such Person shall not have reimbursed the issuer in respect of the issuer's payment of such drafts, (v) all liabilities secured by any Lien on any Property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof (other than Liens permitted under Sections 8.2(i) through (iv) and carriers', warehousemen's, mechanics', repairmen's or other like non-consensual Liens arising in the ordinary course of business), (vi) obligations for principal payments under leases which have been, or under GAAP are required to be, capitalized and (vii) all Contingent Obligations.

"Indemnified Party": shall have the meaning set forth in Section 11.11(a).

"Indemnified Taxes": Taxes other than Excluded Taxes.

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"Interest Expense": the sum of all (i) interest (adjusted to give effect

to all Interest Rate Protection Arrangements and fees and expenses paid in connection with same, all as determined in accordance with GAAP) on Total Debt and (ii) commitment, letter of credit and similar fees, in each case of the Borrower and its Subsidiaries on a Consolidated basis, determined in accordance with GAAP, for, as applicable, the immediately preceding four fiscal quarters for which financial statements have been delivered pursuant to Section 7.1(a) or (c), or, in the event that the date of determination is a fiscal quarter ending date, the fiscal quarter then ended and the immediately preceding three fiscal quarters.

"Interest Payment Date": (i) as to any ABR Loan, the last day of each March, June, September and December commencing on the first of such days to occur after such ABR Loan is made, (ii) as to any Eurodollar Loan in respect of which the Borrower has selected an Interest Period of one, two or three months, the last day of such Interest Period and (iii) as to any Eurodollar Loan in respect of which the Borrower has selected an Interest Period of six months, the last day of such Interest Period and the corresponding day of the month which is three months after the date of the commencement of such Interest Period, or, if such day is not a Business Day or does not exist, on the immediately preceding Business Day.

"Interest Period": the period commencing on any Business Day selected by the Borrower in accordance with Section 2.3 or 2.8 and ending one, two, three or six months thereafter, as selected by the Borrower in accordance with such Section, subject to the following:

(a) if any Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall be extended to the immediately succeeding Business Day unless the result of such extension would be to carry the end of such Interest Period into another calendar month, in which event such Interest Period shall end on the Business Day immediately preceding such day; and

(b) if any Interest Period shall begin on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period), such Interest Period shall end on the last Business Day of a calendar month.

"Interest Rate Protection Arrangement": any interest rate swap, cap or collar arrangement or any other derivative product customarily offered by banks to their customers in order to manage the exposure of such customers to interest rate fluctuations.

"Investments": as defined in Section 8.5.

"Issuing Bank": BNY.

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"Lead Arranger": BNY Capital Markets, Inc., as Lead Arranger and Book Manager.

"Lending Office": in respect of any Lender, initially, the office or offices of such Lender designated as such in Schedule 1.1(L) hereto; thereafter, such other office or offices of such Lender, if any, which shall be making or maintaining Loans.

"Letter of Credit": as defined in Section 2.18.

"Letter of Credit Commitment": the commitment of the Issuing Bank to issue Letters of Credit in accordance with the terms hereof in an aggregate outstanding face amount not exceeding \$15,000,000 (or, if less, the RC Commitments) at any time, as the same may be reduced pursuant to Section 2.4.

"Letter of Credit Exposure": at any time, (a) in respect of all Lenders, the sum, without duplication, of (i) the maximum aggregate amount which may be drawn under all unexpired Letters of Credit at such time (whether the conditions for drawing thereunder have or may be satisfied), (ii) the aggregate amount, at such time, of all unpaid drafts (which have not been dishonored) drawn under all Letters of Credit, and (iii) the aggregate unpaid principal amount of the Reimbursement Obligations at such time, and (b) in respect of any Lender, an amount equal to such Lender's RC Commitment Percentage at such time multiplied by the amount determined under clause (a) of this definition.

"Letter of Credit Fee": as defined in Section 3.1(c).

"Letter of Credit Participation": with respect to each Lender, its obligations to the Issuing Bank under Section 2.19.

"Letter of Credit Request": a request in the form of Exhibit D.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or other security agreement

or security interest of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement and any financing lease having substantially the same economic effect as any of the foregoing.

"Leveraged Acquisition": as defined in Section 8.3(b).

"Loans": the RC Loans.

"Loan Documents": collectively, this Agreement, the Notes, the Reimbursement Agreements and the Collateral Documents.

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"Loan Party": the Borrower, each Subsidiary Guarantor and each other party (other than the Administrative Agent, the Issuing Bank and the Lenders) that is a signatory to a Loan Document.

"Margin Stock": any "margin stock", as said term is defined in Regulation U of the Board of Governors of the Federal Reserve System, as the same may be amended or supplemented from time to time.

"Material Adverse Change": a material adverse change in (i) the operations, business, prospects, Property or condition (financial or otherwise) of (a) the Borrower or (b) the Borrower and its Subsidiaries on a Consolidated basis, (ii) the ability of the Borrower or any other Loan Party to perform its obligations under the Loan Documents to which it is a party or (iii) the ability of the Administrative Agent or any of the Lenders to enforce any of the Loan Documents.

"Material Adverse Effect": a material adverse effect on (i) the operations, business, prospects, Property or condition (financial or otherwise) of (a) the Borrower or (b) the Borrower and its Subsidiaries on a Consolidated basis, (ii) the ability of the Borrower or any other Loan Party to perform its obligations under the Loan Documents to which it is a party or (iii) the ability of the Administrative Agent or any of the Lenders to enforce any of the Loan Documents.

"Maturity Date": June 30, 2006.

"Media Asset": any Broadcasting Station or any other existing business of the Borrower or any Subsidiary as of the Restatement Effective Date (including, without limitation, magazine, Internet and software businesses) and any assets ancillary to any of the foregoing.

"Moody's": Moody's Investors Service, Inc.

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Equity Proceeds": as defined in Section 2.4(b)(v).

"Notes": the RC Notes.

"Operating Cash Flow": at any time, with respect to any Person, for any period: (i) revenues (exclusive of reciprocal and barter revenues) of such Person, determined in accordance with GAAP, for such period, less (ii) expenses (exclusive of depreciation, amortization, interest, income tax, employee compensation payable solely in stock of the Borrower, and reciprocal and barter expenses, in each case to the extent included therein), plus (iii) non-recurring expense items and other non-cash expense items of such

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Person for such period, in each case mutually agreed upon between the Borrower and the Administrative Agent, to the extent deducted in accordance with clause (ii) above, less (iv) the amount of any cash payments related to non-cash expense items added pursuant to clause (iii) above. Operating Cash Flow shall be adjusted on a consistent basis to reflect the acquisition, sale, exchange and disposition of Property during such period as if such acquisition, sale, exchange or disposition of Property had occurred at the beginning of such period, provided that pro-forma adjustments related to certain operating expenses of such stations being acquired (mutually agreed upon by the Borrower and the Administrative Agent) shall be included in the calculation of Operating Cash Flow. Operating Cash Flow shall exclude all gains and losses from the sale or disposition of Property and all extraordinary gains and losses.

"Original Credit Agreement": as defined in Recital A.

"Original Effective Date": September 25, 1997.

"Other Taxes": any and all current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, the Loan Documents.

"PBG": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA, or any Governmental Authority succeeding to the functions thereof.

"Permitted Holders": as of any date of determination (i) any of Stuart W. Epperson and Edward G. Atsinger III; (ii) family members or the relatives of the Persons described in clause (i); (iii) any trusts, family limited partnerships or other similar entities created for the benefit of the Persons described in clauses (i), (ii) or (iv) or any such entity for the benefit of such entity; or (iv) in the event of the incompetence or death of any of the Persons described in clauses (i) and (ii), such Person's estate, executor, administrator, committee or other personal representative or beneficiaries, in each case who at any particular date shall beneficially own or have the right to acquire, directly or indirectly, Voting Stock of the Borrower.

"Permitted Liens": Liens permitted to exist pursuant to Section 8.2.

"Person": an individual, a partnership, a corporation, a business trust, a joint stock company, a trust, an unincorporated association, a joint venture, a limited liability company, a Governmental Authority or any other entity of whatever nature.

"Plan": any pension plan which is covered by Title IV of ERISA and which is maintained by or to which contributions are made by the Borrower or a Commonly

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Controlled Entity or in respect of which the Borrower or a Commonly Controlled Entity has or may have any liability.

"Pro-Forma Debt Service": the sum of Pro-Forma Interest Expense and the scheduled payments of principal (including scheduled mandatory reductions of revolving credit and similar commitments) in respect of Total Debt required to be made during the four fiscal quarters of the Borrower immediately succeeding any determination thereof. For purposes of calculating Pro-Forma Debt Service, the principal amount outstanding under any revolving or line of credit facility on the date of any calculation of Pro-Forma Debt Service shall be assumed to be outstanding during the entire applicable four fiscal quarter period, subject to any mandatory scheduled payments of principal required to be made during such period.

"Pro-Forma Interest Expense": the sum of (i) all interest (adjusted to give effect to all Interest Rate Protection Arrangements and fees and expenses paid in connection with the same, all as determined in accordance with GAAP) in respect of Total Debt and (ii) commitment, letter of credit and similar fees, in each case of the Borrower and its Subsidiaries on a Consolidated basis, determined in accordance with GAAP, for the four fiscal quarters of the Borrower immediately succeeding any determination thereof. Where any item of interest varies or depends upon a variable rate of interest (or other rate of interest which is not fixed for such entire four fiscal quarters), such rate, for purposes of calculating Pro-Forma Interest Expense, shall be assumed to equal the interest rate in effect on the date of such calculation. Also, for purposes of calculating Pro-Forma Interest Expense, the principal amount outstanding under any revolving or line of credit facility on the date of any calculation of Pro-Forma Debt Service shall be assumed to be outstanding during the entire applicable four fiscal quarter period, subject to any mandatory scheduled payments of principal required to be made during such period.

"Property": all types of real, personal, tangible, intangible or mixed property.

"RC Commitment": as to any Lender, the amount set forth next to the name of such Lender on Exhibit A under the heading "RC Commitment", as such RC Commitment may be reduced from time to time pursuant to Section 2.4.

"RC Commitments": the RC Commitments of all Lenders.

"RC Commitment Percentage": as to any Lender, the percentage set forth opposite the name of such Lender on Exhibit A under the heading "RC Commitment Percentage".

"RC Commitment Period": the period from the Original Effective Date until the RC Commitment Termination Date.

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"RC Commitment Termination Date": the earlier of the Business Day immediately preceding the Maturity Date or such other date upon which the RC Commitments shall have been terminated in accordance with Section 2.4 or 9.1.

"RC Loan" and "RC Loans": as defined in Section 2.1.

"RC Note" and "RC Notes": as defined in Section 2.2.

"RC Supplement": a supplement substantially in the form of Exhibit K.

"Reimbursement Agreement": as defined in Section 2.18(b).

"Reimbursement Obligations": all obligations and liabilities of the Borrower due and to become due (a) under the Reimbursement Agreements and (b) hereunder in respect of Letters of Credit.

"Reinvested Proceeds": net cash proceeds from the sale, exchange or other disposition of all or substantially all of a Media Asset, after giving effect to the payment of cash taxes payable in connection with the same, which cash proceeds are used to acquire one or more additional Media Assets through a merger or acquisition in accordance with Section 8.3 during the Reinvestment Period.

"Reinvestment Period": the period which is 360 days from the date that proceeds from the sale, exchange or other disposition of all or substantially all of a Media Asset are received by the Borrower.

"Remaining Interest Period": (i) in the event that the Borrower shall fail for any reason to borrow or convert Loans after it shall have notified the Administrative Agent of its intent to do so in which it shall have requested a Eurodollar Loan pursuant to Section 2.3 or 2.8, a period equal to the Interest Period that the Borrower elected in respect of such Eurodollar Loan; (ii) in the event that a Eurodollar Loan shall terminate for any reason prior to the last day of the Interest Period applicable thereto, a period equal to the period from and including the date of such termination to but excluding the last day of such Interest Period; and (iii) in the event that the Borrower shall prepay or repay all or any part of the principal amount of a Eurodollar Loan prior to the last day of the Interest Period applicable thereto, a period equal to the period from and including the date of such prepayment or repayment to but excluding the last day of such Interest Period.

"Reportable Event": any event described in Section 4043(b) of ERISA, other than an event (excluding an event described in Section 4043(b)(1) relating to tax disqualification) with respect to which the 30-day notice requirement has been waived.

"Required Lenders": at any date of determination, Lenders having Credit Exposures equal to or greater than 51% of the Total Credit Exposure.

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"Restatement Effective Date": June __, 1999.

"Restricted Payment": as defined in Section 8.4.

"Salem California": as defined in Recital A.

"Salem Delaware": the Borrower and the survivor of the merger between itself and Salem California.

"S & P": Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"Single Employer Plan": any Plan which is not a Multiemployer Plan.

"Special Counsel": Bryan Cave LLP, special counsel to the Administrative Agent.

"Stock": any and all shares, interests, participations, options, warrants or other equivalents (however designated) of corporate stock, including, without limitation, phantom stock.

"Subordinated Indenture": the Indenture, dated as of September 25, 1997, between the Borrower and The Bank of New York, as trustee, as the same may be amended, supplemented or otherwise modified from time to time in accordance with Section 8.19.

"Subordinated Indenture Notes": the 9.5% Senior Subordinated Notes, due 2007, issued in the aggregate principal amount of \$150,000,000 pursuant to the Subordinated Indenture, as the same may be amended, supplemented or otherwise modified from time to time in accordance with Section 8.17.

"Subordinated Indenture Subsidiary Guaranty": the subordinated guaranty or guaranties executed and delivered by one or more of the Subsidiaries in connection with the Subordinated Indenture, as the same may be amended, supplemented or otherwise modified from time to time in accordance with Section 8.17.

"Subsidiary": any corporation, association, partnership, joint venture or other business entity of which the Borrower and/or any Subsidiary of the Borrower, directly or indirectly, either (i) in respect of a corporation, owns or controls more than 50% of the outstanding Stock having ordinary voting power to elect a majority of the board of directors or similar managing body, irrespective of whether or not a class or classes shall or might have voting power by reason of the happening of any contingency, or (ii) in respect of an association, partnership, joint venture or other business entity, is entitled to share in more than 50% of the profits and losses, however determined.

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"Subsidiary Guarantor": each Subsidiary.

"Subsidiary Guaranty": the First Amended and Restated Subsidiary Guaranty and Security Agreement, dated as of the date hereof, made by the Subsidiaries to the Administrative Agent, substantially in the form attached hereto as Exhibit I, as the same may be amended, supplemented or otherwise modified from time to time.

"Taxes": any and all current or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Total Adjusted Debt": Total Debt less the lesser of (i) 50% of the lesser of, with respect to each Excluded Property (x) the purchase price of such Excluded Property and (y) the independent appraisal value (if required under clause (i) of the first paragraph of Section 8.3(b)) of such Excluded Property and (ii) \$30,000,000.

"Total Credit Exposure": at any time, the sum of the Credit Exposures of all Lenders at such time.

"Total Debt": the aggregate Indebtedness of the Borrower and its Subsidiaries on a Consolidated basis, determined in accordance with GAAP.

"Total Facility Usage": as of any date, a fraction (expressed by a decimal) the numerator of which is the aggregate outstanding principal amount of RC Loans plus the Letter of Credit Exposure of all Lenders, and the denominator of which is the aggregate amount of RC Commitments.

"Total Leverage Ratio": the ratio of (i) Total Adjusted Debt less cash and cash equivalents in excess of \$5,000,000 to (ii) Consolidated Annual Adjusted Operating Cash Flow.

"Upstream Transfers": as defined in Section 8.13.

"Voting Stock": Stock of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of a corporation (irrespective of whether or not at the time Stock of any other class or classes shall have or might have voting power by reason or the happening of any contingency).

1.2 Principles of Construction.

(a) All terms defined in this Agreement shall have the meanings given such terms herein when used in the Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto, unless otherwise defined therein.

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(b) Unless otherwise specified herein, as used in the Loan Documents and in any certificate, opinion or other document made or delivered pursuant hereto or thereto, all accounting terms used herein shall be interpreted, and all accounting determinations hereunder shall be made, in accordance with GAAP.

(c) The words "hereof", "herein", "hereto" and "hereunder" and similar words when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, paragraph, schedule and exhibit references contained herein shall refer to Sections or paragraphs hereof or schedules or exhibits hereto unless otherwise expressly provided herein.

(d) The word "or" shall not be exclusive; "may not" is prohibitive and not permissive; and the singular includes the plural.

(e) Unless otherwise specifically set forth herein, all references to time shall refer to New York City time.

2. AMOUNT AND TERMS OF LOANS.

2.1 Loans.

Subject to the terms and conditions hereof, each Lender having an RC Commitment agrees to make loans (each an "RC Loan" and, collectively with the other RC Loans of such Lender and/or with the RC Loans of each other Lender, the "RC Loans") to the Borrower from time to time during the RC Commitment Period. At all times during the RC Commitment Period, the Borrower may borrow, prepay and reborrow RC Loans in accordance with the provisions hereof, provided that the aggregate unpaid principal amount of all RC Loans and the Letter of Credit Exposure of all Lenders at any one time shall not exceed the RC Commitments then in effect, and provided further that the aggregate unpaid principal amount of each Lender's RC Loans and its Letter of Credit Exposure at any one time shall not exceed such Lender's RC Commitment. The principal amount of each Lender's RC Loan made on a Borrowing Date shall be an amount equal to its RC Commitment Percentage of all RC Loans made on such date. Subject to the provisions of Sections 2.3, 2.8 and 2.15, RC Loans may be (i) ABR Loans, (ii) Eurodollar Loans or (iii) any combination thereof.

2.2 Notes.

The RC Loans of each Lender shall be evidenced by a promissory note in the form of Exhibit B (each as indorsed or modified from time to time, including all replacements thereof and substitutions therefor, an "RC Note" and, collectively with the RC Note of each other Lender, the "RC Notes"), payable to the order of such Lender, in the maximum stated principal amount equal to such Lender's RC Commitment. Each RC

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Note shall (i) be dated the Restatement Effective Date, (ii) be stated to mature on the Maturity Date and be payable in the amounts and at the times required by Section 2.5 and (iii) bear interest on the unpaid principal amount thereof at the applicable interest rate or rates per annum determined as provided in Section 2.6, payable as specified in Section 2.6. Each Lender is hereby irrevocably authorized by the Borrower to enter on the schedule attached to its RC Note and/or in its internal books and records the amount of each RC Loan made by it thereunder, each payment thereon, and the other information provided for on such schedule, and such schedule and books and records shall be presumptively correct absent manifest error as to the amount of such Lender's RC Loans and as to the amount of principal and interest paid by the Borrower in respect of such RC Loans and as to the other information set forth on such schedule or books and records relating to the RC Loans, provided, however, that the failure to make any such entry (or any error therein) with respect to any RC Loan shall not limit or otherwise affect the obligations of the Borrower hereunder or under such RC Note. Each Lender may attach one or more continuations to such schedule as and when required. In all events, the principal amount owing by the Borrower to each Lender in respect of such Lender's RC Note shall be the aggregate amount of all RC Loans made by such Lender thereunder less all payments of principal thereon made by the Borrower.

2.3 Procedure for Borrowing Loans.

(a) The Borrower may borrow RC Loans on any Business Day occurring during the RC Commitment Period, provided that, with respect to any requested borrowing, the Borrower shall notify the Administrative Agent (by telephone or teletype) no later than 1:00 P.M., three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, and no later than 1:00 P.M., one Business Day prior to the requested Borrowing Date, in the case of ABR Loans, specifying (i) the aggregate amounts to be borrowed under the RC Commitments, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be a Eurodollar Loan, an ABR Loan, or a combination thereof, and (iv) if the borrowing is to be a Eurodollar Loan, the length of the initial Interest Period for such Eurodollar Loan. Each such notice shall be irrevocable and confirmed immediately by delivery to the Administrative Agent of a Borrowing Request. Each borrowing of RC Loans, consisting of ABR Loans shall be in an aggregate principal amount equal to \$1,000,000 or such amount plus an integral multiple of \$100,000 in excess thereof or, if less, the unused amount of the RC Commitments. Each borrowing of RC Loans, as the case may be, consisting of Eurodollar Loans shall be in a minimum aggregate principal amount equal to \$2,000,000 or an integral multiple of \$250,000 in excess thereof. Upon receipt of each notice of borrowing from the Borrower, the Administrative Agent shall promptly notify each Lender (by telephone or otherwise, such notice to be confirmed by teletype or other writing) of the requested borrowing. Subject to its receipt of the notice referred to in the preceding sentence and to the other terms and conditions of this Agreement, each Lender will make the amount of its

applicable RC Commitment Percentage, of each borrowing available to the Administrative Agent for the account of the Borrower at the office of the Administrative Agent set forth in Section 11.2 not later than 12:00 Noon, on the Borrowing Date requested by the Borrower, in funds immediately available to the Administrative Agent at such office. The amounts so made available to the Administrative Agent on a Borrowing Date will then, subject to the satisfaction of the terms and conditions of this Agreement as determined by the Administrative Agent, be made available on such date to the Borrower by the Administrative Agent, in immediately available funds, at the office of the Administrative Agent specified in Section 11.2 by crediting the account of the Borrower on the books of such office with the aggregate of said amounts received by the Administrative Agent.

(b) Unless the Administrative Agent shall have received prior notice from a Lender (by telephone or otherwise, such notice to be confirmed by telecopy or other writing) that such Lender will not make available to the Administrative Agent such Lender's pro rata share of the Loans requested by the Borrower, the Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on such Borrowing Date in accordance with this Section 2.3 provided that such Lender received notice of the proposed borrowing from the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such Borrowing Date a corresponding amount. If and to the extent such Lender shall not have so made such pro rata share available to the Administrative Agent, such Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount (to the extent not previously paid by the other), together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is paid to the Administrative Agent, at a rate per annum equal to, in the case of the Borrower, the applicable interest rate set forth in Section 2.6, and, in the case of such Lender, the Federal Funds Rate in effect on such date (as determined by the Administrative Agent). Such payment by the Borrower, however, shall be without prejudice to its rights against such Lender. If such Lender shall pay to the Administrative Agent such corresponding amount, such amount so paid shall constitute such Lender's Loan as part of such Loans for purposes of this Agreement, which Loan shall be deemed to have been made by such Lender on the Borrowing Date applicable to such Loans.

2.4 Reduction and Increase of Commitments.

(a) Voluntary Reductions. The Borrower shall have the right, upon at least three Business Days' prior irrevocable written notice to the Administrative Agent, to reduce permanently the RC Commitments or the Letter of Credit Commitment, in whole at any time, or in part from time to time, without premium or penalty, to an amount not less than (i) in the case of the RC Commitments, the sum of the aggregate outstanding principal balance of the RC Loans, after giving effect to any contemporaneous

prepayment thereof, and the Letter of Credit Exposure of all Lenders, provided that each partial reduction of such RC Commitments shall be in a minimum amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof or, if less, the amount of the RC Commitments then in effect, and (ii) in the case of the Letter of Credit Commitment, the Letter of Credit Exposure of all Lenders, provided that each partial reduction of the Letter of Credit Commitment shall be in a minimum amount of \$1,000,000 or an integral multiple of \$1,000,000 in excess thereof or, if less, the Letter of Credit Commitment then in effect.

(b) Mandatory Reductions of RC Commitments.

(i) Mandatory Scheduled Reductions of RC Commitments. On each date set forth below, the RC Commitments shall be reduced by the amount equal to the percentage set forth below next to such date multiplied by the aggregate RC Commitments existing on March 31, 2001 (prior to giving effect to such initial reduction):

<TABLE>
<CAPTION>

Dates -----	Reduction Amounts -----
<S>	<C>
March 31, 2001	1.25%
June 30, 2001	1.25%
September 30, 2001	1.25%
December 31, 2001	1.25%
March 31, 2002	2.50%

June 30, 2002	2.50%
September 30, 2002	2.50%
December 31, 2002	2.50%
March 31, 2003	3.75%
June 30, 2003	3.75%
September 30, 2003	3.75%
December 31, 2003	3.75%
March 31, 2004	3.75%
June 30, 2004	3.75%
September 30, 2004	3.75%
December 31, 2004	3.75%
March 31, 2005	3.75%
June 30, 2005	3.75%
September 30, 2005	3.75%
December 31, 2005	3.75%
March 31, 2006	20.00%
June 30, 2006	20.00%

</TABLE>

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(ii) Mandatory Reductions of RC Commitments Relating to Excess Cash Flow. On the earlier of (i) the date the annual financial statements in respect of each fiscal year (commencing with the fiscal year ending December 31, 2000), are delivered to the Administrative Agent pursuant to Section 7.1(a) or (ii) the 120th day following the end of each fiscal year (commencing with the fiscal year ending December 31, 2000), the RC Commitments shall be reduced by an amount equal to 50% of Excess Cash Flow with respect to such fiscal year, provided that no such reduction in respect of such fiscal year shall be required if (x) the Total Leverage Ratio as at the end of such fiscal year is less than 5.00:1.00 and (y) no Default or Event of Default shall exist at the end of such fiscal year or on the date the RC Commitments would be required to be reduced.

(iii) Mandatory Reductions of RC Commitments Relating to Insurance and Condemnation. The RC Commitments shall be reduced in the amounts and at the times required by Sections 7.5(b) and 7.5(c).

(iv) Mandatory Reductions of RC Commitments Relating to Proceeds of Media Asset Sales and Other Property Sales. The RC Commitments shall be reduced by an amount equal to the difference between (a) 100% of the proceeds of the sale, exchange or other disposition of (A) all or substantially all of any Media Asset of the Borrower or any of its Subsidiaries, or (B) any other Property to the extent not sold, exchanged or disposed of in the ordinary course of business (net of (1) sales and other commissions and legal and other expenses incurred, (2) cash taxes payable, and (3) Indebtedness permitted under Sections 8.1(ii) and (iv) which is secured by the Media Asset or other Property sold, exchanged or disposed of and required to be repaid and is repaid, in each case in connection therewith), and (b) the amount of Reinvested Proceeds in connection with such sale, exchange or other disposition of a Media Asset which has been used prior to the date such reduction is required to be made to acquire one or more additional Media Assets through a merger or acquisition in accordance with Section 8.3. Such reduction shall be made on the earlier of (x) the last day of the Reinvestment Period with respect to such sale, exchange or other disposition, or (y) the occurrence of a Default or Event of Default.

(v) Mandatory Reductions of RC Commitments Relating to Issuances of Equity. The RC Commitments shall be reduced immediately upon receipt by the Borrower of the aggregate proceeds of any issuance by the Borrower of Stock (net of sales and other commissions and legal and other related expenses incurred in connection with such issuance) (the "Net Equity Proceeds") by an amount equal to:

(A) if no Default or Event of Default shall then exist and the Total Leverage Ratio (calculated without giving effect to the phrase "less cash and cash equivalents in excess of \$5,000,000" contained in clause (i) of the definition "Total Leverage Ratio") is greater than 5.00:1.00, the lesser of (x) 50% of the Net Equity

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Proceeds and (y) the amount of the Net Equity Proceeds which when applied to the prepayment of the Loans will result in the Total Leverage Ratio (calculated without giving effect to the phrase "less cash and cash equivalents in excess of \$5,000,000" contained in clause (i) of the definition "Total Leverage Ratio") not exceeding 5.00:1.00; and

(B) if a Default or Event of Default shall then exist, 100% of the Net Equity Proceeds.

(c) Application of Reductions.

(i) Each reduction of the RC Commitments made pursuant to this Section 2.4 shall effect a corresponding reduction of each Lender's applicable RC Commitment by an amount equal to such Lender's applicable RC Commitment Percentage of such reduction.

(ii) Reductions of the RC Commitments made pursuant to Section 2.4(a) or 2.4(b)(ii), (iii), (iv) and (v) shall be applied in inverse order among the remaining RC Commitment reductions set forth in Section 2.4(b)(i).

(iii) Simultaneously with each reduction of the RC Commitments under this Section 2.4, the Borrower shall pay the applicable Commitment Fee accrued on the amount by which such RC Commitments have been reduced.

(iv) If for any reason the Letter of Credit Exposure of all Lenders shall exceed the RC Commitments, the Borrower shall immediately deposit in a cash collateral account maintained with and under the sole dominion and control of the Administrative Agent an amount equal to such excess.

(d) Increase of RC Commitments. The Borrower may at any time after the first Borrowing Date to occur after the Restatement Effective Date but prior to March 31, 2000, at its sole cost and expense, request any one or more of the Lenders to increase (such decision to increase the RC Commitment of a Lender to be within the sole and absolute discretion of such Lender) its RC Commitment, or any other Person reasonably satisfactory to the Administrative Agent and the Issuing Bank to provide a new RC Commitment, by submitting an RC Supplement duly executed by the Borrower and each such Lender or other Person, as the case may be. If such RC Supplement is in all respects reasonably satisfactory to the Administrative Agent, the Administrative Agent shall execute such RC Supplement and deliver a copy thereof to the Borrower and each such Lender or other Person, as the case may be. Upon execution and delivery of such RC Supplement, (i) in the case of each such Lender, such Lender's RC Commitment shall be increased to the amount set forth in such RC Supplement, (ii) in the case of each such other Person, such other Person shall become a party hereto and shall for all purposes of

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the Loan Documents be deemed a "Lender" having an RC Commitment as set forth in such RC Supplement and (iii) in each case, the RC Commitment of such Lender or such other Person, as the case may be, shall be as set forth in the applicable RC Supplement; provided, however, that:

(i) immediately after giving effect thereto, the aggregate RC Commitments shall not exceed \$200,000,000;

(ii) such increase shall be in an amount not less than \$5,000,000 or such amount plus an integral multiple of \$1,000,000;

(iii) the Borrower shall have delivered to the Administrative Agent projections, reasonably satisfactory to the Administrative Agent, demonstrating pro-forma compliance (after giving effect to such increase) with the terms of the Loan Documents, including but not limited to Sections 6.1, 6.2, 6.3 and 6.4, through the Maturity Date;

(iv) if RC Loans would be outstanding immediately after giving effect to such increase, then simultaneously with such increase (A) each such Lender, each such other Person and each other Lender shall be deemed to have entered into an assignment and acceptance agreement, in form and substance substantially similar to Exhibit J, pursuant to which each such other Lender shall have assigned to each such Lender and each such other Person a portion of its RC Loans necessary to reflect proportionately the aggregate RC Commitments as adjusted in accordance with this Section 2.4(d), and (B) in connection with such assignment, each such Lender and each such other Person shall pay to the Administrative Agent, for the account of the other Lenders, such amount as shall be necessary to appropriately reflect the assignment to it of RC Loans, and in connection with such assignment each such other Lender may treat the assignment of Eurodollar Loans as a prepayment of such Eurodollar Loans for purposes of Section 2.9;

(v) each such other Person shall have delivered to the Administrative Agent and the Borrower all forms, if any, that are required to be delivered by such other Person pursuant to Section 2.13; and

(vi) the Administrative Agent shall have received such certificates, legal opinions and other items as it shall reasonably request in connection with such increase.

2.5 Prepayments of the Loans.

(a) Voluntary Prepayments. The Borrower may, at its option,

prepay the RC Loans, in whole or in part, without premium or penalty, at any time and from time

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to time, by notifying the Administrative Agent at least three Business Days' prior to the proposed prepayment date with respect to Eurodollar Loans, and at least one Business Day prior to the proposed prepayment date with respect to ABR Loans. Each such notice shall be in writing and shall specify the Loans to be prepaid (whether Eurodollar Loans or ABR Loans), the amount to be prepaid, and the date of prepayment. Upon receipt by the Administrative Agent of any such notice, the Administrative Agent shall promptly notify each Lender thereof. If any such notice of the Borrower is given pursuant to this Section 2.5, such notice shall be irrevocable and the payment amount specified in such notice shall be due and payable on the date specified, together with accrued interest to the date of such payment on the amount prepaid. Partial prepayments of ABR Loans shall be in an aggregate principal amount of \$1,000,000 or an integral multiple of \$100,000 in excess thereof and partial prepayments of Eurodollar Loans shall be in an aggregate principal amount of \$2,000,000 or an integral multiple of \$250,000 in excess thereof, or, if less, the outstanding principal balance of such Loans.

(b) Mandatory Prepayments of Loans. The Borrower shall immediately prepay the RC Loans (i) at any time at which the sum of the aggregate outstanding principal amount of the outstanding RC Loans and the Letter of Credit Exposure of all Lenders exceeds the aggregate RC Commitments of all Lenders in an amount equal to the amount of such excess and (ii) in the amounts and at the times required by Section 7.5.

(c) In General. If any prepayment is made under this Section 2.5 with respect to any Eurodollar Loans, in whole or in part, prior to the last day of the applicable Interest Period, the Borrower agrees to indemnify the Lenders in accordance with Section 2.9. After giving effect to any partial prepayment with respect to Eurodollar Loans which were made (whether as the result of a borrowing or a conversion) on the same date and which had the same Interest Period, the outstanding principal amount of such Eurodollar Loans shall not be less than \$2,000,000 or an integral multiple of \$250,000 in excess thereof. The Borrower may designate which Loans (ABR Loans or Eurodollar Loans) are to be prepaid in connection with any prepayment made under this Section 2.5.

2.6 Interest Rate and Payment Dates; Highest Lawful Rate.

(a) Prior to Maturity. Prior to maturity, the outstanding principal amount of the Loans shall bear interest on the unpaid principal amount thereof at the Alternate Base Rate or the Eurodollar Rate, as applicable, plus the Applicable Margin.

(b) Default Rate. After maturity and at all times during the continuance of any Event of Default under Section 9.1(a), (b), (h) or (i) or during the continuance for more than 30 days of any other Event of Default, the outstanding principal amount of all Loans hereunder shall bear interest, notwithstanding the rate

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which would otherwise be applicable pursuant to Section 2.6(a) above, at a rate of interest per annum equal to 2% above such otherwise applicable rate.

(c) Late Payment Rate. Any payment of interest on any Note or any Reimbursement Obligation and any payment of any Commitment Fee, Letter of Credit Fee or other fee or payment payable by the Borrower under any Loan Document and not paid on the date when due and payable shall bear interest, to the extent permitted by law, at the Alternate Base Rate plus the Applicable Margin for ABR Loans plus 2% per annum from the due date thereof until the date such payment is made.

(d) General. Interest on ABR Loans, to the extent based on the BNY Rate, shall be calculated on the basis of a 365 or 366 day year (as the case may be), and interest on all Eurodollar Loans and ABR Loans, to the extent based on the Federal Funds Rate, shall be calculated on the basis of a 360 day year, in each case for the actual number of days elapsed. Interest shall be payable in arrears on each Interest Payment Date and upon payment (or prepayment (or required payment or prepayment) of the Loans, except that interest payable pursuant to Sections 2.6(b) and 2.6(c) shall be payable on demand. Any change in the interest rate on a Loan resulting from a change in the Alternate Base Rate shall become effective as of the opening of business on the day on which such change in the Alternate Base Rate shall become effective. The Administrative Agent shall, as soon as practicable, notify the Borrower and the Lenders of the effective date and the amount of each such change in the Alternate Base Rate, but failure to so notify shall not in any manner affect the obligation of the Borrower to pay interest on the Loans in the amounts and on the dates required.

Each determination of the Alternate Base Rate or Eurodollar Rate by the Administrative Agent pursuant to this Agreement shall be conclusive and binding on the Borrower and the Lenders absent manifest error.

(e) Highest Lawful Rate. At no time shall the interest rate payable on the Loans of any Lender, together with the Commitment Fees, the Letter of Credit Fee and all other fees and other amounts payable hereunder, to the extent the same are construed to constitute interest, exceed the Highest Lawful Rate applicable to such Lender. If interest payable to a Lender on any date would exceed the maximum amount permitted by the Highest Lawful Rate, such interest payment shall automatically be reduced to such maximum permitted amount, and interest for any subsequent period, to the extent less than the maximum amount permitted for such period by the Highest Lawful Rate, shall be increased by the unpaid amount of such reduction. Any interest actually received for any period in excess of such maximum allowable amount for such period shall be deemed to have been applied as a prepayment of such Lender's Loans. The Borrower acknowledges that to the extent interest payable on ABR Loans is based on the BNY Rate, such BNY Rate is only one of the bases for computing interest on loans made by the Lenders, and by basing interest payable on ABR Loans on the BNY Rate, the Lenders have not committed to charge, and the Borrower has not in any way

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bargained for, interest based on a lower or the lowest rate at which the Lenders may now or in the future make loans to other borrowers.

2.7 Use of Proceeds.

(a) The proceeds of all Loans shall be used (i) to finance acquisitions permitted hereunder, including transaction expenses in connection therewith, (ii) to make capital expenditures permitted hereunder, (iii) for working capital purposes and (iv) for general corporate purposes.

(b) Letters of Credit shall be used to support ordinary course working capital purposes and to fulfill deposit requirements associated with proposed acquisitions of Media Assets.

(c) Notwithstanding anything to the contrary contained in any Loan Document, the Borrower agrees that no part of the proceeds of any Loan or Letter of Credit have been or will be used, directly or indirectly, for a purpose which violates any law, rule or regulation of any Governmental Authority, including without limitation the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System, as amended.

2.8 Conversions; Other Matters.

(a) The Borrower may elect from time to time to convert Eurodollar Loans to ABR Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of such election, specifying the amount to be so converted, provided, that any such conversion shall only be made on the last day of the Interest Period applicable thereto. In addition, the Borrower may elect from time to time to convert ABR Loans to Eurodollar Loans or to convert Eurodollar Loans to new Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice of such election, specifying the amount to be so converted and the initial Interest Period relating thereto, provided that any such conversion of ABR Loans to Eurodollar Loans shall only be made on a Business Day and any such conversion of Eurodollar Loans to new Eurodollar Loans shall only be made on the last day of the Interest Period applicable to the Eurodollar Loans which are to be converted to such new Eurodollar Loans. The Administrative Agent shall promptly provide the Lenders with notice of any such election. Loans may be converted pursuant to this Section 2.8(a) in whole or in part, provided that conversions of ABR Loans to Eurodollar Loans, or Eurodollar Loans to new Eurodollar Loans having the same Interest Period, shall be in an aggregate principal amount of \$2,000,000 or such amount plus a whole multiple of \$250,000.

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(b) Notwithstanding anything in this Agreement to the contrary, upon the occurrence and during the continuance of a Default or Event of Default, the Borrower shall have no right to elect to convert any ABR Loan to a Eurodollar Loan or to convert any Eurodollar Loan to a new Eurodollar Loan. In such event, such ABR Loan shall be automatically continued as an ABR Loan or such Eurodollar Loan shall be automatically converted to an ABR Loan on the last day of the Interest Period applicable to such Eurodollar Loan. If a Default or an Event of Default shall have occurred and be continuing, the Administrative Agent shall, at the request of the Required Lenders, notify the Borrower (by telephone or otherwise) that all, or such lesser amount as the Administrative Agent and the Required Lenders shall designate, of the outstanding Eurodollar Loans, if any, shall be automatically converted to ABR Loans, in which event

such Eurodollar Loans of each Lender, at the option of such Lender, shall be automatically converted to ABR Loans on the date such notice is given.

(c) Each such conversion shall be effected by each Lender by applying the proceeds of the new ABR Loan or Eurodollar Loan, as the case may be, to the Loan (or portion thereof) being converted (it being understood that such conversion shall not constitute a borrowing for purposes of Sections 4 or 5).

(d) Notwithstanding any other provision of this Agreement:

(i) If the Borrower shall have failed to elect a Eurodollar Loan under Sections 2.3 or 2.8, as the case may be, in connection with any borrowing of new Loans or expiration of an Interest Period with respect to any existing Eurodollar Loan, the amount of the Loans subject to such borrowing or such existing Eurodollar Loan shall thereafter be an ABR Loan until such time, if any, as the Borrower shall elect a new Eurodollar Loan pursuant to Section 2.8,

(ii) The Borrower shall not be permitted to select any Eurodollar Loan the Interest Period in respect of which ends later than the Maturity Date,

(iii) When electing a Eurodollar Loan, the Borrower shall select an Interest Period such that, on each date that a mandatory principal payment is required to be made pursuant to Section 2.5(b) in connection with a RC Commitment reduction pursuant to Section 2.4(b), the outstanding principal amount of all Loans which are ABR Loans, when added to the aggregate principal amount of all Loans which are Eurodollar Loans the Interest Period in respect of which shall end on such date, shall equal or exceed the aggregate principal amount of the Loans required to be paid on such date, and

(iv) The Borrower shall not be permitted to have more than five Interest Periods with respect to outstanding Eurodollar Loans at any one time.

2.9 Indemnification for Loss.

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In the event of (a) the payment or prepayment (voluntary or otherwise) of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto or (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the Eurodollar Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate that such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

2.10 Reimbursement for Costs.

The Borrower hereby agrees to reimburse each Lender and the Issuing Bank on demand for its reasonable costs (excluding general administrative and overhead costs) directly attributable to its compliance with this Agreement during the term hereof with all applicable future laws, executive orders, and regulations of the governments of the United States and the United Kingdom, and of any other applicable government, and of any regulatory or administrative agency thereof (including, without limitation, the reserve requirements established by the Board of Governors of the Federal Reserve System under Regulation D), or any change in existing or future applicable laws, executive orders and regulations and in the interpretations thereof which impose, modify or deem applicable any reserve, asset, special deposit or special assessment requirements on deposits obtained in the interbank eurodollar market, or which subject any Lender or the Issuing Bank to any tax (documentary, stamp or otherwise) with respect to any Loan Document or Letter of Credit, or change the basis of taxation of payments to any Lender or the Issuing Bank, of principal, interest, fees or other amounts payable under any Loan Document or

Letter of Credit (except for any tax, or changes in the rate of tax, on its income or receipts (including franchise taxes on or based upon such income or receipts) imposed by the United States or any other jurisdiction). Each such Lender and the Issuing Bank agrees to provide the Borrower with notice of any law, executive order or

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regulation, or change in the interpretation thereof, which would require the Borrower to indemnify such Lender or the Issuing Bank under this Section 2.10 promptly upon it obtaining actual knowledge thereof and determining that it intends to require the Borrower to reimburse it pursuant to this Section 2.10 for any costs resulting therefrom. The cost to each Lender in complying with laws, executive orders or regulations which impose, modify or deem applicable any reserve, asset, special deposit or special assessment requirements on deposits obtained in the market for eurocurrency loans shall be computed by determining the amount by which such requirements effectively increase such Lender's cost of making and maintaining its Eurodollar Loans and by computing the additional amount which would have been owing to such Lender hereunder if such effective increase had been added to the Eurodollar Rate for purposes of determining the applicable Eurodollar Rate during the period or applicable portion thereof in question. Each Lender and the Issuing Bank may make multiple requests for compensation under this Section 2.10.

2.11 Illegality of Funding.

Notwithstanding anything contained herein to the contrary, if any law, regulation, treaty or directive, or any change therein or in the interpretation or application thereof, shall make it unlawful for any Lender to make or maintain any Eurodollar Loan as contemplated by this Agreement, (i) the commitment of such Lender to make Eurodollar Loans or convert ABR Loans to Eurodollar Loans, as the case may be, shall forthwith be suspended and (ii) such Lender's then outstanding Eurodollar Loans affected thereby, if any, shall be converted automatically to ABR Loans on the last day of the then current Interest Period applicable thereto or at such earlier time as may be required. If the commitment of any Lender with respect to Eurodollar Loans is suspended pursuant to this Section 2.11 and such Lender shall notify the Administrative Agent and the Borrower that it is once again legal for such Lender to make or maintain Eurodollar Loans, such Lender's commitment to make or maintain Eurodollar Loans shall be reinstated.

2.12 Option to Fund.

Each Lender has indicated that, if the Borrower requests a Eurodollar Loan, such Lender may wish to purchase one or more deposits in order to fund or maintain its funding of its pro rata share of such Loan during the Interest Period with respect thereto; it being understood that the provisions of this Agreement relating to such funding are included only for the purpose of determining the rate of interest to be paid on such Loan and any amounts owing under Sections 2.9, 2.10, 2.11 and 2.15. Each Lender shall be entitled to fund and maintain its funding of all or any part of its Eurodollar Loans in any manner it sees fit, but all such determinations hereunder shall be made as if each Lender had actually funded and maintained its Eurodollar Loans during the applicable Interest Period through the purchase of deposits in an amount equal to its pro rata share of the Eurodollar Loans having a maturity corresponding to such Interest Period. Any

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Lender may fund its pro rata share of the Eurodollar Loans from any branch or office of such Lender as such Lender may choose from time to time, subject to Section 2.17.

2.13 Taxes; Net Payments.

(a) Any and all payments by or on account of any obligation of any Loan Party hereunder and under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes, provided that, if such Loan Party shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that, after making all required deductions (including deductions applicable to additional sums payable under this Section), the applicable Credit Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Loan Party shall make such deductions and (iii) such Loan Party shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Loan Parties shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Each Loan Party shall indemnify each Credit Party,

within ten days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by such Credit Party on or with respect to any payment by or on account of any obligation of such Loan Party under the Loan Documents (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Credit Party, or by the Administrative Agent on its own behalf or on behalf of a Credit Party, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the relevant Loan Party is located, or any treaty to which such jurisdiction is a party, with respect to payments under the Loan Documents shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly

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completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

2.14 Capital Adequacy.

If the amount of capital required or expected to be maintained by any Lender, the Issuing Bank or any Person directly or indirectly owning or controlling such Lender or the Issuing Bank (each a "Control Person"), shall be affected by

- (a) the introduction or phasing in of any law, rule or regulation after the Original Effective Date,
- (b) any change after the Original Effective Date in the interpretation of any existing law, rule or regulation by any central bank or United States or foreign Governmental Authority charged with the administration thereof, or
- (c) compliance by such Lender, the Issuing Bank or such Control Person with any directive, guideline or request from any central bank or United States or foreign Governmental Authority (whether or not having the force of law) promulgated or made Original Effective Date,

and such Person shall have determined that such introduction, phasing in, change or compliance shall have had or will thereafter have the effect of reducing (i) the rate of return on its capital, or (ii) the asset value to such Lender, the Issuing Bank or such Control Person of the Loans made or maintained by such Lender, the Letters of Credit issued or maintained by the Issuing Bank or the Reimbursement Obligations or any participation therein owed to the Issuing Bank or any Lender to a level below that which such Lender, the Issuing Bank or such Control Person could have achieved or would thereafter be able to achieve but for such introduction, phasing in, change or compliance (after taking into account such Lender's, the Issuing Bank's or such Control Person's policies regarding capital), in either case by an amount which it deems material, then, within ten days after demand by such Lender or the Issuing Bank, the Borrower shall pay to such Lender, the Issuing Bank or such Control Person, as the case may be, such additional amount or amounts as shall be sufficient to compensate such Lender, the Issuing Bank or such Control Person, as the case may be, for such reduction on an after-tax basis.

2.15 Substituted Interest Rate.

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In the event that (i) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that by reason of circumstances affecting the interbank eurodollar market either adequate and reasonable means do not exist for ascertaining the Eurodollar Rate applicable pursuant to Section 2.6 or (ii) in the event that any Lender shall have notified the Administrative Agent that it has determined

(which determination shall be conclusive and binding on the Borrower) that the applicable Eurodollar Rate will not adequately and fairly reflect the cost to such Lender of maintaining or funding loans bearing interest based on such Eurodollar Rate, with respect to a proposed Loan that the Borrower has requested be made as a Eurodollar Loan, or a Eurodollar Loan that will result from the requested conversion of any Loan into a Eurodollar Loan (any such Loan being herein called an "Affected Loan"), the Administrative Agent shall promptly notify the Borrower and the Lenders (by telephone or otherwise) of such determination, confirmed in writing, on or prior to the requested Borrowing Date for such Affected Loan or the requested conversion date of such Loan. If the Administrative Agent shall give such notice, (a) any requested Affected Loan shall be made as an ABR Loan, (b) any Loan that was to have been converted to an Affected Loan shall be converted to or continued as an ABR Loan and (c) any outstanding Affected Loan shall be converted, on the last day of the then current Interest Period with respect thereto, to an ABR Loan. Until any such notice under clause (i) of this Section 2.15 has been withdrawn by the Administrative Agent (by notice to the Borrower promptly upon the Administrative Agent's having determined that such circumstances affecting the interbank eurodollar market no longer exist and that adequate and reasonable means do exist for determining the Eurodollar Rate pursuant to Section 2.6) no further Eurodollar Loans shall be made by the Lenders nor shall the Borrower have the right to convert any Loans to Eurodollar Loans. Until any such notice under clause (ii) of this Section 2.15 has been withdrawn by the Administrative Agent (by notice to the Borrower promptly upon the Administrative Agent's having been notified by such Lender that circumstances no longer render any Loan an Affected Loan), no further Eurodollar Loans shall be required to be made by such Lender nor shall the Borrower have the right to convert any Loan of such Lender to a Eurodollar Loan of such Lender.

2.16 Transaction Record.

The Administrative Agent's records regarding the amount of each Loan, each payment by the Borrower of principal and interest on the Loans, each Letter of Credit and other information relating to the Loans and Letters of Credit shall be presumed correct absent manifest error.

2.17 Certificates of Payment and Reimbursement; Other Provisions Regarding Yield Protection.

(a) In connection with any request by a Lender or the Issuing Bank for payment or reimbursement pursuant to Section 2.9, 2.10, 2.11, 2.14 or 2.15, such Lender

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or the Issuing Bank, as the case may be, shall provide the Borrower with a certificate, signed by an officer, setting forth a description, in reasonable detail, of any such payment or reimbursement. Each determination by a Lender or the Issuing Bank of such amount or amounts owed by the Borrower to it under any such Section shall be presumed correct absent manifest error, and shall be made without duplication as to any other amounts owing by the Borrower to it under Section 2.9, 2.10, 2.11, 2.14 or 2.15.

(b) In the event that any amount is owed by the Borrower to any Lender pursuant to Section 2.9, 2.10, 2.11, 2.14 or 2.15 and an assignment by such Lender of its rights and a delegation and transfer of its obligations hereunder to another office or branch of such Lender would cause such amount to cease to be owed by the Borrower, then such Lender shall make reasonable efforts (which shall not in any event require such Lender to incur a loss or otherwise suffer any disadvantage) to make an assignment of its rights and a delegation and transfer of its obligations hereunder to such other office or branch, so long as such assignment and delegation will not cause other amounts to be owed by the Borrower under Section 2.9, 2.10, 2.11, 2.14 or 2.15 and so long as the Lender shall be permitted under applicable law to make and maintain Eurodollar Loans after giving effect to such assignment and delegation.

(c) The obligations of the Borrower under Sections 2.9, 2.10, 2.11, 2.14 and 2.15 shall survive any termination of this Agreement, the expiration of the RC Commitments and the payment of all indebtedness of the Borrower hereunder and under the Loan Documents.

2.18 Letter of Credit Sub-Facility.

(a) Subject to the terms and conditions hereof and the payment by the Borrower to the Issuing Bank of such fees as the Borrower and the Issuing Bank shall have agreed in writing, the Issuing Bank agrees, in reliance on the agreement of the other Lenders set forth in Section 2.19, to issue standby letters of credit (each a "Letter of Credit" and, collectively, the "Letters of Credit") during the RC Commitment Period for the account of the Borrower, provided that immediately after the issuance of each Letter of Credit (i) the Letter of Credit Exposure of all Lenders shall not exceed the Letter of Credit Commitment, and (ii) the sum of the aggregate outstanding RC Loans and the Letter of Credit Exposure of all Lenders shall not exceed the RC

Commitments. Each Letter of Credit shall have an expiration date which shall be not later than the earlier to occur of one year from the date of issuance or last extension thereof or one Business Day prior to the RC Commitment Termination Date. No Letter of Credit shall be issued if the Administrative Agent, or any Lender by notice to the Administrative Agent and the Issuing Bank no later than 3:00 P.M. one Business Day prior to the requested date of issuance of such Letter of Credit, shall have determined that the applicable conditions set forth in Section 5 have not been satisfied.

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(b) Each Letter of Credit shall be issued for the account of the Borrower. The Borrower shall give the Administrative Agent and the Issuing Bank a Letter of Credit Request for the issuance of each Letter of Credit no later than 1:00 P.M. at least three Business Days prior to the requested date of issuance. Such Letter of Credit Request shall be accompanied by the Issuing Bank's standard Application and Agreement for Standby Letter of Credit (each a "Reimbursement Agreement") executed by the Borrower, and shall specify (i) the beneficiary of such Letter of Credit and the obligations of the Borrower in respect of which such Letter of Credit is to be issued, (ii) the Borrower's proposal as to the conditions under which a drawing may be made under such Letter of Credit and the documentation to be required in respect thereof, (iii) the maximum amount to be available under such Letter of Credit and (iv) the requested date of issuance. Upon receipt of such Letter of Credit Request from the Borrower, the Administrative Agent shall promptly notify each Lender thereof. The Issuing Bank shall, on the proposed date of issuance and subject to the other terms and conditions of this Agreement, issue the requested Letter of Credit. Each Letter of Credit shall be in a minimum amount of \$1,000,000 and be in form and substance reasonably satisfactory to the Issuing Bank, with such provisions with respect to the conditions under which a drawing may be made thereunder and the documentation required in respect of such drawing as the Issuing Bank shall reasonably require. Each Letter of Credit shall be used solely for the purposes described therein.

(c) Each payment by the Issuing Bank of a draft drawn under a Letter of Credit shall give rise to the obligation of the Borrower to immediately reimburse the Issuing Bank for the amount thereof. The Issuing Bank shall promptly notify the Borrower of such payment by the Issuing Bank of a draft drawn under a Letter of Credit, but any failure to so notify shall not in any manner affect the obligation of the Borrower to make reimbursement when due. In lieu of such notice, if the Borrower has not made reimbursement prior to the end of the Business Day when due, the Borrower hereby irrevocably authorizes the Issuing Bank to deduct the amount of any such reimbursement from any account(s) of the Borrower maintained with the Issuing Bank, upon which the Issuing Bank shall apply the amount of such deduction to such reimbursement. If all or any portion of any reimbursement obligation in respect of a Letter of Credit shall not be paid when due (whether at the stated maturity thereof, by acceleration or otherwise), such overdue amount shall bear interest, payable upon demand, at a rate per annum equal to the Alternate Base Rate plus the Applicable Margin applicable to ABR Loans plus 2% (calculated in the same manner as ABR Loans), from the date of such nonpayment until paid in full (whether before or after the entry of a judgment thereon).

2.19 Letter of Credit Participation.

(a) Each Lender hereby unconditionally and irrevocably, severally (and not jointly) takes an undivided participating interest in the obligations of the Issuing Bank under and in connection with each Letter of Credit in an amount equal to such

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Lender's RC Commitment Percentage of the amount of such Letter of Credit. Each Lender shall be liable to the Issuing Bank for its RC Commitment Percentage of the unreimbursed amount of any draft drawn and honored under each Letter of Credit. Each Lender shall also be liable for an amount equal to the product of its RC Commitment Percentage and any amounts paid by the Borrower pursuant to Sections 2.18 and 2.20 that are subsequently rescinded or avoided, or must otherwise be restored or returned. Such liabilities shall be unconditional and without regard to the occurrence of any Default or Event of Default or the compliance by the Borrower with any of its obligations under the Loan Documents.

(b) The Issuing Bank shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender (which notice shall be promptly confirmed in writing), of the date and the amount of each draft paid under each Letter of Credit with respect to which full reimbursement payment shall not have been made by the Borrower as provided in Section 2.18(c), and forthwith upon receipt of such notice, such Lender shall promptly make available to the Administrative Agent for the account of the Issuing Bank its RC Commitment Percentage of the amount of such unreimbursed draft at the office of the Administrative Agent specified in Section 11.2 in

lawful money of the United States and in immediately available funds. The Administrative Agent shall distribute the payments made by each Lender pursuant to the immediately preceding sentence to the Issuing Bank promptly upon receipt thereof in like funds as received. Each Lender shall indemnify and hold harmless the Administrative Agent and the Issuing Bank from and against any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) resulting from any failure on the part of such Lender to provide, or from any delay in providing, the Administrative Agent with such Lender's RC Commitment Percentage of the amount of any payment made by the Issuing Bank under a Letter of Credit in accordance with this subsection (b) above (except in respect of losses, liabilities or other obligations suffered by the Administrative Agent or the Issuing Bank, as the case may be, resulting from the gross negligence or willful misconduct of the Administrative Agent or the Issuing Bank, as the case may be). If a Lender does not make available to the Administrative Agent when due such Lender's RC Commitment Percentage of any unreimbursed payment made by the Issuing Bank under a Letter of Credit, such Lender shall be required to pay interest to the Administrative Agent for the account of the Issuing Bank on such Lender's RC Commitment Percentage of such payment at a rate of interest per annum equal to (i) from the date such Lender should have made such amount available until the third day therefrom, the Federal Funds Effective Rate, and (ii) thereafter, the Federal Funds Effective Rate plus 2%, in each case payable upon demand by the Issuing Bank. The Administrative Agent shall distribute such interest payments to the Issuing Bank upon receipt thereof in like funds as received.

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(c) Whenever the Administrative Agent is reimbursed by the Borrower, for the account of the Issuing Bank, for any payment under a Letter of Credit and such payment relates to an amount previously paid by a Lender in respect of its RC Commitment Percentage of the amount of such payment under such Letter of Credit, the Administrative Agent (or the Issuing Bank, if such payment by a Lender was paid by the Administrative Agent to the Issuing Bank) will promptly pay over such payment to such Lender.

2.20 Absolute Obligation with respect to Letter of Credit Payments.

The Borrower's obligation to reimburse the Issuing Bank for each payment under or in respect of each Letter of Credit shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the beneficiary of such Letter of Credit, the Administrative Agent, the Issuing Bank, any Lender or any other Person, including, without limitation, any defense based on the failure of any drawing to conform to the terms of such Letter of Credit, any drawing document proving to be forged, fraudulent or invalid, or the legality, validity, regularity or enforceability of such Letter of Credit, provided, however, that, with respect to any Letter of Credit, the foregoing shall not relieve the Issuing Bank of any liability it may have to the Borrower for any actual damages sustained by the Borrower arising from a wrongful payment (or failure to pay) under such Letter of Credit made as a result of the Issuing Bank's gross negligence or willful misconduct.

3. FEES; PAYMENTS

3.1 Fees.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a fee (the "Commitment Fee") during the RC Commitment Period, payable quarterly in arrears on the last day of each March, June, September and December of each year, commencing on the first such date following the Original Effective Date, and on the RC Commitment Termination Date, on the average daily excess of (i) the RC Commitment of such Lender, over (ii) the aggregate outstanding principal balance of the RC Loans of such Lender plus its Letter of Credit Exposure, at a rate per annum equal to (a) at all times when the Total Leverage Ratio is greater than or equal to 4.50:1.00, 0.500% (or 0.625% if Total Facility Usage is less than 0.50) and (b) at all times when the Total Leverage Ratio is less than 4.50:1.00, 0.375% (or 0.500% if Total Facility Usage is less than 0.50). The Commitment Fee shall be computed on the basis of a 360-day year for the actual number of days elapsed.

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(b) Solely for purposes of calculating the Commitment Fee, changes in the Total Leverage Ratio, as evidenced by a Compliance Certificate delivered to the Administrative Agent pursuant to Section 7.1(d) or a Borrowing Request or Letter of Credit Request delivered to the Administrative Agent pursuant to Section 5.2(c) evidencing such a change, shall become effective upon (i) in the case of the delivery of a Compliance Certificate, the first Business Day following the delivery of (x) such Compliance Certificate and (y) the applicable financial statements required to be delivered pursuant to Section

7.1(a) or (c), as the case may be, and (ii) in the case of the delivery of a Borrowing Request or Letter of Credit Request, the Borrowing Date applicable thereto. Solely for purposes of calculating the Commitment Fee, if the Borrower shall fail to deliver a Compliance Certificate within 60 days after the end of each of the first three fiscal quarters, or within 120 days after the end of the last fiscal quarter, of each fiscal year (each a "certificate delivery date"), the Total Leverage Ratio from and including such certificate delivery date to the date of delivery by the Borrower to the Administrative Agent of such Compliance Certificate shall be conclusively presumed to be greater than 4.50:1.00.

(c) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a fee (the "Letter of Credit Fee") with respect to the Letters of Credit during the period commencing on the Original Effective Date and ending on the RC Commitment Termination Date or, if later, the date when the Letter of Credit Exposure of all Lenders is \$0, payable quarterly in arrears on the last day of each March, June, September and December of each year, commencing on the first such date following the Original Effective Date, on the RC Commitment Termination Date and on the last date of such period, on such Lender's RC Commitment Percentage of the average daily aggregate amount which may be drawn under the Letters of Credit during such period (whether or not the conditions for drawing thereunder have or may be satisfied) multiplied by a rate per annum equal to the Applicable Margin for Eurodollar Loans during such period. The Letter of Credit Fee shall be computed on the basis of a 360-day year for the actual number of days elapsed.

3.2 Pro Rata Treatment and Application of Payments.

All payments (including prepayments) made by the Borrower to the Administrative Agent on account of principal of or interest on the RC Loans shall be made pro rata according to the outstanding principal amount of each Lender's RC Loans. All payments by the Borrower shall be made without set-off or counterclaim and shall be made prior to 1:00 P.M. on the date such payment is due, to the Administrative Agent for the account of the Lenders, at the Administrative Agent's office specified in Section 11.2, in each case in lawful money of the United States of America and in immediately available funds, and, as between the Borrower and the Lenders, any payment by the Borrower to the Administrative Agent for the account of the Lenders shall be deemed to be payment by the Borrower to the Lenders. The failure of the Borrower to make any

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such payment by 1:00 P.M. on such due date shall not constitute a Default or Event of Default hereunder, provided that such payment is made on such due date, but any such payment received by the Administrative Agent on any Business Day after 1:00 P.M. shall be deemed to have been received on the immediately succeeding Business Day for the purpose of calculating any interest payable in respect thereof. The Administrative Agent agrees promptly to notify the Borrower if it shall receive any such payment after 1:00 P.M. on the due date hereof, provided that the failure of the Administrative Agent to give such prompt notice shall in no way affect the Borrower's obligation to make any payment hereunder on the date such payment is due. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. Unless otherwise set forth in the definition of "Interest Period", if any payment hereunder or on any Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate or rates during such extension.

4. REPRESENTATIONS AND WARRANTIES

In order to induce the Administrative Agent, the Issuing Bank and the Lenders to enter into this Agreement and to make Loans, and in order to induce the Issuing Bank to issue Letters of Credit and the Lenders to participate therein, the Borrower hereby makes the following representations and warranties to the Administrative Agent, the Issuing Bank and to each Lender:

4.1 Subsidiaries.

The Borrower has only the Subsidiaries set forth in Schedule 4.1. Except as set forth in Schedule 4.1, the shares of each corporate Subsidiary owned by the Borrower are duly authorized, validly issued, fully paid and nonassessable. The shares of each Subsidiary are owned free and clear of any Liens, except (i) Liens in favor of the Administrative Agent and the Lenders pursuant to the Collateral Documents and (ii) Permitted Liens.

4.2 Corporate Existence and Power.

The Borrower and each Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, has all requisite corporate power and authority to own its Property and to carry on its business as now conducted, and is in good standing and authorized to do business in each jurisdiction in which the failure to be so

authorized could reasonably be expected to have a Material Adverse Effect.

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4.3 Authority.

The Borrower and each other Loan Party has full power and authority to enter into, execute, deliver and carry out the terms of the Loan Documents to which it is a party, to make the borrowings contemplated hereby, to execute, deliver and carry out the terms of the Notes and to incur the obligations provided for herein and therein, all of which have been duly authorized by all proper and necessary action and are in full compliance with its certificate of incorporation and by-laws.

4.4 Governmental Authority Approvals.

No consent, authorizations or approval of, filing with, notice to, or exemption by, stockholders, any Governmental Authority or any other Person (except for those which have been obtained, made or given and those which will be obtained, made or given prior to the Restatement Effective Date) is required to authorize, or is required in connection with the execution, delivery and performance of the Loan Documents, or is required as a condition to the validity or, except as expressly set forth in the Collateral Documents with respect to the FCC, the enforceability of the Loan Documents. Except as set forth in the preceding sentence, no provision of any applicable statute, law (including, without limitation, any applicable usury or similar law), rule or regulation of any Governmental Authority will prevent the execution, delivery or performance of, or affect the validity of, the Loan Documents.

4.5 Binding Agreement.

The Loan Documents constitute the valid and legally binding obligations of the Borrower and each other Loan Party to which it is a party, enforceable in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally.

4.6 Litigation.

Except as set forth in Schedule 4.6, there are no actions, suits, arbitration proceedings or claims (whether or not purportedly on behalf of the Borrower or any Subsidiary) pending or, to the knowledge of the Borrower, threatened against the Borrower or any Subsidiary, or maintained by the Borrower or any Subsidiary, at law or in equity, before any Governmental Authority which could reasonably be expected to have a Material Adverse Effect. There are no proceedings pending or, to the knowledge of the Borrower, threatened against the Borrower or any Subsidiary which call into question the validity or enforceability of any of the Loan Documents.

4.7 No Conflicting Agreements.

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Except as set forth in Schedule 4.7, neither the Borrower nor any Subsidiary is in default under any mortgage, indenture, contract, agreement, judgment, decree or order to which it is a party or by which it or any of its Property is bound, which defaults, taken as a whole, could reasonably be expected to have a Material Adverse Effect. Except for any Lien created by any Loan Document, the execution, delivery or carrying out of the terms of the Loan Documents will not constitute a default under, conflict with, require any consent under (other than consents which have been obtained) or result in the creation or imposition of, or obligation to create, any Lien upon the Property of the Borrower or any Subsidiary pursuant to the terms of any such mortgage, indenture, contract, agreement, judgment, decree or order, which defaults, conflicts and consents, if not obtained, taken as a whole, could reasonably be expected to have a Material Adverse Effect.

4.8 Taxes.

Except as set forth in Schedule 4.8, the Borrower and each Subsidiary has filed or caused to be filed all tax returns required to be filed and has paid, or has made adequate provision for the payment of, all Taxes shown to be due and payable on said returns or in any assessments made against it which would be material to the Borrower or any Subsidiary, and no tax Liens (other than Permitted Liens) have been filed. Except as set forth in Schedule 4.8, the charges, accruals and reserves on the books of the Borrower and each Subsidiary with respect to all federal, state, local and other Taxes are, to the best knowledge of the Borrower, adequate, and the Borrower knows of no unpaid assessment which is due and payable against it or any Subsidiary or any claims being asserted which could reasonably be expected to have a Material Adverse

Effect, except such thereof as are being contested in good faith and by appropriate proceedings diligently conducted, and for which adequate reserves have been set aside in accordance with GAAP.

4.9 Compliance with Applicable Laws.

Neither the Borrower nor any Subsidiary is in default with respect to any judgment, order, writ, injunction, decree or decision of any Governmental Authority which default could reasonably be expected to have a Material Adverse Effect. The Borrower and each Subsidiary is complying in all material respects with all applicable statutes and regulations, including ERISA, of all Governmental Authorities, a violation of which could reasonably be expected to have a Material Adverse Effect.

4.10 Governmental Regulations.

Neither the Borrower nor any Subsidiary is subject to regulation under the Public Utility Holding Company Borrower Act of 1935, the Federal Power Act or the Investment Company Act of 1940, and neither the Borrower nor any Subsidiary is subject to any statute or regulation which prohibits or restricts the incurrence of Indebtedness

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under the Loan Documents, including, without limitation, statutes or regulations relative to common or contract carriers or to the sale of electricity, gas, steam, water, telephone, telegraph or other public utility services.

4.11 Property; Broadcasting Business.

(a) The Borrower and each Subsidiary has good and, except with respect to FCC licenses which cannot be transferred without the consent of the applicable Governmental Authority, marketable title to all of its Property, title to which is material to the Borrower and the Subsidiaries taken as a whole, subject to no Liens, except Liens in favor of the Administrative Agent and the Lenders pursuant to the Collateral Documents and Permitted Liens.

(b) The Borrower and the Subsidiaries are the registered holders of all licenses duly issued by the FCC in respect of all Broadcasting Stations owned and operated by the Borrower and each Subsidiary. Such licenses constitute all of the authorizations by the FCC or any other Governmental Authority necessary for the operation of the business of the Borrower and each Subsidiary substantially in the manner presently being conducted by it, and such licenses are validly issued and in full force and effect, unimpaired by any act or omission by the Borrower or such Subsidiary. To the best of the Borrower's knowledge, except as set forth in Schedule 4.11(b), neither the Borrower nor any Subsidiary is a party to any investigation, notice of violation, order or complaint issued by or before the FCC which could reasonably be expected to have a Material Adverse Effect. Except for such proceedings that affect the radio broadcasting industry generally and as set forth in Schedule 4.11(b), there are no proceedings by or before the FCC, which could in any manner materially threaten or adversely affect the validity of any of such licenses. Neither the Borrower nor any Subsidiary has knowledge of a threat of any investigation, notice of violation, order, complaint or proceeding before the FCC which could reasonably be expected to have a Material Adverse Effect or has any reason to believe that any of such licenses will not be renewed in the ordinary course.

4.12 Federal Reserve Regulations; Use of Proceeds.

Neither the Borrower nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No part of the proceeds of the Loans or Letters of Credit will be used, directly or indirectly, to purchase or carry any Margin Stock or for a purpose which violates any law, rule or regulation of any Governmental Authority, including without limitation the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System, as amended.

4.13 No Misrepresentation.

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No representation or warranty contained herein and no certificate or report furnished or to be furnished by the Borrower or any Subsidiary in connection with the transactions contemplated hereby, contains or will contain a misstatement of material fact, or, to the best knowledge of the Borrower or any Subsidiary omits or will omit to state a material fact required to be stated in order to make the statements herein or therein contained not misleading in the light of the circumstances under which made.

4.14 Plans.

The Borrower and each Subsidiary have only the Plans listed in Schedule 4.14. Each Single Employer Plan and, to the best knowledge of the Borrower, each Multiemployer Plan is in compliance in all material respects with the applicable provisions of ERISA and the Code, and the Borrower and each Subsidiary have filed all reports required to be filed by them under ERISA and the Code with respect to each such Plan. The Borrower and each Subsidiary have met all material requirements imposed by ERISA and the Code with respect to the funding of all Plans, including Multiemployer Plans. Since the effective date of ERISA, there have not been, nor are there now existing, any events or conditions which would permit any Single Employer Plan or, to the best knowledge of the Borrower, Multiemployer Plan to be terminated under circumstances which would cause the Lien provided under Section 4068 of ERISA to attach to the Property of the Borrower or any Subsidiary. Since the effective date of ERISA, no Reportable Event which may constitute grounds for the termination of any Single Employer Plan or, to the best knowledge of the Borrower, Multiemployer Plan under Title IV of ERISA has occurred and no Single Employer Plan or Multiemployer Plan has been terminated in whole or in part.

4.15 FCC Matters.

The Borrower and each Subsidiary (i) have duly and timely filed all filings which are required to be filed by the Borrower and each Subsidiary under the Communications Act and the rules and regulations of the FCC, the failure to file of which could reasonably be expected to have a Material Adverse Effect, and (ii) are in all respects in compliance with the Communications Act, including, without limitation, the rules and regulations of the FCC relating to the transmission of radio signals, the failure to comply of which could reasonably be expected to have a Material Adverse Effect.

4.16 Burdensome Obligations.

Neither the Borrower nor any Subsidiary is a party to or bound by any franchise, agreement, deed, lease or other instrument, or subject to any corporate restriction which, in the opinion of the management of the Borrower, is so unusual or burdensome, in the context of the Borrower's or such Subsidiary's business, as in the foreseeable future could reasonably be expected to have a Material Adverse Effect. The

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Borrower does not presently anticipate that future expenditures needed to meet the provisions of federal or state statutes, orders, rules or regulations will be so burdensome as to have a Material Adverse Effect.

4.17 Financial Statements.

The Borrower has heretofore delivered to the Lenders a copy of (i) the annual audited Consolidated (and unaudited Consolidating) Balance Sheets of the Borrower and its Subsidiaries as of December 31, 1998, together with the related Consolidated and Consolidating Statements of Operations, Shareholders' Equity and Cash Flows for the period then ended, and (ii) the unaudited Consolidated and Consolidating Balance Sheets of the Borrower and its Subsidiaries as of March 31, 1999, together with the related Consolidated and Consolidating Statements of Operations for the periods then ended. The foregoing financial statements fairly present the Consolidated and Consolidating financial condition and results in the operations of the Borrower and its Subsidiaries as of the dates and for the periods indicated therein and have been prepared in conformity with GAAP. Except as reflected in such financial statements or in the footnotes thereto, neither the Borrower nor any of its Subsidiaries has any obligation or liability of any kind (whether fixed, accrued, contingent, unmatured or otherwise) which, in accordance with GAAP, should have been shown on such financial statements and was not. Since December 31, 1998, the Borrower and its Subsidiaries have conducted their business only in the ordinary course (except with respect to the acquisitions of Media Assets permitted by the terms hereof and except as set forth in the March 31, 1999 financial statements referred to above), and there has been no Material Adverse Change.

4.18 Environmental Matters.

Except as set forth in Schedule 4.18, neither the Borrower nor any Subsidiary (i) has received written notice or otherwise learned of any claim, demand, action, event, condition, report or investigation indicating or concerning any potential or actual liability which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect arising in connection with (a) any noncompliance with or violation of the requirements of any Environmental Law, or (b) the release or threatened release of any toxic or hazardous waste, substance or constituent, or other substance into the environment, (ii) to the best knowledge of the Borrower, has any threatened or actual liability in connection with the release or threatened release of any toxic or hazardous waste, substance or constituent, or other substance into the environment which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, (iii) has received notice of any federal or

state investigation evaluating whether any remedial action is needed to respond to a release or threatened release of any toxic or hazardous waste, substance or constituent or other substance into the environment for which the Borrower or any Subsidiary is or may be liable which individually or in the

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aggregate could reasonably be expected to have a Material Adverse Effect, or (iv) has received notice that the Borrower or any Subsidiary is or may be liable to any Person under any Environmental Law which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect. The Borrower and each Subsidiary is in compliance in all material respects with the financial responsibility requirements of all Environmental Laws to the extent applicable, including, without limitation, those contained in 40 C.F.R., parts 264 and 265, subpart H, and any analogous state law.

4.19 Year 2000.

Any reprogramming required to permit the proper functioning, in and following the year 2000, of (i) the computer systems of the Borrower and the Subsidiaries necessary for the conduct of the business of the Borrower and the Subsidiaries as a whole and (ii) the equipment of the Borrower and the Subsidiaries necessary for the conduct of the business of the Borrower and the Subsidiaries as a whole containing embedded microchips (including systems and equipment supplied by others or with which the Borrower's or the Subsidiaries' systems interact) and the testing of all such systems and equipment, as so reprogrammed, will be completed by August 31, 1999. The cost to the Borrower and the Subsidiaries of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to the Borrower and the Subsidiaries will not result in a Default or a Material Adverse Effect. Except for such of the reprogramming referred to in the preceding sentence as may be necessary, the computer and management information systems of the Borrower and the Subsidiaries are and, with ordinary course upgrading and maintenance, will continue for the term of this Agreement to be, sufficient to permit the Borrower and the Subsidiaries to conduct their business without Material Adverse Effect.

5. CONDITIONS OF EFFECTIVENESS AND LENDING

5.1 Effectiveness.

The effectiveness of this Agreement is subject to the prior or simultaneous fulfillment of the following conditions precedent:

(a) Evidence of Corporate or Other Action. The Administrative Agent shall have received a certificate, dated the Restatement Effective Date, of the Secretary or an Assistant Secretary of each Loan Party (i) attaching a true and complete copy of the resolutions of its Board of Directors or other authorizing documents and of all documents evidencing all necessary corporate or other action (in form and substance reasonably satisfactory to the Administrative Agent) taken by it to authorize the Loan Documents to which it is a party and the transactions contemplated thereby, (ii) attaching a true and complete copy of its certificate of incorporation and by-laws or other

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organizational documents, (iii) setting forth the incumbency of its officer or officers who may sign such Loan Documents, including therein a signature specimen of such officer or officers and (iv) attaching a certificate of good standing, if available, of the Secretary of State of the State of its incorporation or formation and of each other State in which it is qualified to do business.

(b) Notes. The Borrower shall have delivered to the Administrative Agent the Notes, each duly executed on behalf of the Borrower by an Authorized Signatory thereof.

(c) No Liens. The Administrative Agent shall have received a certificate of the Borrower, signed by an Authorized Signatory thereof, dated the Restatement Effective Date, certifying that on the Restatement Effective Date there exist no Liens on the Collateral other than Permitted Liens.

(d) Subsidiary Guaranty and Borrower Security Agreement. The Borrower shall have delivered to the Administrative Agent (i) the Subsidiary Guaranty, dated as of the Restatement Effective Date, duly executed on behalf of each Subsidiary by an Authorized Signatory thereof, (ii) the Borrower Security Agreement, dated as of the Restatement Effective Date, duly executed on behalf of the Borrower by an Authorized Signatory thereof, (iii) one or more share certificates, representing all of the issued and outstanding Stock of each of the Subsidiaries, together with undated stock powers, duly executed in blank on behalf of the Borrower by an Authorized Signatory thereof and bearing an

appropriate signature guarantee in all respects satisfactory to the Administrative Agent, in respect of each such certificate, (iv) all documents evidencing intercompany Indebtedness owing to the Borrower or any Subsidiary, and (v) certificates of insurance in all respects satisfactory to the Administrative Agent evidencing the insurance required to be maintained pursuant to Section 7.5(b).

(e) Filing of Financing Statements. The Borrower shall have executed and delivered to the Administrative Agent such financing statements, recordations and other documents with respect to the Collateral Documents as the Administrative Agent or Special Counsel may request for the purpose of perfecting the Liens granted thereunder. All filing fees and Taxes in connection with the filing of the Collateral Documents shall have been paid or otherwise provided for and the Administrative Agent and Special Counsel shall have received satisfactory evidence thereof.

(f) Existing RC Loans. The Borrower shall have repaid (i) the outstanding principal amount of all RC Loans under the Original Credit Agreement (together with any costs associated with the prepayment of Eurodollar Loans pursuant to the provisions of Section 2.9), and (ii) all accrued interest and fees under the Original Credit Agreement, as such amounts exist immediately prior to the effectiveness of this Agreement. To the extent the Borrower borrows RC Loans hereunder (simultaneously

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with the effectiveness of this Agreement) to make any of the payments required by the previous sentence, the Administrative Agent is authorized to net any funds payable by or to the Lenders as applicable.

(g) Common Equity Issuance. (i) The Borrower shall have issued common Stock, on terms and provisions acceptable to the Administrative Agent and the Lenders (the "Common Equity Issuance"), (ii) the Borrower shall have received net cash proceeds from the Common Equity Issuance in an amount equal to or greater than \$100 million, and (iii) the Borrower shall have delivered to the Administrative Agent a certificate of an Authorized Signatory of the Borrower, dated the Restatement Effective Date, certifying as to the amount of net cash proceeds that the Borrower received from the Common Equity Issuance.

(h) Approvals. The Administrative Agent shall have received evidence reasonably satisfactory to it that all approvals and consents of all Persons required to be obtained in connection with the consummation of the transactions contemplated by the Loan Documents have been obtained and that all required notices have been given and all required waiting periods have expired.

(i) Litigation. There shall be no injunction, writ, preliminary restraining order or other order of any nature issued by any Governmental Authority in any respect affecting any Loan Document, or any transaction contemplated by the Loan Documents and no action or proceeding by or before any Governmental Authority shall have been commenced and be pending seeking to prevent or delay any of the foregoing or challenging any term or provision thereof or seeking any damages in connection therewith, and the Administrative Agent shall have received a certificate, dated the Restatement Effective Date and in all respects reasonably satisfactory to the Administrative Agent, of an Authorized Signatory of the Borrower to the foregoing effect.

(j) Opinion of Counsel to the Borrower and the Subsidiaries. The Administrative Agent shall have received opinions of counsel to the Borrower and its Subsidiaries, dated the first Borrowing Date, substantially in the form of Exhibit E.

(k) Opinion of FCC Counsel to the Borrower and the Subsidiaries. The Administrative Agent shall have received opinions of special FCC counsel to the Borrower and its Subsidiaries, dated the first Borrowing Date, substantially in the form of Exhibit F.

(l) Payment of Fees. The Borrower shall have paid to the Administrative Agent and the Lenders all fees and expenses which it shall have agreed to pay, to the extent such fees and expenses have become payable on or prior to the

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Restatement Effective Date, and shall have paid the reasonable fees and disbursements of Special Counsel.

(m) Financial Statements and Financial Projections. The Borrower shall have delivered to the Administrative Agent and the Lenders the financial statements referred to in Section 4.17 together with such projections and other information as the Administrative Agent and the Lenders shall

reasonably require, all of which shall be in all material respects satisfactory to the Administrative Agent and the Lenders.

(n) Subordinated Indenture and Subordinated Indenture Subsidiary Guaranty. The Administrative Agent shall have received a copy of the Subordinated Indenture and Subordinated Indenture Subsidiary Guaranty duly certified by an Authorized Signatory of the Borrower as a true and complete copy thereof.

(o) Other Documents. The Administrative Agent shall have received such other documents as the Administrative Agent shall reasonably require in connection with the effectiveness of this Agreement.

5.2 All Loans and Letters of Credit.

The obligation of the Lenders to make any Loan on a Borrowing Date, and the obligation of the Issuing Bank to issue a Letter of Credit on a Borrowing Date, is subject to the satisfaction of the following conditions precedent as of the date of such Loan or Letter of Credit:

(a) Compliance. On each Borrowing Date and after giving effect to the Loans or Letter of Credit to be made or issued thereon, (i) the Loan Parties shall be in compliance with all of the terms, covenants and conditions of the Loan Documents, (ii) there shall exist no Default or Event of Default, (iii) the representations and warranties contained in the Loan Documents shall be true and correct with the same effect as though such representations and warranties had been made on such Borrowing Date, except as the context otherwise requires, except as otherwise permitted or contemplated by this Agreement, and except such matters relating thereto as are indicated in each Borrowing Request which shall be reasonably satisfactory to the Administrative Agent and the Required Lenders, and (iv) there shall have occurred no Material Adverse Change since December 31, 1998. Each borrowing by the Borrower and each issuance of a Letter of Credit shall constitute a certification by the Borrower as of the date of such borrowing or issuance that each of the foregoing matters is true and correct in all respects.

(b) Loan Closings. All documents required by the provisions of this Agreement to be executed or delivered to the Administrative Agent on or before the applicable Borrowing Date shall have been executed and shall have been delivered at the

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office of the Administrative Agent set forth in Section 11.2 on or before such Borrowing Date.

(c) Borrowing Request or Letter of Credit Request. The Administrative Agent shall have received a Borrowing Request or a Letter of Credit Request, as applicable, duly executed by an Authorized Signatory of the Borrower.

(d) Reimbursement Agreement. In connection with any Letter of Credit Request, the Issuing Bank shall have received a Reimbursement Agreement duly executed by an Authorized Signatory of the Borrower.

(e) Approval of Counsel. All legal matters in connection with the making of each Loan or issuance of such Letter of Credit shall be reasonably satisfactory to Special Counsel.

(f) Other Documents. The Administrative Agent shall have received such other documents as the Administrative Agent shall reasonably request.

6. FINANCIAL COVENANTS

The Borrower covenants and agrees that on and after the Original Effective Date and until all obligations of the Borrower under the Notes and the other Loan Documents have been paid in full and all RC Commitments of the Lenders have been terminated and no obligations of the Administrative Agent, the Issuing Bank or any of the Lenders exist under any of the Loan Documents, the Borrower shall:

6.1 Total Leverage Ratio.

Maintain at all times a Total Leverage Ratio not greater than the applicable ratio set forth below opposite the applicable period set forth below:

<TABLE>
<CAPTION>

Periods	Ratio
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<C>

Restatement Effective Date through December 31, 2000	6.00:1.00
January 1, 2001 through June 30, 2001	5.75:1.00
July 1, 2001 through December 31, 2001	5.50:1.00

</TABLE>

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<TABLE>
<CAPTION>

Periods -----	Ratio -----
January 1, 2002 through June 30, 2002	5.25:1.00
July 1, 2002 through December 31, 2002	5.00:1.00
January 1, 2003 through December 31, 2003	4.50:1.00
January 1, 2004 and thereafter	4.00:1.00

</TABLE>

6.2 Consolidated Annual Operating Cash Flow to Pro-Forma Debt Service.

Maintain as at the end of each fiscal quarter a ratio of Consolidated Annual Operating Cash Flow to Pro-Forma Debt Service not less than 1.10:1.00.

6.3 Consolidated Annual Operating Cash Flow to Interest Expense.

Maintain as at the end of each fiscal quarter during the applicable periods set forth below a ratio of Consolidated Annual Operating Cash Flow to Interest Expense not less than the ratio set forth below opposite the applicable period set forth below:

<TABLE>
<CAPTION>

Periods -----	Ratio -----
Restatement Effective Date through June 29, 2001	1.75:1.00
June 30, 2001 through June 29, 2002	2.00:1.00
June 30, 2002 through June 29, 2003	2.25:1.00
June 30, 2003 and thereafter	2.50:1.00

</TABLE>

6.4 Consolidated Annual Operating Cash Flow to Fixed Charges.

Maintain as at the end of each fiscal quarter a ratio of Consolidated Annual Operating Cash Flow to Fixed Charges not less than 1.10:1.00.

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7. AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that on and after the Original Effective Date and until all obligations of the Borrower under the Notes and the other Loan Documents have been paid in full and all RC Commitments have been terminated and no obligations of the Administrative Agent, the Issuing Bank or any of the Lenders exist under any of the Loan Documents, the Borrower shall:

7.1 Financial Statements.

Maintain, and cause each Subsidiary to maintain, a standard system of accounting in accordance with GAAP, and furnish or cause to be furnished to the Administrative Agent and each Lender:

(a) As soon as available, but in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the Consolidated and Consolidating Balance Sheets of the Borrower and its Subsidiaries as at the end of such fiscal year, together with the related Consolidated Statements of Shareholders' Equity and Cash Flows and Consolidated and Consolidating Statements of Operations as of and through the end of such fiscal year, setting forth in each case, in comparative form, the Consolidated and Consolidating figures for the preceding fiscal year. The Consolidated Balance Sheet and Statements of Operations, Shareholders' Equity and Cash Flows shall be certified without qualification by the Accountants, which certification (i) shall state that the examination by such Accountants in connection with such Consolidated financial statements has been made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances, (ii) shall include the opinion of such Accountants that such Consolidated financial statements have been prepared in accordance with GAAP in a manner consistent with prior fiscal periods, except as otherwise specified in such opinion.

(b) Simultaneously with the delivery of the certified Consolidated financial statements required by clause (a) above, copies of a certificate of such Accountants stating that, in making the examination necessary for their audit of such financial statements for such fiscal year, nothing came to their attention of an accounting nature that caused them to believe that the Borrower was not in compliance with the terms, covenants, provisions, or conditions of this Agreement, including, without limitation, Sections 6.1, 6.2, 6.3 and 6.4, or, if so, specifying in such certificate all such instances of noncompliance and the nature and status thereof.

(c) As soon as available, but in any event not later than 60 days after the end of each of the first three quarterly accounting periods in each fiscal year of the Borrower, a copy of the Consolidated and Consolidating Balance Sheets of the Borrower

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and its Subsidiaries as at the end of each such quarterly period, together with the related Consolidated and Consolidating Statements of Operations, for such period and for the elapsed portion of the fiscal year through such date, setting forth in each case, in comparative form, the Consolidated and Consolidating figures for the corresponding periods of the preceding fiscal year, certified by the Chief Financial Officer of the Borrower (or such other officer acceptable to the Administrative Agent), as being complete and correct in all material respects and as presenting fairly the Consolidated and Consolidating financial condition and the results of operations of each of the Borrower and its Subsidiaries, subject to normal, non-material year-end adjustments.

(d) Within 60 days after the end of each of the first three fiscal quarters (120 days after the end of the fourth fiscal quarter) of the Borrower, a Compliance Certificate as at the end of such fiscal quarter, certified by the Chief Financial Officer of the Borrower (or such other officer as shall be acceptable to the Administrative Agent).

(e) Concurrently with the delivery of the financial statements referred to in Sections 7.1(a) and (c), a profile of each Media Asset, which shall include, but not be limited to, the call letters and location of each Broadcasting Station and management's estimate of the fair market value of each Media Asset and a management's discussion and analysis of such financial statements, including a summary of all acquisitions and dispositions of Media Assets and acquisitions of real property that occurred during the period covered by such financial statements, which shall include a schedule of the consideration paid in each acquisition and the cash received in each disposition.

(f) Within 30 days after the beginning of each fiscal year, an annual Consolidated and Consolidating forecast for the Borrower and its Subsidiaries for such fiscal year and the following two fiscal years, including projected Consolidated and Consolidating statements of income of the Borrower and its Subsidiaries, all in reasonable detail acceptable to the Administrative Agent; (ii) promptly upon preparation thereof, such other forecasts that the Borrower or any of its Subsidiaries may prepare and any revisions that may be made to any forecast previously delivered to the Lenders; and (iii) no later than 30 days after the end of each fiscal quarter in which there has been a material deviation from a forecast provided to the Lenders, a certificate of an Authorized Signatory explaining the deviation and the action, if any, that has been taken or is proposed to be taken with respect thereto; in each case the foregoing forecasts shall state all underlying assumptions.

Furnish to the Administrative Agent and each Lender:

(a) Prompt written notice if: (i) any Indebtedness of the Borrower or any Subsidiary is declared or shall become due and payable prior to its stated maturity, or

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called and not paid when due, (ii) a default shall have occurred under any note (other than the Notes) or the holder of any such note, or other evidence of Indebtedness, certificate or security evidencing any such Indebtedness or any obligee with respect to any other Indebtedness of the Borrower or any Subsidiary has the right to declare any such Indebtedness due and payable prior to its stated maturity as a result of such default, or (iii) there shall occur and be continuing a Default or an Event of Default;

(b) Prompt written notice of: (i) any citation, summons, subpoena, order to show cause or other order naming the Borrower or any Subsidiary a party to any proceeding before any Governmental Authority which might have a Material Adverse Effect or which call into question the validity or enforceability of any of the Loan Documents and include with such notice a copy of such citation, summons, subpoena, order to show cause or other order, (ii) the commencement or threat of any action, suit, arbitration proceeding or claim by, on behalf of or against the Borrower or any Subsidiary, at law or in equity, before any Governmental Authority, which could reasonably be expected to have a Material Adverse Effect, (iii) any lapse or other termination of any material license, permit, franchise or other authorization issued to the Borrower or any Subsidiary by any Governmental Authority which could reasonably be expected to have a Material Adverse Effect, (iv) any refusal by any Governmental Authority to renew or extend any such material license, permit, franchise or other authorization which could reasonably be expected to have a Material Adverse Effect, and (v) any dispute between the Borrower or any Subsidiary and any Governmental Authority, which dispute might have a material adverse effect on any Media Asset or a Material Adverse Effect;

(c) Promptly upon becoming available, copies of all regular, periodic or special reports, schedules and other material that the Borrower or any Subsidiary may now or hereafter be required to file with or deliver to any securities exchange or the Securities and Exchange Commission, or any other Governmental Authority succeeding to the functions thereof;

(d) Prompt written notice in the event that (i) the Borrower or any Commonly Controlled Entity shall receive notice from the Internal Revenue Service or the Department of Labor that the Borrower or such Commonly Controlled Entity shall have failed to meet the minimum funding requirements of Section 412 of the Code with respect to a Plan, if applicable, and include therewith a copy of such notice, or (ii) the Borrower or any Commonly Controlled Entity gives or is required to give notice to the PBGC of any Reportable Event with respect to a Plan, or knows that the plan administrator of a Plan has given or is required to give notice of any such Reportable Event;

(e) With respect to a Single Employer Plan of the Borrower or any Commonly Controlled Entity, copies of any request for a waiver of the funding standards

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or any extension of the amortization periods required by Sections 303 and 304 of ERISA or Section 412 of the Code promptly after any such request is submitted to the Department of Labor or the Internal Revenue Service, as the case may be;

(f) Promptly after the filing thereof, a copy of the annual report required to be filed pursuant to Section 103 of ERISA in connection with each Single Employer Plan of the Borrower and each Commonly Controlled Entity for each plan year, including (i) a statement of the assets and liabilities of such Plan as of the end of such plan year and statements of changes in fund balance and in financial position, or a statement of changes in net assets available for plan benefits, for such plan year, certified by the Accountants and (ii) an actuarial statement of such Plan applicable to such plan year, certified by an enrolled actuary of recognized standing reasonably acceptable to the Administrative Agent and the Required Lenders;

(g) Promptly upon request therefor, such other information and reports relating to the past, present or future financial condition, operations, plans and projections of the Borrower or its Subsidiaries as the Administrative Agent or any other Lender (through the Administrative Agent) may at any time and from time to time reasonably request;

(h) Promptly after the same are received by the Borrower, copies of all management letters and similar reports provided to the Borrower or

any Subsidiary by its independent certified public accountants;

(i) Prompt written notice of any material change in the accounting policies or financial reporting practices of the Borrower or any of its Subsidiaries; and

(j) Prompt written notice of the occurrence of a Material Adverse Change or the occurrence of any event or facts or circumstances which are reasonably likely to result in a Material Adverse Change.

7.3 Legal Existence.

Except as otherwise permitted by Sections 8.3 and 8.7, maintain, and cause each Subsidiary to maintain, its corporate existence, and maintain its good standing in the jurisdiction of its incorporation or organization and in each other jurisdiction in which the failure so to do could reasonably be expected to have a Material Adverse Effect.

7.4 Taxes.

Pay and discharge when due, and cause each Subsidiary so to do, all Taxes, assessments and governmental charges, license fees and levies upon or with respect to the Borrower or such Subsidiary and upon the income, profits and Property of

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the Borrower and the Subsidiaries taken as a whole, which if unpaid, could reasonably be expected to have a Material Adverse Effect or become a Lien on the Property of the Borrower or any Subsidiary not permitted under Section 8.2, unless and to the extent only that such Taxes, assessments, charges, license fees and levies shall be contested in good faith and by appropriate proceedings diligently conducted by the Borrower or such Subsidiary and provided that the Borrower shall give the Administrative Agent prompt notice of such contest and that such reserve or other appropriate provision as shall be required by the Accountants in accordance with GAAP shall have been made therefor.

7.5 Insurance and Condemnation.

(a) Liability Insurance. Maintain, and cause each Subsidiary to maintain, insurance with financially sound insurance carriers on such of its Property, against at least such risks, and in at least such amounts, as are customarily insured against by similar businesses and which, in the case of property insurance, shall be in amounts sufficient to prevent the Borrower or any Subsidiary from becoming a co-insurer, including, without limitation, public liability (bodily injury and property damage), fidelity, bonding and workers' compensation with deductibles not exceeding \$25,000 per occurrence, in each case naming the Administrative Agent as an additional insured under such policies, and file with the Administrative Agent within five days after request therefor a detailed list of such insurance then in effect, stating the names of the carriers thereof, the policy numbers, the insureds thereunder, the amounts of insurance, dates of expiration thereof, and the Property and risks covered thereby, together with a certificate of an Authorized Signatory certifying that in the opinion of such officer such insurance is adequate in nature and amount, complies with the obligations of the Borrower under this Section 7.5, and is in full force and effect.

(b) Property Insurance. Maintain such property and other insurance as is customarily maintained by companies engaged in similar businesses with deductibles not exceeding \$25,000 per occurrence. Promptly upon request therefor, the Borrower shall deliver or cause to be delivered to the Administrative Agent originals or duplicate originals of all such policies of insurance. All such property insurance shall name the Administrative Agent, under a standard loss payable clause, as sole loss payee in respect of each claim resulting in a payment under any such insurance policy exceeding \$500,000 and shall contain such endorsements as the Administrative Agent shall require. Provided that no Default or Event of Default shall exist, the Administrative Agent agrees, promptly upon its receipt thereof, to pay over to the Borrower the proceeds of any such payment received by the Administrative Agent in its capacity as Administrative Agent hereunder. The RC Commitments shall be reduced by an amount equal to any such insurance proceeds not used by the Borrower or any of its Subsidiaries within 360 days to repair or replace any Property in respect of which it received property insurance proceeds. If a Default or Event of Default shall exist, the Borrower, at the request of the Administrative Agent, shall prepay the Loans with such proceeds in an amount equal to the total amount

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of such insurance payment and the RC Commitments shall simultaneously be reduced by an amount equal to such prepayment.

(c) Condemnation Awards. If a Default or Event of Default shall exist and the Borrower or any of its Subsidiaries shall receive the proceeds of any condemnation or similar awards, the Borrower shall pay over the proceeds thereof to the Administrative Agent and, at the election of the Administrative Agent, such proceeds shall be applied to the prepayment of the Loans in an amount equal to the total amount of such proceeds. The RC Commitments shall be reduced by an amount equal to any such proceeds not used by the Borrower or any of its Subsidiaries within 360 days to repair or replace any Property in respect of which it received a condemnation or similar award.

7.6 Payment of Indebtedness and Performance of Obligations.

Pay and discharge, and cause each Subsidiary to pay and discharge, when due all lawful Indebtedness, obligations and claims for labor, materials and supplies or otherwise which, if unpaid, might (i) have a Material Adverse Effect, or (ii) become a Lien upon Property of the Borrower or any Subsidiary not permitted under Section 8.2, unless and to the extent only that the validity of such Indebtedness (other than Indebtedness under the Loan Documents), obligation or claim shall be contested in good faith and by appropriate proceedings diligently conducted by the Borrower or such Subsidiary, and that any such contested Indebtedness, obligations or claims shall not constitute, or create, a Lien on any Property of the Borrower or any Subsidiary not permitted under Section 8.2 senior to the Lien granted to the Administrative Agent by the Collateral Documents on such Property, and further provided that the Borrower shall give the Administrative Agent and the Lenders prompt notice of any such material contest and that such reserve or other appropriate provision as shall be required by the Accountants in accordance with GAAP shall have been made therefor.

7.7 Condition of Property.

At all times, maintain, protect and keep in good repair, working order and condition (ordinary wear and tear excepted), and cause each Subsidiary so to do, all Property necessary to the operation of the Borrower's or such Subsidiary's business.

7.8 Observance of Legal Requirements; ERISA; Environmental Laws.

Observe and comply in all respects, and cause each Subsidiary so to do, with all laws (including ERISA and Environmental Laws), ordinances, orders, judgments, rules, regulations, certifications, franchises, permits, licenses, directions and requirements of all Governmental Authorities, which now or at any time hereafter may be applicable to the Borrower or such Subsidiary, a violation of which could reasonably be expected to have a Material Adverse Effect, except such thereof as shall be contested in good faith

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and by appropriate proceedings diligently conducted by the Borrower or such Subsidiary, and provided that the Borrower shall give the Administrative Agent and the Lenders prompt notice of such contest and that such reserve or other appropriate provision as shall be required by the Accountants in accordance with GAAP shall have been made therefor.

7.9 Inspection of Property; Books and Records; Discussions.

Keep proper books of record and account in which full, true and correct entries in conformity with GAAP and all requirements of law shall be made of all dealings and transactions in relation to its business and activities; and permit representatives of the Administrative Agent and each Lender, or potential assignees and/or participants of the Administrative Agent or any Lender, to visit the offices of the Borrower and the Subsidiaries on reasonable advance notice, to inspect any of its Property and examine and make copies or abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired, and to discuss the business, operations, prospects, licenses, Property and financial condition of the Borrower and the Subsidiaries with the officers thereof and with the Accountants.

7.10 FCC Licenses, Etc.

Maintain and cause each Subsidiary to maintain, in full force and effect, each main station license issued by the FCC to it for each Broadcasting Station. The Borrower shall also maintain and cause each Subsidiary to maintain, in full force and effect, all other material licenses (including, without limitation, all material auxiliary licenses issued by the FCC), copyrights, patents, including all licenses, permits, applications, reports, authorizations and other rights as are necessary for the conduct of its business, except to the extent that such ownership or right to use shall terminate as a matter of law or expire as a matter of contractual right through no action or default by the Borrower or any Subsidiary.

7.11 Subsidiary Guaranty.

Promptly upon the creation or acquisition of any Subsidiary, cause such Subsidiary to execute and deliver to the Administrative Agent a supplement to the Subsidiary Guaranty in the form attached thereto, together with such other documents and opinions of counsel as the Administrative Agent shall reasonably require in connection therewith.

7.12 Mortgages.

Promptly upon the acquisition by the Borrower or any Subsidiary of any real property on or after the Restatement Effective Date having a fair market value at the time of acquisition of (i) \$2,000,000 or more or (ii) \$1,000,000 or more (but less than

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\$2,000,000) if in the case of this clause (ii) the aggregate fair market value at the time of acquisition of all such real property acquired by the Borrower and the Subsidiaries on or after the Restatement Effective Date in respect of which no mortgage or deed of trust has been executed and delivered to the Administrative Agent pursuant to this Section 7.12 shall exceed \$5,000,000, execute and deliver, and cause each Subsidiary so to do, a mortgage or deed of trust with respect to such real property in form and substance satisfactory to the Administrative Agent, together with such UCC financing statements, surveys, title insurance policies, environmental reports, opinions and other documents as the Administrative Agent shall reasonably request in connection therewith.

8. NEGATIVE COVENANTS

The Borrower covenants and agrees that on and after the Original Effective Date and until all obligations of the Borrower under Notes and the other Loan Documents have been paid in full and all RC Commitments have been terminated and no obligations of the Administrative Agent, the Issuing Bank or any of the Lenders exist under any of the Loan Documents, the Borrower shall not:

8.1 Borrowing.

Create, incur, assume or suffer to exist any liability for Indebtedness, or permit any Subsidiary so to do, except: (i) Indebtedness under the Loan Documents; (ii) Indebtedness (including Contingent Obligations) of the Borrower and the Subsidiaries existing on the date hereof as set forth in Schedule 8.1 and other Indebtedness of the Borrower in an aggregate outstanding principal amount for all such Indebtedness under this clause (ii) not in excess of \$25,000,000; (iii) Indebtedness of the Borrower and the Subsidiaries evidenced by the Subordinated Indenture Notes and Subordinated Indenture Subsidiary Guaranty; (iv) intercompany Indebtedness between the Borrower and its Subsidiaries; and (v) refinancings of any Indebtedness permitted under clause (ii) above with other Indebtedness permitted under clause (i) or (ii) above.

8.2 Liens.

Create, incur, assume or suffer to exist, or enter into any agreement with any third Person agreeing not to create, incur, assume or suffer to exist, any Lien upon any of its Property, whether now owned or hereafter acquired, or permit any Subsidiary so to do, except: (i) Liens for Taxes, assessments or similar charges incurred in the ordinary course of business which are not delinquent or which are being contested in accordance with Section 7.4, provided that such Liens are not senior (except to the extent provided by law) to the Liens granted to the Administrative Agent and the Lenders by the Collateral Documents, (ii) Liens in connection with workers' compensation, unemployment insurance or other social security obligations (but not ERISA), (iii)

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deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature arising in the ordinary course of business, (iv) zoning ordinances, easements and other similar restrictions affecting real property which could not reasonably be expected to have a Material Adverse Effect, (v) the Liens created under the Collateral Documents, (vi) statutory Liens arising by operation of law such as mechanics' liens incurred in the ordinary course of business which are not delinquent or which are being contested in accordance with Section 7.4, (vii) Liens arising out of judgments or decrees which are being contested in accordance with Section 7.4, provided that such Liens are subordinate to the Liens granted to the Administrative Agent and the Lenders by the Collateral Documents and provided further that enforcement of such Liens is stayed during such contest, (viii) Liens on Property of the Borrower and the Subsidiaries existing on the date hereof as set forth in Schedule 8.2, (ix) Liens in connection with the making of deposits in

accordance with Section 8.5(e) and (x) Liens in connection with Indebtedness permitted under Section 8.1(ii), provided that such Liens extend only to the Property acquired with such Indebtedness.

8.3 Merger or Acquisition of Property.

Consolidate with, be acquired by, or merge into or with any Person, or acquire all or substantially all of the Stock or Property of any Person, or permit any Subsidiary so to do, except:

(a) any wholly-owned Subsidiary may merge with the Borrower (with the Borrower as survivor) or with another wholly-owned Subsidiary;

(b) upon 30 days' notice to the Administrative Agent, the Borrower or any wholly-owned Subsidiary may acquire any Media Asset through an acquisition or merger (with the Borrower or such wholly-owned Subsidiary (or a Person that becomes a wholly-owned Subsidiary) as the survivor thereof), provided that (i) if immediately before or after giving effect to any such acquisition or merger the Total Leverage Ratio exceeds 5.50:1.00 (in such case, a "Leveraged Acquisition"), the aggregate gross consideration (including capital expenditures relating to such Leveraged Acquisition that are reasonably anticipated for the 12 month period following such Leveraged Acquisition) paid or payable for all Leveraged Acquisitions (including the Leveraged Acquisition then being contemplated) made during the period commencing on the Restatement Effective Date and ending through and including the date of the Leveraged Acquisition then being contemplated shall not exceed \$50,000,000, (ii) immediately before and after giving effect to any such proposed acquisition or merger, all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist, and (iii) the Borrower shall have received with respect to each such acquisition or merger a final order (subject to no appeal) from the FCC (in respect of the acquisition or merger of a Broadcasting Station) and all other

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similar material orders from all other applicable Governmental Authorities, with regard to the acquisition or merger, authorizing the applicable transactions, if required by applicable law, and the Administrative Agent shall have received true, complete and correct copies, certified by an Authorized Signatory of the Borrower, of all such orders;

(c) as permitted under Section 8.5; and

(d) the Common Ground Reorganization, provided that (i) immediately before and after giving effect to the Common Ground Reorganization, all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist, (ii) the Borrower shall have received with respect to the Common Ground Reorganization an order (subject to no pending contest or administrative review) from the FCC (in respect of each affected Broadcasting Station) and all other similar material orders from all other applicable Governmental Authorities, with regard to the Common Ground Reorganization, authorizing the applicable transactions, if required by applicable law, and the Administrative Agent shall have received true, complete and correct copies, certified by an Authorized Signatory of the Borrower, of all such orders, (iii) the Common Ground Collateral Release shall not have occurred more than five Business Days prior to the consummation of the Common Ground Reorganization, (iv) within five Business Days after the consummation of the Common Ground Reorganization, (A) Common Ground Broadcasting, Inc. and each Subsidiary that receives transferred assets and that is not then a party to the Subsidiary Guaranty shall become a party to the Subsidiary Guaranty, and (B) the Borrower and each Subsidiary that receives transferred assets shall grant a security interest pursuant to the Borrower Security Agreement or the Subsidiary Guaranty in and to all of the assets transferred to it, all in the manner required by this Section 8.3, and (v) the Common Ground Reorganization shall be consummated no later than 90 days following the Restatement Effective Date.

If the aggregate gross consideration for any such acquisition or merger permitted by Section 8.3(b) (including capital expenditures relating to such acquisition or merger that are reasonably anticipated for the 12 month period following such acquisition or merger) exceeds \$10,000,000, (i) the Borrower shall have delivered to the Administrative Agent and each Lender such details of such transaction as the Administrative Agent or any Lender (through the Administrative Agent) shall reasonably request, and (ii) the Borrower shall have delivered to the Administrative Agent a certificate of an Authorized Signatory of the Borrower certifying that (A) the Borrower is in pro-forma compliance with the terms, covenants, provisions, and conditions of this Agreement, including, without limitation, Sections 6.1, 6.2, 6.3 and 6.4 (and attaching calculations with respect to Sections 6.1, 6.2, 6.3 and 6.4), and (B) immediately before and after giving effect to any such acquisition or merger, all representations and warranties contained in the Loan Documents are true and correct and no Default or Event of Default exists.

If the aggregate gross consideration for any such acquisition or merger permitted by Section 8.3(b) (including capital expenditures relating to such acquisition or merger that are reasonably anticipated for the 12 month period following such acquisition or merger) exceeds \$20,000,000, the Borrower shall have delivered to the Administrative Agent and each Lender an independent appraisal of each Media Asset to be acquired, such appraisal to be in all respects satisfactory to the Administrative Agent.

Immediately upon the consummation of any acquisition or merger permitted under Section 8.3(b) or (d), (i) the Borrower shall have delivered to the Administrative Agent such UCC financing statements and other documents as the Administrative Agent shall reasonably require in order to grant to the Administrative Agent a first priority perfected security interest in the Stock and/or Property, as applicable, of such Media Asset under and pursuant to the Collateral Documents, subject to no Liens other than Permitted Liens, (ii) if the Borrower shall have created or acquired a Subsidiary in connection with such acquisition, such Subsidiary shall have become a party to the Subsidiary Guaranty and (iii) the Borrower shall have delivered to the Administrative Agent such opinions and other documents as the Administrative Agent shall reasonably require in connection therewith.

8.4 Dividends; Purchase of Stock.

Declare or pay any dividends payable in cash or otherwise or apply any of its Property to the purchase, redemption or other retirement of, or set apart any sum for the payment of any dividends on, or make any other distribution by reduction of capital or otherwise in respect of, any of its Stock (each a "Restricted Payment") or permit any Subsidiary so to do, except that:

(a) any wholly-owned Subsidiary may declare and pay dividends to the Borrower or any other wholly-owned Subsidiary from time to time.

8.5 Investments, Loans, Etc.

At any time, purchase or otherwise acquire, hold or invest in the Stock of, or any other interest in, any Person, or make any loan or advance (excluding deposits or pledges permitted under Section 8.2(iii)) to, or enter into any arrangement for the purpose of providing funds or credit to, or make any other investment, whether by way of capital contribution or otherwise, in or with any Person (all of which are sometimes referred to herein as "Investments"), or permit any Subsidiary so to do, except:

(a) Investments in short-term domestic and eurodollar certificates of deposit issued by any Lender, or any other commercial bank, trust company or national banking association incorporated under the laws of the United States or any State thereof and having undivided capital surplus and retained earnings exceeding \$500,000,000;

(b) Investments in short-term direct obligations of the United States of America or agencies thereof which obligations are guaranteed by the United States of America;

(c) Investments existing on the date hereof as set forth in Schedule 8.5(c);

(d) Investments to the extent the same are acquisitions permitted pursuant to Section 8.3;

(e) Investments by the Borrower in the form of deposits or options made in the ordinary course of business in connection with any proposed acquisition or acquisitions of Property permitted pursuant to the terms of this Agreement;

(f) loans and advances to employees for travel and relocation purposes; and

(g) loans and advances to employees for other valid business purposes that do not exceed \$100,000 in the aggregate at any one time outstanding;

(h) intercompany Indebtedness permitted pursuant to Section 8.1(iv);

(i) commercial paper or other short term obligations of any corporation organized under the laws of the United States or any State thereof

whose ratings, at the time of the investment or contractual commitment to invest therein, from each of Moody's and S & P are the highest investment category granted thereby;

(j) investments in money market funds having a rating from each of Moody's and S & P in the highest investment category granted thereby;

(k) bankers acceptances issued by any commercial bank, trust company or national banking association referred to in subsection (a) above;

(l) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States or any agency or instrumentality thereof the obligations of which are backed by the full faith and credit of the United States, in either case entered into with a commercial bank, trust company or national banking association (acting as principal) referred to in subsection (a) above; and

(m) repurchase obligations with respect to any security or whole loan entered into with (i) a commercial bank, trust company or national banking association (acting as principal) described in subsection (a) above, (ii) a broker/dealer (acting as principal) registered as a broker or dealer under Section 15 of the Exchange Act the unsecured short-term debt obligations of which are rated P-1 by Moody's and at least A-1

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by S & P at the time of entering into such repurchase obligation, (iii) an unrated broker/dealer, acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated P-1 by Moody's and at least A-1 by S & P at the time of purchase.

8.6 Business Changes.

Engage in any material line of business substantially different from those lines of business carried on as of the Restatement Effective Date, or permit any Subsidiary so to do.

8.7 Sale of Property.

Sell, exchange, lease, transfer or otherwise dispose of any Property to any Person, or permit any Subsidiary so to do, except as permitted in connection with the Common Ground Reorganization pursuant to the terms and conditions of Section 8.3 and except for sales, exchanges, leases, transfers or other dispositions made in the ordinary course of business (which shall not include the sale or other disposition of all or substantially all of the Stock or assets of any Media Asset or involve an FCC license of the Borrower or any of its Subsidiaries), except that, subject to the second to the last paragraph of this Section 8.7, the Borrower may sell or exchange any Media Asset, provided that (i) the aggregate gross consideration to be received for all Media Assets that have been sold or exchanged pursuant to the provisions of this Section 8.7(a) during the one year period ending on the date of the proposed sale or exchange (including the Media Asset then being contemplated to be sold or exchanged) shall not exceed \$30,000,000, (ii) the aggregate gross consideration to be received for all Media Assets that have been sold or exchanged pursuant to the provisions of this Section 8.7(a) during the period commencing on the Restatement Effective Date and ending through and including the date of the proposed sale or exchange (including the Media Asset then being contemplated to be sold or exchanged) shall not exceed \$60,000,000, and (iii) immediately before and after giving effect to the proposed sale or exchange (including any related change in Indebtedness), all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist.

If the aggregate gross consideration for any such sale or exchange permitted under Section 8.7(a) exceeds \$10,000,000, (i) the Borrower shall have delivered to the Administrative Agent and each Lender such details of such transaction as the Administrative Agent or any Lender (through the Administrative Agent) shall reasonably request, and (ii) the Borrower shall have delivered to the Administrative Agent a certificate of an Authorized Signatory of the Borrower certifying that (A) the Borrower is in pro-forma compliance with the terms, covenants, provisions, and conditions of this Agreement, including, without limitation, Sections 6.1, 6.2, 6.3 and 6.4 (and attaching calculations with respect to Sections 6.1, 6.2, 6.3 and 6.4), and (B)

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immediately before and after giving effect to any such sale or exchange (including any related change in Indebtedness), all representations and warranties contained in the Loan Documents are true and correct and no Default or Event of Default exists. In connection with any such sale or exchange

permitted under Section 8.7(a), (i) the Borrower shall have received fair value for each Media Asset sold or exchanged and (ii) at least 75% of the consideration to be received in connection with any such sale shall be in any combination of like-kind property, cash or cash equivalents.

Upon the sale or disposal of the entire assets of any Subsidiary as provided in this Section 8.7, the Borrower may liquidate such Subsidiary upon reasonable prior notice to the Administrative Agent.

8.8 Creation of Subsidiaries.

Create any other Subsidiary, or permit any Subsidiary so to do, except the Borrower or any Subsidiary may create a wholly-owned Subsidiary, provided that (i) immediately before and after giving effect to any such proposed creation, all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist; (ii) the Borrower shall have delivered to the Administrative Agent such UCC financing statements and other documents as the Administrative Agent shall reasonably require in order to grant to the Administrative Agent a first priority perfected security interest in the Stock and/or Property, as applicable, of such Subsidiary under and pursuant to the Collateral Documents, subject to no Liens other than Permitted Liens; (iii) the Subsidiary shall become a party to the Subsidiary Guaranty and (iv) the Borrower shall have delivered to the Administrative Agent such opinions and other documents as the Administrative Agent shall reasonably require in connection therewith.

8.9 Compliance with ERISA.

Adopt any Plan other than those listed in Schedule 4.14 or permit any Subsidiary so to do, or engage in any "prohibited transaction", as such term is defined in Section 4975 of the Code or Section 406 of ERISA, with respect to any Plan, or incur any "accumulated funding deficiency", as such term is defined in Section 412 of the Code or Section 302 of ERISA, or terminate, or permit any Commonly Controlled Entity to terminate, any Plan that would result in any liability of the Borrower or any Commonly Controlled Entity to the PBGC, or permit the occurrence of any Reportable Event or any other event or condition that presents a risk of such a termination by the PBGC of any Plan, or withdraw or effect a partial withdrawal from a Multiemployer Plan, or permit any Commonly Controlled Entity which is an employer under such a Multiemployer Plan so to do, if any such withdrawal would result in such withdrawing employer incurring any withdrawal liability in excess of \$250,000.

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8.10 Certificate of Incorporation and By-laws.

Amend or otherwise modify its certificate of incorporation, bylaws or other organizational documents, or permit any Subsidiary so to do, in any way that would adversely affect the interests of the Lenders or the Issuing Bank or the obligations of any Loan Party under any of the Loan Documents.

8.11 Prepayments of Indebtedness.

Prepay or obligate itself to prepay, in whole or in part, any Indebtedness (other than the Loans) prior to the due date thereof, or permit any Subsidiary so to do, other than (i) the prepayment by any Subsidiary of Indebtedness owing by such Subsidiary to the Borrower, (ii) the prepayment of Indebtedness permitted under Section 8.1(ii) with the proceeds of other Indebtedness permitted under Section 8.1(i) or (ii) or with the proceeds of Stock issued by the Borrower pursuant to Section 8.16, (iii) provided that no Default or Event of Default shall then exist, the prepayment by the Borrower of Indebtedness incurred by the Borrower in the ordinary course of its business to any Subsidiary, and (iv) as permitted by Section 8.17.

8.12 Accounting Practice; Fiscal Year.

Make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change its fiscal year from a fiscal year commencing January 1st and ending December 31st, or permit any of its Subsidiaries so to do; provided that any Subsidiary may change to a fiscal year commencing January 1st and ending December 31st.

8.13 Limitation on Upstream Transfers.

Permit or cause any of its Subsidiaries to enter into or agree, or otherwise be or become subject, to any agreement, contract or other arrangement (other than this Agreement) with any Person pursuant to the terms of which (a) such Subsidiary is or would be prohibited from making any advances to the Borrower or declaring or paying any cash dividends on any class of its Stock owned directly or indirectly by the Borrower or any of the other Subsidiaries or from making any other distribution on account of any class of any such Stock (herein referred to as "Upstream Transfers"), or (b) the declaration or payment of Upstream Transfers on an annual or cumulative basis is or would be otherwise

limited or restricted.

8.14 Transactions with Affiliates.

Become, or permit any Subsidiary to become, a party to any transaction with any Affiliate of the Borrower or any Subsidiary (other than a transaction solely between any wholly-

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owned Subsidiary and either the Borrower or any other wholly-owned Subsidiary) on a basis less favorable to the Borrower or such Subsidiary in any material respect than if such transaction were not with an Affiliate of the Borrower or such Subsidiary.

8.15 Sale and Leaseback.

Enter into any arrangement with any Person, or permit any Subsidiary so to do, providing for the leasing by the Borrower or such Subsidiary of Property which has been or is to be sold or transferred by the Borrower or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such Property or rental obligations of the Borrower or such Subsidiary.

8.16 Stock Issuance.

Issue any additional shares of Stock, or permit any of its Subsidiaries so to do, except (i) the Borrower may issue shares of its Class A common Stock and (ii) any Subsidiary may issue shares of its Stock to the Borrower or any wholly-owned Subsidiary.

8.17 Subordinated Indenture.

Enter into or agree to any amendment, modification or waiver of any term or condition of the Subordinated Indenture, the Subordinated Indenture Notes or the Subordinated Indenture Subsidiary Guaranty, or purchase, redeem or make any payment with respect to Indebtedness under the Subordinated Indenture Notes or the Subordinated Indenture Subsidiary Guaranty, or permit any of its Subsidiaries so to do, except (i) the Borrower may make required payments to the extent expressly permitted pursuant to the subordination terms set forth therein, provided that all payments required to be made under this Agreement shall have been made, and (ii) provided that (A) no Default or Event of Default shall then exist, and (B) the Total Leverage Ratio shall be less than or equal to 4.50:1.00 after giving effect thereto, the Borrower may prepay the Subordinated Indenture Notes in an amount not to exceed \$50,000,000 plus any premium associated with such prepayment (such premium not to exceed \$5,000,000).

8.18 Federal Reserve Regulations.

Own, or permit any of its Subsidiaries to own, Margin Stock in excess of 25% (or such greater or lesser percentage as is provided in the exclusions from the definition of "Indirectly Secured" contained in Regulation U in effect at the time of the making of each Loan or the issuance of each Letter of Credit) of the value of the assets of (i) the Borrower, or (ii) the Borrower and the Subsidiaries on a Consolidated basis.

8.19 Change in Name; Nature of Business.

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Change its legal name or make any material change in the nature of its business, taken as a whole, as conducted on the Restatement Effective Date, or permit any of its Subsidiaries so to do, except that any Subsidiary may change its name provided that the Subsidiary (i) shall provide to the Administrative Agent 30 days prior written notice of such name change, (ii) no fewer than 10 days prior to the name change, shall have taken all steps necessary or reasonably required by the Administrative Agent to maintain the perfection of the Security Interest under the Subsidiary Guaranty and (iii) shall deliver to the Administrative Agent such certificates and other documents as the Administrative Agent shall reasonably require.

8.20 Lease Obligations.

Create or suffer to exist any obligations for the payment of rent by the Borrower or any Subsidiary for any Property under lease or agreement to lease, or permit any of its Subsidiaries so to do, except for:

(a) leases in existence on the Restatement Effective Date and any renewal, extension or refinancing thereof;

(b) operating leases in the ordinary course of business

entered into or assumed after the Restatement Effective Date as a result of a merger or acquisition permitted under Section 8.3; and

(c) capital leases other than those permitted under clauses (a) and (b) of this Section, entered into after the Restatement Effective Date to finance the acquisition of equipment to the extent the Indebtedness evidenced by such capital leases is permitted under Section 8.1.

9. DEFAULT

9.1 Events of Default.

The following shall each constitute an "Event of Default" hereunder:

(a) The failure of the Borrower to pay any installment of principal on any Note or any reimbursement payment in respect of a Letter of Credit on the date when due and payable; or

(b) The failure of the Borrower to pay any installment of interest or any other fees or expenses payable hereunder or under or in connection with any other Loan Documents within three Business Days of the date when due and payable; or

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(c) The use by the Borrower of the proceeds of any Loan or Letter of Credit in a manner inconsistent with or in violation of Section 2.7; or

(d) The failure of the Borrower to observe or perform any covenant or agreement contained in Section 6, Section 7.3, 7.5, 7.10 or 7.11, or Section 8; or

(e) The failure of the Borrower to observe or perform any other term, covenant, or agreement contained in this Agreement and such failure shall have continued unremedied for a period of 30 days after the Borrower shall have obtained knowledge thereof; or

(f) Any representation or warranty of any Loan Party (or of any officer on its behalf) made in any Loan Document or in any certificate, report, opinion (other than an opinion of counsel) or other document delivered or to be delivered pursuant to any Loan Document, shall prove to have been incorrect or misleading (whether because of misstatement or omission) in any material respect when made; or

(g) Any obligation of the Borrower or any Subsidiary (other than its obligations under the Loan Documents), whether as principal, guarantor, surety or other obligor, for the payment or purchase of any Indebtedness or operating lease(s) (i) shall become or shall be declared to be due and payable prior to the expressed maturity thereof, or (ii) shall not be paid or purchased when due or within any grace period for the payment or purchase thereof, or (iii) the holder of any such obligation(s) in excess of \$500,000 in the aggregate shall have the right to declare such obligation(s) due and payable or require the purchase thereof prior to the expressed maturity thereof; or

(h) The Borrower or any Subsidiary shall (i) except as permitted by Sections 8.3 and 8.7, suspend or discontinue its business, or (ii) make an assignment for the benefit of creditors, or (iii) generally not be paying its debts as such debts become due, or (iv) admit in writing its inability to pay its debts as they become due, or (v) file a voluntary petition in bankruptcy, or (vi) become insolvent (however such insolvency shall be evidenced), or (vii) file any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment of debt, liquidation or dissolution or similar relief under any present or future statute, law or regulation of any jurisdiction, or (viii) petition or apply to any tribunal for any receiver, custodian or any trustee for any substantial part of its Property, or (ix) be the subject of any such proceeding filed against it which remains undismissed for a period of 60 days, or (x) file any answer admitting or not contesting the material allegations of any such petition filed against it or of any order, judgment or decree approving such petition in any such proceeding, or (xi) seek, approve, consent to, or acquiesce in any such proceeding, or in the appointment of any trustee, receiver, custodian, liquidator, or fiscal agent for it, or any substantial part of its Property, or an order is entered appointing any such trustee, receiver, custodian, liquidator or fiscal agent and such order remains in effect for 60 days,

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or (xii) except as permitted by Sections 8.3 and 8.7, take any formal action for the purpose of effecting any of the foregoing or looking to the liquidation or

dissolution of the Borrower or such Subsidiary; or

(i) An order for relief is entered under the United States bankruptcy laws or any other decree or order is entered by a court having jurisdiction (i) adjudging the Borrower or any Subsidiary a bankrupt or insolvent, or (ii) approving as properly filed a petition seeking reorganization, liquidation, arrangement, adjustment or composition of or in respect of the Borrower or any Subsidiary under the United States bankruptcy laws or any other applicable Federal or state law, or (iii) appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Borrower or any Subsidiary or of any substantial part of the Property thereof, or (iv) ordering the winding up or liquidation of the affairs of the Borrower or any Subsidiary, and any such decree or order continues unstayed and in effect for a period of 60 days; or

(j) Any judgments or decrees against the Borrower or its Subsidiaries (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) aggregating in excess of \$500,000 for all such parties shall remain unpaid, unstayed on appeal, undischarged, unbonded or undischarged for a period of 30 days; or

(k) The occurrence of an Event of Default under and as defined in any Collateral Document or any Reimbursement Agreement; or

(l) Any of the Loan Documents or the Assumption Agreement shall cease, for any reason, to be in full force and effect, or any Loan Party shall so assert in writing or shall disavow its obligations thereunder; or

(m) The FCC or any other Governmental Authority revokes or fails to renew any license, permit or franchise of the Borrower or any of its Subsidiaries, or the Borrower or any of its Subsidiaries for any reason loses any license, permit or franchise, or the Borrower or any of its Subsidiaries suffers the imposition of any restraining order, escrow, suspension or impound of funds in connection with any proceeding (judicial or administrative) with respect to any license, permit or franchise, to the extent such revocation, failure to renew, loss or imposition has a Material Adverse Effect; or

(n) The occurrence of a Material Adverse Change; or

(o) A Change of Control shall occur.

Upon the occurrence of an Event of Default or at any time thereafter during the continuance thereof, (a) if such event is an Event of Default specified in clauses (h) or (i) above, the RC Commitments and the Letter of Credit Commitment shall immediately and

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automatically terminate and the Loans, all accrued and unpaid interest thereon and all other amounts owing under the Loan Documents shall immediately become due and payable, and the Administrative Agent may, and upon the direction of the Required Lenders shall, exercise any and all remedies and other rights provided pursuant to the Loan Documents and (b) if such event is any other Event of Default, any or all of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, and upon the direction of the Required Lenders shall, by notice to the Borrower, declare the RC Commitments and the Letter of Credit Commitment to be terminated whereupon the RC Commitments and the Letter of Credit Commitment shall immediately terminate, and (ii) with the consent of the Required Lenders, the Administrative Agent may, and upon the direction of the Required Lenders shall, by notice of default to the Borrower, declare the Loans, all accrued and unpaid interest thereon and all other amounts owing under the Loan Documents to be due and payable forthwith, whereupon the same shall immediately become due and payable, and the Administrative Agent may, and upon the direction of the Required Lenders shall, exercise any and all remedies and other rights provided pursuant to the Loan Documents. Except as otherwise provided in this Section 9.1, presentment, demand, protest and all other notices of any kind are hereby expressly waived to the extent permitted by applicable law. The Borrower hereby further expressly waives and covenants not to assert any appraisal, valuation, stay, extension, redemption or similar laws, to the extent permitted by applicable law, now or at any time hereafter in force, which might delay, prevent or otherwise impede the performance or enforcement of any of the Loan Documents. In the event that the Administrative Agent shall fail or refuse so to proceed, the Issuing Bank and each Lender shall be entitled to take such action as the Required Lenders shall deem appropriate to enforce its rights under the Loan Documents.

In the event that the RC Commitments or the Letter of Credit Commitment shall have been terminated or all of the Notes shall have been declared due and payable pursuant to the provisions of this Section 9.1, (i) the Borrower shall forthwith deposit an amount equal to the Letter of Credit Exposure in a cash collateral account with and under the sole dominion and control of the Administrative Agent and (ii) the Lenders and the Issuing Bank agree, among themselves, that any funds received in respect of the Loan Documents from or on

behalf of the Borrower by any of the Lenders or the Issuing Bank (except funds received by any Lender or the Issuing Bank as a result of a purchase pursuant to the provisions of Section 11.9) shall be remitted to the Administrative Agent, and shall be applied by the Administrative Agent in payment of the Loans, the Reimbursement Obligations and the obligations of the Borrower under the Loan Documents in the following manner and order: (1) first, to reimburse the Administrative Agent, the Issuing Bank and the Lenders for any expenses due from the Borrower pursuant to the provisions of Section 11.5; (2) second, to the payment of the Commitment Fee and Letter of Credit Fee, pro rata according to the RC Commitment Percentage of each Lender; (3) third, to the payment of any other fees, expenses or amounts (other than

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the principal of and interest on the Notes, the Reimbursement Obligations and any obligations to any Lender (and any Affiliate of any Lender) arising out of any Interest Rate Protection Arrangement) payable by the Borrower to the Administrative Agent, the Issuing Bank or any of the Lenders under the Loan Documents; (4) fourth, to the payment, pro rata according to the outstanding Loans of each Lender and outstanding Reimbursement Obligations including any interest by a Lender therein), of interest due thereon; (5) fifth, on a pro rata basis, to the payment of (A) the principal outstanding on the Notes, pro rata according to each Lender's outstanding Loans, (B) the principal outstandings on the Reimbursement Obligations, pro rata according to the Issuing Bank's and each other Lender's interest therein, and (C) the obligations of the Borrower to the Lenders (and any Affiliate of any Lender) arising out of any Interest Rate Protection Arrangements; and (6) sixth, any remaining funds shall be paid to whomsoever shall be entitled thereto or as a court of competent jurisdiction shall direct.

10. THE ADMINISTRATIVE AGENT

10.1 Appointment.

Each Lender hereby irrevocably designates and appoints BNY as the Administrative Agent of such Lender under and in connection with the Loan Documents. Each such Lender hereby irrevocably authorizes BNY as the Administrative Agent for such Lender to take such action on its behalf under the provisions of the Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of the Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement or any of the other Loan Documents, the Administrative Agent shall have no duties or responsibilities, except those expressly set forth herein or therein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into the Loan Documents or otherwise exist against the Administrative Agent.

10.2 Delegation of Duties.

The Administrative Agent may execute any of its duties under the Loan Documents by or through agents or attorneys-in-fact and shall be entitled to rely upon the advice of counsel concerning all matters pertaining to such duties.

10.3 Exculpatory Provisions.

Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with the Loan

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Documents (except for its own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any officer thereof contained in the Loan Documents or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, the Loan Documents or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of any of the Loan Documents or for any failure of the Borrower or any other Person to perform its obligations hereunder or thereunder. The Administrative Agent shall be under no obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, the Loan Documents, or to inspect the properties, books or records of the Borrower or any Subsidiary. The Administrative Agent shall have no liability or responsibility whatsoever to the Borrower or any other Person as a consequence of any failure or delay in performance, or any breach, by the Issuing Bank or any Lender of any of its obligations under any of the Loan Documents.

10.4 Reliance by Administrative Agent.

The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, opinion, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by it. Subject to Section 11.7, the Administrative Agent may treat each Lender as the holder of all of the interests of such Lender in its RC Commitment and in its Loans and Notes. The Administrative Agent shall have no duty to examine or pass upon the validity, effectiveness or genuineness of the Loan Documents or any instrument, document or communication furnished pursuant thereto or in connection therewith, and the Administrative Agent shall be entitled to assume that the same are valid, effective and genuine, have been signed or sent by the proper parties and are what they purport to be. The Administrative Agent shall be fully justified in failing or refusing to take any action under the Loan Documents unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under the Loan Documents in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

10.5 Notice of Default.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless it has

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received written notice thereof from the Issuing Bank, a Lender or the Borrower. In the event that the Administrative Agent receives such a notice, it shall promptly give notice thereof to the Issuer and the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided, however, that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem to be in the best interests of the Lenders.

10.6 Non-Reliance.

Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereinafter, including any review of the affairs of the Borrower or the Subsidiaries, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own evaluation of and investigation into the business, operations, Property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries and made its own decision to enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, evaluations and decisions in taking or not taking action under this Agreement or any of the Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, Property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall have no duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, Property, financial and other condition or creditworthiness of the Borrower or its Subsidiaries which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

10.7 Indemnification.

Each Lender agrees to indemnify the Administrative Agent in its capacity as such (to the extent not promptly reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower or any other Loan Party to do so), ratably according to its Credit Exposure at such time, from and against any and all liabilities, obligations, claims, losses, damages, penalties, actions, judgments, suits, costs, expenses

or disbursements of any kind whatsoever including, without limitation, any amounts paid to the Lenders (through the Administrative Agent) by the Borrower pursuant to the terms hereof, that are subsequently rescinded or avoided, or must otherwise be restored or returned) which may at any time (including, without limitation, at any time following the payment of the Notes) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement, the other Loan Documents or any other documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted to be taken by the Administrative Agent under or in connection with any of the foregoing; provided, however, that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent resulting directly and primarily from the gross negligence or willful misconduct of the Administrative Agent. The agreements in this Section 10.7 shall survive the payment of the Notes and all other amounts payable under the Loan Documents.

10.8 Administrative Agent in its Individual Capacity.

BNY and its Affiliates, may make loans to, accept deposits from, issue letters of credit for the account of and generally engage in any kind of business with, the Borrower and its Subsidiaries as though BNY were not the Administrative Agent. With respect to the RC Commitment made by BNY and each Note issued to BNY, the Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it was not the Administrative Agent or the Issuing Bank, and the terms "Lender" and "Lenders" shall in each case include BNY.

10.9 Successor.

If at any time the Administrative Agent deems it advisable, in its sole discretion, it may submit to each of the Lenders a written notification of its resignation as Administrative Agent under the Loan Documents, such resignation to be effective on the later to occur of (i) the thirtieth day after the date of such notice and (ii) the date upon which any successor Administrative Agent, in accordance with the provisions of this Section 10.9, shall have accepted in writing its appointment as such successor Administrative Agent. Upon any such resignation of the Administrative Agent, the Required Lenders shall have the right to appoint from among the Lenders a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders and accepted such appointment within 30 days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which successor Administrative Agent shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a

combined capital and surplus of at least \$100,000,000. Upon the acceptance of any appointment as Administrative Agent by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent's rights, powers, privileges and duties as Administrative Agent under the Loan Documents shall be terminated. The Borrower and the Lenders shall execute such documents as shall be necessary to effect such appointment. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of Section 10 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents. If at any time hereunder there shall not be a duly appointed and acting Administrative Agent, the Borrower agrees to make each payment due under the Loan Documents directly to the Persons entitled thereto during such time.

10.10 Updating Exhibits and Schedules.

The Administrative Agent is hereby authorized and directed from time to time to (i) amend Exhibit A to reflect the RC Commitments of each Lender as of the date of each assignment pursuant to Section 11.7 and, in connection therewith, the Lending Offices and address for notices of each assignee "Lender", (ii) amend Schedule 1.1(L) to reflect any change of address of which the Administrative Agent has received written notice pursuant to Section 11.2, and (iii) in each such case, to send a copy thereof to each party hereto.

10.11 The Lead Arranger and Agents.

The Lead Arranger, the Documentation Agent and the Co-Agents shall have no duties or obligations under the Loan Documents in their respective

capacities as Lead Arranger, Documentation Agent and Co-Agents. The Lead Arranger, the Documentation Agent and the Co-Agents shall be entitled to the same protections, indemnities and rights, and subject to the same standards with respect to their actions, inactions and duties, as the Administrative Agent.

11. MISCELLANEOUS

11.1 Amendments and Waivers.

With the written consent of the Required Lenders, which consent may be transmitted by telecopier, the Administrative Agent and the appropriate Loan Parties may, from time to time, enter into written amendments, supplements or modifications of the Loan Documents and, with the consent of the Required Lenders, the Administrative Agent on behalf of the Lenders may execute and deliver to any such parties a written

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instrument waiving or consenting to the departure from, on such terms and conditions as the Administrative Agent may specify in such instrument, any of the requirements of the Loan Documents or any Default or Event of Default and its consequences; provided, however, that:

(a) no such amendment, supplement, modification, waiver or consent shall, without the written consent of all of the Lenders, (i) increase the RC Commitments (other than pursuant to Section 2.4(d)) or the Letter of Credit Commitment, (ii) extend the Maturity Date or the RC Commitment Termination Date, (iii) extend the date or decrease the amount of any mandatory reduction of the RC Commitments pursuant to Section 2.4(b)(i), (iv) decrease the interest rate, extend the time, forgive or change the pro rata method of payment of interest or principal on or applicable to any Note or Reimbursement Obligation, (v) decrease the amount, extend the time, forgive or change the pro rata method of payment of the Commitment Fee or the Letter of Credit Fee, (vi) release all or any part of the Collateral or any Subsidiary Guaranty except in connection with a permitted sale or other permitted disposition of the Collateral or the applicable Subsidiary Guarantor, as the case may be, or to the extent that the Administrative Agent shall be required or permitted to do so under the terms and provisions of the Loan Documents, (vii) change the definition of Required Lenders, (viii) change the sharing provisions among the Lenders, (ix) change the several nature of the obligations of the Lenders to make Loans and participate in Letters of Credit, or (x) change the provisions of Sections 2.9, 2.10, 2.11, 2.13, 2.14, 11.1, 11.7(a) or 11.11;

(b) without the written consent of the Administrative Agent, no such amendment, supplement, modification or waiver shall amend, modify or waive any provision of Section 10 or otherwise change any of the rights or obligations of the Administrative Agent under the Loan Documents; and

(c) without the written consent of the Issuing Bank, no such amendment, supplement, modification or waiver shall amend, modify or waive any provision relating to the Issuing Bank, the Letter of Credit Commitment or the Letters of Credit or otherwise change any of the rights or obligations of the Issuing Bank hereunder or under the Loan Documents.

Any such amendment, supplement, modification or waiver shall apply equally to each of the Lenders and shall be binding upon the parties to the applicable agreement, the Lenders, the Administrative Agent, the Issuing Bank and all future holders of the Notes and the Reimbursement Obligations. In the case of any waiver, the parties to the applicable agreement, the Lenders, the Administrative Agent, and the Issuing Bank shall be restored to their former position and rights under the Loan Documents to the extent provided for in such waiver, and any Default or Event of Default waived shall not extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

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Notwithstanding the foregoing and in connection with the consummation of the Common Ground Reorganization, the Administrative Agent may release Common Ground Broadcasting, Inc. and Caron Broadcasting, Inc. and certain of their respective assets from the Subsidiary Guaranty (the "Common Ground Collateral Release") upon the receipt by the Administrative Agent of a written notice from the Borrower stating that the Common Ground Reorganization will be consummated within the following five Business Days.

11.2 Notices.

Except as otherwise expressly provided herein, all notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made (i) when delivered by hand, (ii) one

Business Day after having been sent by overnight courier service, (iii) five Business Days after having been deposited in the mail, first-class postage prepaid, or (iv) in the case of telecopier notice, when sent and transmission confirmed (which may include electronic confirmation), addressed as follows in the case of the Borrower, the Administrative Agent and the Issuing Bank, and as set forth in Schedule 1.1(L) hereto in the case of each of the Lenders, or to such other addresses as to which the Administrative Agent may be hereafter notified by the respective parties hereto or any future holders of the Notes:

The Borrower:

Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, California 93012
Attention: Dirk Gastaldo,
Vice President and
Chief Financial Officer

Telephone: (805) 384-4531
Telecopy: (805) 384-4532

with a copy to:

Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, California 93012
Attention: Jonathan L. Block, Esq.,
Secretary

Telephone: (805) 987-0400 (ext. 106)

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Telecopy: (805) 384-4505

The Administrative Agent, the Issuing Bank and/or BNY:

The Bank of New York
Communications, Publishing & Entertainment Division
One Wall Street, 16th Floor
New York, New York 10286
Attention: Stephen M. Nettler,
Assistant Vice President

Telephone: (212) 635-8699
Telecopy: (212) 635-8595

with a copy to, in the case of all Borrowing Requests and Letter of Credit Requests, prepayment notices under Section 2.5(a) and conversion notices under Section 2.8, and to the attention of, in the case of all fundings by the Lenders:

The Bank of New York, as Administrative Agent
Agency Function Administration
One Wall Street, 18th Floor
New York, New York 10286
Attention: Patricia A. Hylton

Telephone: (212) 635-4975
Telecopy: (212) 635-6365 (or 6366/6367)

except that any notice, request or demand by the Borrower to or upon the Administrative Agent, the Issuing Bank or the Lenders pursuant to Section 2.3, 2.4, 2.5, 2.8 or 2.18 shall not be effective until received.

11.3 No Waiver; Cumulative Remedies.

No failure to exercise and no delay in exercising, on the part of the Administrative Agent, the Issuing Bank or any Lender, any right, remedy, power or privilege under any Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege under any Loan Document preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges under the Loan Documents are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

11.4 Survival of Representations and Warranties.

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All representations and warranties made hereunder and in any

document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement, the Notes and the other Loan Documents.

11.5 Payment of Expenses and Taxes.

The Borrower agrees, promptly upon presentation of a statement or invoice therefor, and whether or not any Loan is made or Letter of Credit is issued, (i) to pay or reimburse the Administrative Agent and the Arranger for all their out-of-pocket reasonable costs and expenses incurred in connection with the development, preparation, execution and syndication of, and any amendment, waiver, consent, supplement or modification to, the Loan Documents, any documents prepared in connection therewith and the consummation of the transactions contemplated hereby and thereby, whether such Loan Documents or any such other documents are executed and whether the transactions contemplated thereby are consummated, including, without limitation, the reasonable fees and disbursements of Special Counsel, (ii) to pay or reimburse the Administrative Agent, the Issuing Bank, the Arranger and the Lenders for all of their respective reasonable costs and expenses incurred in connection with the workout, enforcement or preservation of any rights under the Loan Documents and any such documents, including, without limitation, reasonable fees and disbursements of counsel (including the allocated cost of internal counsel) to the Administrative Agent, the Issuing Bank, the Arranger and the Lenders including, without limitation, reasonable expenses of the Administrative Agent, the Issuing Bank, the Arranger and the Lenders in connection with or attributable to commercial finance examiners, accountants, investment banks and environmental consultants, (iii) to pay, indemnify, and hold each Lender, the Administrative Agent, the Issuing Bank and the Arranger harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other Taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, any of the Loan Documents and any such other documents, and (iv) to pay, indemnify and hold each Lender, the Administrative Agent, the Issuing Bank and the Arranger and each of their respective officers, directors, employees and agents harmless from and against any and all other liabilities, obligations, claims, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including, without limitation, reasonable counsel fees and disbursements (including the allocated cost of internal counsel)) with respect to the execution, delivery, enforcement and performance of the Loan Documents or the use of the proceeds of the Loans and Letters of Credit hereunder (all the foregoing, collectively, the "Indemnified Liabilities") and, if and to the extent that the foregoing indemnity may be unenforceable for any reason, the Borrower agrees to make the maximum payment permitted under applicable law; provided, however, that the Borrower

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shall have no obligation hereunder to pay Indemnified Liabilities to the Administrative Agent, the Issuing Bank, the Arranger or any Lender to the extent arising directly and primarily from the gross negligence or willful misconduct of the Administrative Agent, the Issuing Bank, the Arranger or such Lender, as the case may be. The agreements in this Section 11.5 shall survive the termination of the RC Commitments and the payment of the Notes and all other amounts payable hereunder.

11.6 Lending Offices.

Subject to Section 2.17(b), each Lender shall have the right at any time and from time to time to transfer any Loan to a different office of such Lender, provided that such Lender shall promptly notify the Administrative Agent and the Borrower of any such change of office. Such office shall thereupon become such Lender's Lending Office.

11.7 Successors and Assigns.

(a) This Agreement, the Notes and the other Loan Documents to which the Borrower is a party shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Administrative Agent, the Issuing Bank, all future holders of the Notes and their respective successors and assigns, except that the Borrower may not assign, delegate or transfer any of its rights or obligations under this Agreement, the Notes and the Loan Documents to which the Borrower is a party without the prior written consent of each Lender.

(b) Each Lender shall have the right at any time, upon written notice to the Administrative Agent of its intent to do so, to sell or assign (each an "Assignment") all or any part of its Loans, its RC Commitment and its Notes, on a pro rata basis to one or more of the other Lenders (or, with the written consent of the Issuing Bank, such consent not to be unreasonably withheld or delayed, to affiliates of such Lender or such other Lenders) or, with the written consent of Administrative Agent and the Issuing Bank (such

consents not to be unreasonably withheld or delayed), to any other bank, insurance company, pension fund, mutual fund or other financial institution, provided that (i) each such partial Assignment shall be in a minimum aggregate amount of \$5,000,000 (unless otherwise consented to by the Borrower) or, in the case of any assignment pursuant to Section 2.4(d), \$1,000,000, (ii) the parties to each such Assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption Agreement along with a fee (the "Assignment Fee") of \$3,500 with respect to the Assignment made under this Agreement and (iii) no such assignment may be made to the Borrower or to any Affiliate of the Borrower. Upon receipt of each such duly executed Assignment and Assumption Agreement together with the Assignment Fee therefor in compliance with the provisions hereof, the Administrative Agent shall (x) record the same and signify its acceptance thereof by executing two copies of such Assignment and Assumption

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Agreement in the appropriate place and delivering one copy to the assignor and one copy to the assignee and (y) request the Borrower to execute and deliver (1) to such assignee one or more Notes, in an aggregate principal amount equal to the Loans assigned to, and RC Commitments assumed by, such assignee and (2) to such assignor one or more Notes, in an aggregate principal amount equal to the balance of such assignor Lender's Loans and RC Commitment, if any, in each case against receipt of such assignor Lender's existing Notes. The Borrower agrees that it shall, upon each such request of the Administrative Agent, execute and deliver such new Notes at its own cost and expense. Upon such delivery, acceptance and recording by the Administrative Agent, from and after the effective date specified in such Assignment and Assumption Agreement, the assignee thereunder shall be a party hereto and shall for all purposes of this Agreement and the other Loan Documents be deemed a "Lender" and, to the extent provided in such Assignment and Assumption Agreement, the assignor Lender thereunder shall be released from its obligations under this Agreement and the other Loan Documents.

(c) Each Lender may grant participations in all or any part of its Loans, its Notes or its RC Commitment to any other bank, insurance company, pension fund, mutual fund, financial institution or other entity, provided that no such participant shall have any right to require such Lender to take or omit to take any action under any Loan Document except any action which would require the consent of all Lenders pursuant to Section 11.1. The Borrower hereby acknowledges and agrees that any such participant shall for purposes of Sections 2.9, 11.5, 11.9 and 11.11 be deemed to be a "Lender".

(d) No Lender shall, as between and among the Borrower, the Administrative Agent, the Issuing Bank, and such Lender, be relieved of any of its obligations under the Loan Documents as a result of any Assignment or granting of a participation in, all or any part of its Loans, its RC Commitment or its Notes, except that a Lender shall be relieved of its obligations to the extent of any Assignment of all or any part of its Loans, its RC Commitment or its Notes pursuant to subsection (b) above.

(e) Notwithstanding anything to the contrary contained in this Section 11.7, any Lender may at any time assign all or any portion of its rights under the Loan Documents to a Federal Reserve Bank. No such assignment shall release such Lender from its obligations thereunder.

11.8 Counterparts.

This Agreement and each of the other Loan Documents (other than the Notes) may be executed by one or more of the parties to this Agreement or to such other Loan Document, as the case may be, on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same agreement. It shall not be necessary in making proof of any Loan Document to produce or account for more than one counterpart signed by the party to be charged. Any of the

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parties to this Agreement and the other Loan Documents may rely on signatures of such parties hereto and thereto which are transmitted by telecopier or other electronic means as fully as if originally signed. A set of the copies of this Agreement and each of the other Loan Documents signed by all the parties shall be lodged with each of the Borrower and the Administrative Agent.

11.9 Adjustments; Set-off.

(a) If any Lender (a "benefited Lender") shall at any time receive any payment of all or any part of its Loans, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 9.1 (h) or (i), or otherwise) in a greater proportion than any such payment to and collateral received by any other Lender, if any, in respect of

such other Lender's Loans, or interest thereon, such benefited Lender shall notify the Administrative Agent and shall purchase for cash from the other Lenders such portion of each such other Lender's Loans, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest, unless the benefitted Lender is required to pay interest on the amount of the excess payment to be returned, in which case the other Lenders shall pay their pro rata share of such interest. The Borrower agrees that each Lender so purchasing a portion of another Lender's Loans may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

(b) In addition to any rights and remedies of the Lenders provided by law, upon the occurrence and at any time during the continuance of an Event of Default, each Lender shall have the right, without prior notice to any Loan Party, any such notice being expressly waived by each such Loan Party to the extent permitted by applicable law, to set off and apply against any indebtedness, whether matured or unmatured, of such Loan Party to such Lender, any amount owing from such Lender to such Loan Party, at, or at any time after, the happening of any of the above-mentioned events. To the extent permitted by applicable law, the aforesaid right of set-off may be exercised by such Lender against each Loan Party or against any trustee in bankruptcy, custodian, debtor in possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor of such Loan Party, or against anyone else claiming through or against such Loan Party or such trustee in bankruptcy, custodian, debtor in possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off shall not have been exercised by such Lender prior to the making, filing or issuance, or service upon such Lender of, or

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of notice of, any such petition, assignment for the benefit of creditors, appointment or application for the appointment of a receiver, or issuance of execution, subpoena, order or warrant. Promptly after any such set-off and application made by a Lender against a Loan Party, such Lender shall notify such Loan Party and the Administrative Agent, provided that the failure to give such notice shall not affect the validity of such set-off and application.

11.10 No Third Party Beneficiary.

This Agreement is among the Borrower, the Lenders, the Administrative Agent, the Issuing Bank and the Arranger and no other Person is intended to or shall have any rights hereunder or shall be permitted to rely hereon.

11.11 Indemnity.

(a) The Borrower agrees to indemnify and hold harmless each of the Administrative Agent, the Issuing Bank, the Arranger, each Lender and each of their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any loss, cost, liability, damage or expense (including the reasonable fees and out-of-pocket expenses of counsel to each such Indemnified Party, including all local counsel hired by any such counsel) incurred by each such Indemnified Party in investigating, preparing for, defending against, or providing evidence, producing documents or taking any other action in respect of, any claim, commenced or threatened litigation, administrative proceeding or investigation under any federal securities law or any other statute of any jurisdiction, or any regulation, or at common law or otherwise, which is alleged to arise out of or is based upon (i) any untrue statement or alleged untrue statement of any material fact of the Borrower or any Subsidiary in any document or schedule executed or filed with the Securities and Exchange Commission or any other Governmental Authority by or on behalf of the Borrower or any Subsidiary, (ii) any omission or alleged omission to state any material fact required to be stated in such document or schedule, or necessary to make the statements made therein, in light of the circumstances under which made, not misleading, (iii) any of the Loan Documents, the transactions contemplated hereby or thereby or any acts, practices or omissions or alleged acts, practices or omissions of the Borrower or any of its agents relating to the use of the proceeds of any or all Letters of Credit or Loans which are alleged to be in violation of Section 2.7, or in violation of any federal securities law or of any other statute, regulation or other law of any jurisdiction applicable thereto, or (iv) any acquisition or proposed acquisition by the Borrower or any Subsidiary of all or a portion of the Stock, or all or a portion of the assets, of any Person, in each case whether or not any Indemnified Party is a party thereto.

(b) In addition to the indemnity provided under Section

11.11(a), the Borrower agrees to defend, indemnify and hold harmless each Indemnified Party from

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and against any loss, cost, liability, fine, penalties, damage or expense (including the reasonable fees and out-of-pocket expenses of counsel to each such Indemnified Party, including all local counsel hired by any such counsel) suffered or incurred by each such Indemnified Party, pertaining to any release or threatened release of a reportable quantity of any hazardous substance or hazardous waste at any Property of the Borrower or any of its Subsidiaries (a "Hazardous Discharge"), including, but not limited to, claims of any Governmental Authority or any third Person, whether arising under or on account of any Environmental Law or tort, contract or common law, including, without limitation, the assertion of any Lien thereunder, with respect to any Hazardous Discharge, the presence of any hazardous substances or hazardous wastes affecting any Property of the Borrower or any of its Subsidiaries, whether or not the same originates or engages from such Property or any contiguous real estate, including any loss of value of such Property as a result of the foregoing. The Borrower's obligations under this Section 11.11(b) shall arise upon the discovery of any Hazardous Discharge at such Property, whether or not any Governmental Authority or any other Person has taken or threatened any action in connection with the presence of any hazardous substances or hazardous wastes.

(c) The indemnities set forth herein shall be in addition to any other obligations or liabilities of the Borrower to the Indemnified Parties hereunder or at common law or otherwise, and shall survive any termination of this Agreement, the expiration of the RC Commitments and the payment of all indebtedness of the Borrower hereunder and under the other Loan Documents, provided that the Borrower shall have no obligation under this Section 11.11 to an Indemnified Party with respect to any of the foregoing to the extent arising directly and primarily out of the gross negligence or willful misconduct of such Indemnified Party.

11.12 Governing Law.

This Agreement, the Notes and the other Loan Documents and the rights and obligations of the parties under this Agreement, the Notes and the other Loan Documents shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, without regard to principles of conflict of laws.

11.13 Headings.

Section headings have been inserted herein and in the other Loan Documents for convenience only and shall not be construed to be a part hereof or thereof.

11.14 Severability.

Every provision of this Agreement and the other Loan Documents is intended to be severable, and if any term or provision hereof or thereof shall be invalid, illegal or unenforceable for any reason, the validity, legality and enforceability of the

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remaining provisions hereof or thereof shall not be affected or impaired thereby, and any invalidity, illegality or unenforceability in any jurisdiction shall not affect the validity, legality or enforceability of any such term or provision in any other jurisdiction.

11.15 Integration.

All exhibits and schedules to this Agreement shall be deemed to be a part of this Agreement or the applicable Loan Document, as the case may be. Except for agreements between the Borrower and the Administrative Agent, the Issuing Bank and the Arranger with respect to certain fees, this Agreement and the other Loan Documents embody the entire agreement and understanding among the Borrower, the Administrative Agent, the Issuing Bank, the Arranger and the Lenders with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings among the Borrower, the Administrative Agent, the Issuing Bank, the Arranger and the Lenders with respect to the subject matter hereof and thereof.

11.16 Limitation of Liability.

No claim may be made by the Borrower, any of its Subsidiaries, any other Loan Party, any Lender or other Person against the Administrative Agent, the Issuing Bank, any Lender, the Arranger, or any directors, officers,

employees, or agents of any of them, for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by any Loan Document, or any act, omission or event occurring in connection therewith, and each of the Borrower, its Subsidiaries, such other Loan Party, any such Lender or other Person hereby waives, releases and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

11.17 Consent to Jurisdiction.

The Borrower hereby irrevocably submits to the jurisdiction of any New York State or Federal Court sitting in the City of New York over any suit, action or proceeding arising out of or relating to the Loan Documents. The Borrower hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. The Borrower hereby agrees that a final judgment in any such suit, action or proceeding brought in such a court, after all appropriate appeals, shall be conclusive and binding upon it.

11.18 Service of Process.

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The Borrower hereby agrees that process may be served in any suit, action, counterclaim or proceeding of the nature referred to in Section 11.17 by mailing copies thereof by registered or certified mail, postage prepaid, return receipt requested, to the address of the Borrower set forth in Section 11.2 or to any other address of which the Borrower shall have given written notice to the Administrative Agent. The Borrower hereby agrees that such service, to the extent permitted by applicable law (i) shall be deemed in every respect effective service of process upon it in any such suit, action, counterclaim or proceeding, and (ii) shall to the fullest extent enforceable by law, be taken and held to be valid personal service upon and personal delivery to it.

11.19 No Limitation on Service or Suit.

Nothing in the Loan Documents or any modification, waiver, or amendment thereto shall affect the right of the Administrative Agent, the Issuing Bank or any Lender to serve process in any manner permitted by law or limit the right of the Administrative Agent, the Issuing Bank or any Lender to bring proceedings against the Borrower in the courts of any jurisdiction or jurisdictions.

11.20 WAIVER OF TRIAL BY JURY.

THE ADMINISTRATIVE AGENT, THE ISSUING BANK, THE LENDERS AND THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION ARISING OUT OF, UNDER OR IN CONNECTION WITH THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREIN. FURTHER, THE BORROWER HEREBY CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF THE ADMINISTRATIVE AGENT, THE ISSUING BANK OR THE LENDERS, OR COUNSEL TO THE ADMINISTRATIVE AGENT, THE ISSUING BANK OR THE LENDERS, HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE ADMINISTRATIVE AGENT, THE ISSUING BANK OR THE LENDERS WOULD NOT, IN THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION. THE BORROWER ACKNOWLEDGES THAT THE ADMINISTRATIVE AGENT, THE ISSUING BANK AND THE LENDERS HAVE BEEN INDUCED TO ENTER INTO THE LOAN DOCUMENTS BY, INTER ALIA, THE PROVISIONS OF THIS SECTION.

11.21 Confidentiality.

The Administrative Agent, the Issuing Bank and the Lenders each agree that, without the prior written consent of the Borrower, it will not disclose the terms of this Agreement or any material confidential information with respect to the Borrower, or any of its Subsidiaries which is furnished pursuant to this Agreement to any Person

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except (i) its accountants, attorneys and other advisors who have a need to know such information or its Affiliates, and in each case who agree to be bound by the provisions of this Section 11.21, (ii) to the extent such information is requested to be disclosed to any regulatory or administrative body or commission to whose jurisdiction the Administrative Agent, the Issuing Bank or such Lender is subject, (iii) to the extent such information is requested or required to be disclosed by subpoena or similar process of applicable law or regulation, (iv) to the extent the Borrower has previously disclosed such information publicly or such information is otherwise in the public domain (except by virtue of a breach

by the Administrative Agent, the Issuing Bank or such Lender of its obligations under this Section 11.21) at the time of disclosure, (v) such information which is disclosed in connection with any litigation or dispute between the Administrative Agent, the Issuing Bank or such Lender and any Loan Party concerning this Agreement, any other Loan Document, or any instrument or document executed or delivered in connection herewith or therewith, (vi) such information which was in the possession of such Person or such Person's Affiliates without the obligation of confidentiality prior to the Administrative Agent, the Issuing Bank or such Lender furnishing it to such Person, and (vii) in connection with a prospective assignment, grant of a participation interest or other transfer by a Lender of any of its interest in this Agreement or the Notes, provided that the Person to whom such information is disclosed shall agree to be bound by the provisions of this Section 11.21.

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SALEM COMMUNICATIONS CORPORATION

FIRST AMENDED AND RESTATED CREDIT AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

SALEM COMMUNICATIONS CORPORATION

By: _____
Name: _____
Title: _____

THE BANK OF NEW YORK,
in its individual capacity,
as Issuing Bank and as
Administration Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
FIRST AMENDED AND RESTATED CREDIT AGREEMENT

BANK OF AMERICA NT&SA,
in its individual capacity
and as Documentation Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
FIRST AMENDED AND RESTATED CREDIT AGREEMENT

BANKBOSTON, N.A. ,
in its individual capacity
and as a Co-Agent

By: _____
Name: _____
Title: _____

FIRST AMENDED AND RESTATED CREDIT AGREEMENT

FLEET BANK, N.A.,
in its individual capacity
and as a Co-Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
FIRST AMENDED AND RESTATED CREDIT AGREEMENT

UNION BANK OF CALIFORNIA, N.A.,
in its individual capacity
and as a Co-Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
FIRST AMENDED AND RESTATED CREDIT AGREEMENT

THE BANK OF NOVA SCOTIA

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
FIRST AMENDED AND RESTATED CREDIT AGREEMENT

FIRST HAWAIIAN BANK

By: _____
Name: _____
Title: _____

SALEM EXHIBIT A

LIST OF RC COMMITMENTS

<TABLE>
<CAPTION>

Bank	RC Commitment	RC Commitment Percentage
The Bank of New York [LENDER]	\$ _____ \$ _____	<C> _____% _____%
TOTAL	\$150,000,000 =====	100% ===

</TABLE>

SALEM EXHIBIT B

June __, 1999
 New York, New York

FOR VALUE RECEIVED, on the Maturity Date, SALEM COMMUNICATIONS CORPORATION, a Delaware corporation (the "Borrower"), hereby promises to pay to the order of _____ (the "Lender"), at the office of The Bank of New York, as Administrative Agent (the "Administrative Agent"), located at One Wall Street, New York, New York, 10286 or at such other place as the Administrative Agent may specify from time to time, in lawful money of the United States of America, the unpaid principal amount of the RC Loans made by the Lender to the Borrower, payable in the amounts and at the times set forth in the Agreement (as hereinafter defined).

This RC Note shall bear interest from the date hereof on the unpaid balance hereof payable on the dates and at the rate or rates provided for in the First Amended and Restated Credit Agreement, dated as of June __, 1999, by and among the Borrower, the Lenders party thereto, Bank of America NT&SA, as Documentation Agent, BankBoston, N.A., Fleet Bank, N.A. and Union Bank of California, N.A., as Co-Agents and the Administrative Agent (as the same may be amended, modified or supplemented from time to time, the "Agreement"). Capitalized terms used herein which are defined in the Agreement shall have the meanings therein defined. In no event shall the interest rate payable in respect hereof exceed the Highest Lawful Rate.

This RC Note is one of the RC Notes referred to in the Agreement is subject to the terms, set forth in the Agreement and is entitled to the benefits set forth in the Loan Documents. The principal of this RC Note is prepayable in the amounts and under the circumstances, and its maturity is subject to acceleration upon the terms, set forth in the Agreement. Except as otherwise expressly provided in the Agreement, if any payment on this RC Note becomes due and payable on a day which is not a Business Day the maturity thereof shall be extended to the next Business Day, and interest shall be payable at the applicable rate or rates specified in the Agreement during such extension period.

Presentment for payment, demand, notice of dishonor, protest, notice of protest and all other demands and notices in connection with the delivery, performance and enforcement of this RC Note are hereby waived, except as specifically otherwise provided in the Agreement.

This RC Note is being delivered in, is intended to be performed in, shall be construed and interpreted in accordance with, and be governed by the internal laws of, the State of New York without regard to principles of conflict of laws.

This RC Note may be amended only by an instrument in writing executed pursuant to the provisions of Section 11.1 of the Agreement.

SALEM COMMUNICATIONS CORPORATION

By: _____
 Name: _____
 Title: _____

SCHEDULE TO RC NOTE

<TABLE>
 <CAPTION>

Notation Date Made By	Type of RC Loan (ABR or Eurodollar Loan)	Borrowing or Conversion	Amount of RC Loan	Principal paid or prepaid	Interest Rate (if Eurodollar Loan)	Interest Period (if Eurodollar Loan)	Unpaid Principal Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

</TABLE>

FORM OF BORROWING REQUEST

[DATE]

The Bank of New York, as Administrative Agent
One Wall Street - 16th Floor

New York, New York 10286
Attention: Stephen M. Nettler,
Vice President

and

The Bank of New York, as Administrative Agent
One Wall Street - 18th Floor
New York, New York 10286
Attention: Patricia A. Hylton,
Agency Function Administration

Re: First Amended and Restated Credit Agreement, dated as of June
__, 1999, by and among Salem Communications Corporation, the
Lenders party thereto, The Bank of New York, as Administrative
Agent, Bank of America NT&SA, as Documentation Agent, and
BankBoston, N.A., Fleet Bank, N.A. and Union Bank of California,
N.A., as Co-Agents (as the same may be amended, modified or
supplemented from time to time, the "Agreement")

Capitalized terms used herein which are defined in the Agreement shall
have the meanings therein defined.

Pursuant to section 2.3 of the Agreement, the Borrower hereby gives
notice of its intention to borrow RC Loans in an aggregate principal amount of
\$_____, on _____, which borrowing shall consist of the following RC
Loan(s):

<TABLE>
<CAPTION>

Type of RC Loan (Eurodollar or ABR)	Amount	Interest Period (for Eurodollar Loan)
-----	-----	-----
<S>	<C>	<C>
(1)	\$	
(2)	\$	

</TABLE>

Immediately after giving effect to the RC Loans and Letters of Credit to
be made and issued on the Borrowing Date set forth above, the Total Leverage
Ratio will be ____: 1.00, as shown on Exhibit I attached hereto.

The Borrower hereby certifies that on the date hereof and on the
Borrowing Date set forth above, and after giving effect to the RC Loan(s)
requested hereby:

(a) The Borrower is and shall be in compliance with all of the
terms, covenants and conditions of the Agreement and the other Loan Documents.

(b) There exists and there shall exist no Default or Event of
Default under the Agreement.

(c) The proceeds of such RC Loans will be used in accordance with
section 2.7 of the Agreement.

(d) Each of the representations and warranties contained in the Loan
Documents which is required to be made on such Borrowing Date is and shall be
true and correct.

IN WITNESS WHEREOF, the Borrower has caused this certificate to be
executed by its duly authorized officer as of the date and year first written
above.

SALEM COMMUNICATIONS CORPORATION

By: _____
Name: _____
Title: _____

EXHIBIT I

Calculation of Total Leverage Ratio

SALEM EXHIBIT D

FORM OF LETTER OF CREDIT REQUEST

[DATE]

The Bank of New York, as Administrative Agent
One Wall Street - 16th Floor

New York, New York 10286
Attention: Stephen M. Nettler,
Vice President

and

The Bank of New York, as Administrative Agent
One Wall Street - 18th Floor
New York, New York 10286
Attention: Patricia A. Hylton

Agency Function Administration

Re: First Amended and Restated Credit Agreement, dated as of May __, 1999, by and among Salem Communications Corporation, the Lenders party thereto, The Bank of New York, as Administrative Agent, and Bank of America NT&SA, as Documentation Agent, and BankBoston, N.A., Fleet Bank, N.A. and Union Bank of California, N.A., as Co-Agents (as the same may be amended, modified or supplemented from time to time, the "Agreement")

Capitalized terms used herein which are defined in the Agreement shall have the meanings therein defined.

Pursuant to section 2.18 of the Agreement, the Borrower hereby requests the Issuing Bank to issue Letter(s) of Credit in an aggregate principal amount of \$_____, on _____, in accordance with the information annexed hereto.

Immediately after giving effect to the RC Loans and Letters of Credit to be made and issued on the Borrowing Date set forth above, the Total Leverage Ratio will be _____:1.00, as shown on Exhibit I attached hereto.

The Borrower hereby certifies that on the date hereof and on the Borrowing Date set forth above, and after giving effect to the Letters of Credit requested hereby:

(a) The Borrower is and shall be in compliance with all of the terms, covenants and conditions of the Agreement and the other Loan Documents.

(b) There exists and there shall exist no Default or Event of Default under the Agreement.

(c) The proceeds of such Letters of Credit will be used in accordance with section 2.7 of the Agreement.

(d) Each of the representations and warranties contained in the Loan Documents which is required to be made on such Borrowing Date is and shall be true and correct.

IN WITNESS WHEREOF, the Borrower has caused this certificate to be executed by its duly authorized officer as of the date and year first written above.

SALEM COMMUNICATIONS CORPORATION

By: _____

Name: _____
Title: _____

LETTER OF CREDIT INFORMATION

1. Name of Beneficiary: _____.
2. Address of Beneficiary to which Letter of Credit will be sent:
_____.
3. Conditions under which a drawing may be made (specify any required documentation):
_____.
4. Maximum amount to be available under such Letter of Credit:
\$_____.
5. Requested date of issuance: _____.
6. Requested date of expiration: _____.

EXHIBIT I

Calculation of Total Leverage Ratio

SALEM EXHIBIT G

FORM OF COMPLIANCE CERTIFICATE

[DATE]

The Bank of New York, as Administrative Agent
One Wall Street

New York, New York 10286
Attention: Stephen M. Nettler,
Vice President

Reference is made to the First Amended and Restated Credit Agreement, dated as of June __, 1999, by and among Salem Communications Corporation, the Lenders party thereto, The Bank of New York, as Administrative Agent, Bank of America NT&SA, as Documentation Agent, and BankBoston, N.A., Fleet Bank, N.A. and Union Bank of California, N.A., as Co-Agents (as the same may be amended, modified or supplemented from time to time, the "Agreement"). Capitalized terms used herein which are defined in the Agreement shall have the meanings therein defined.

There exists no violation of any of the terms or provisions of the Loan Documents, or the occurrence of any condition or event which would constitute a Default or Event of Default, except _____.

The Total Leverage Ratio as of _____ for the four fiscal quarter period ended _____ is __:1.00, as determined on Exhibit I attached hereto.

The ratio of Consolidated Annual Operating Cash Flow to Pro-Forma Debt Service as of _____ is __:1.00, as determined on Exhibit I attached hereto.

The ratio of Consolidated Annual Operating Cash Flow to Interest Expense as of _____ is __:1.00, as determined on Exhibit I attached hereto.

The ratio of Consolidated Annual Operating Cash Flow to Fixed Charges as of _____ is __:1.00, as determined on Exhibit I attached hereto.

By: _____
Name: _____
Title: _____

EXHIBIT I

Calculation of Total Leverage Ratio

Calculation of Ratio of
Consolidated Annual Operating Cash Flow
to Pro-Forma Debt Service

Calculation of Ratio of
Consolidated Annual Operating Cash Flow
to Interest Expense

Calculation of Ratio of
Consolidated Annual Operating Cash Flow
to Fixed Charges

SALEM EXHIBIT H

FORM OF FIRST AMENDED AND RESTATED BORROWER SECURITY AGREEMENT

FIRST AMENDED AND RESTATED BORROWER SECURITY AGREEMENT (as the same may be amended, supplemented or otherwise modified from time to time, this "Agreement"), dated as of June __, 1999, by and between SALEM COMMUNICATIONS CORPORATION, a Delaware corporation (the "Borrower"), and THE BANK OF NEW YORK (the "Administrative Agent"), in its capacity as Administrative Agent for the Lenders under the Credit Agreement referred to below and the Rate Protection Lenders as defined herein.

RECITALS

A. This Agreement amends and restates the Borrower Security Agreement, dated as of September 25, 1997, by and between Salem Communications Corporation, a California corporation ("Salem California"), and the Administrative Agent (as amended to the date hereof, the "Original Security Agreement"). On March 31, 1999, Salem California merged into Salem Delaware with Salem Delaware as the survivor. Pursuant to the terms and conditions of Consent No. 3, Salem Delaware entered into the Assumption Agreement whereby Salem Delaware, among other things, assumed all of the obligations of Salem California under the Loan Documents (including, without limitation, the Original Security Agreement).

B. This Agreement is intended solely as an amendment of, and contemporaneous restatement of, the terms and conditions of the Original Security Agreement and is not intended, and should not be construed in any way, to extinguish or terminate the Obligations or the Security Interests granted under the Original Security Agreement.

C. Reference is made to the First Amended and Restated Credit Agreement, dated as of June __, 1999, by and among the Borrower, the Lenders party thereto, the Administrative Agent, Bank of America NT&SA, as Documentation Agent, and BankBoston, N.A., Fleet Bank, N.A. and Union Bank of California, N.A., as Co-Agents (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), which Credit Agreement amends and restates the Credit Agreement, dated as of September 25, 1997, by and among Salem California, the lenders party thereto, Bank of America NT&SA, as Documentation Agent, and The Bank of New York, as Administrative Agent, as amended and modified by Amendment No. 1 and Consent No. 1, dated as of August 5, 1998, Amendment No. 2 and Consent No. 2, dated as of January 22, 1999, Consent No. 3, dated as of March 31, 1999, and Amendment No. 3 and Consent No. 4, dated as of April 23, 1999 (as so amended, the "Original Credit Agreement").

D. It is a condition precedent to the effectiveness of the Credit Agreement and the making of all Loans and all other extensions of credit under the Credit Agreement that the Borrower shall have executed and delivered this Agreement.

E. For convenience, this Agreement is dated as of June __, 1999, and references to certain matters relating to the period prior thereto have been deleted.

Therefore, in consideration of the Recitals, the terms and conditions herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Administrative Agent hereby agree as follows:

1. Defined Terms

(a) Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement.

(b) When used in this Agreement, the following capitalized terms shall have the respective meanings ascribed thereto as follows:

"Collateral": as defined in Section 2.

"Equity Interest": (i) with respect to a corporation, the capital stock thereof, (ii) with respect to a partnership, a partnership interest therein, all rights of a partner in such partnership, whether arising under the partnership agreement of such partnership or otherwise; (iii) with respect to a limited liability company, a membership interest therein, all rights of a member of such limited liability company, whether arising under the limited liability company agreement of such limited liability company or otherwise; (iv) with respect to any other firm, association, trust, business enterprise or other entity, any equity interest therein, any interest therein which entitles the holder thereof to share in the revenue, income, earnings or losses thereof or to vote or otherwise participate in any election of one or more members of the Managing Person thereof, and (v) all warrants and options in respect of any of the foregoing and all other securities which are convertible or exchangeable therefor.

"Event of Default": as defined in Section 6.

"Financing Statements": the UCC financing statements executed by the Borrower and delivered pursuant to the Credit Agreement.

"Grants of Security Interests": collectively, the Grant of Security Interest (Patents) and the Grant of Security Interest (Trademarks), in the form of Annexes A-1 and A-2 hereto, respectively, in each case appropriately completed and signed by the Borrower.

"NYUCC": the UCC as in effect in the State of New York on the date hereof.

"Obligations": all of the obligations and liabilities of the Borrower under the Loan Documents and under each Interest Rate Protection Arrangement entered into by the Borrower with a Rate Protection Lender, in each case whether fixed, contingent, now existing or hereafter arising, created, assumed, incurred or acquired, as such obligations and liabilities may be amended, increased, modified, renewed, refinanced by the Administrative Agent and the Lenders, refunded or extended from time to time.

"Office Location": as defined in Section 3(a).

"Patents": all patents issued under the laws of the United States of America and all patent applications filed with the United States Patent and Trademark Office, and all of the rights associated with each of the foregoing.

"Proceeds": as defined in the NYUCC, together with (i) all dividends, distributions and income on and in respect of all of the Securities and Instruments and all other rights and benefits in respect thereof, and (ii) with respect to the Patents and Trademarks, all renewals thereof, all proceeds of infringement suits, all rights to sue for infringement, all license royalties, all reissues, divisions, continuations, extensions and continuations in part thereof.

"Rate Protection Lenders": collectively, the Lenders and any affiliates of the Lenders which from time to time enter or have entered into Interest Rate Protection Arrangements with the Borrower.

"Registrations": (i) patents issued under the laws of the United States of America, (ii) patent applications filed with the United States Patent and Trademark Office, and (iii) all registered trademarks.

"Trademarks": (i) all rights under the laws of the United States of America, and each State thereof, to trademarks, together with all registrations thereof, applications therefor and all of the rights associated therewith, and (ii) the goodwill of the Borrower's business symbolized by registered trademarks.

"UCC": with respect to any jurisdiction, Articles 1, 8 and 9 of the Uniform Commercial Code as from time to time in effect in such jurisdiction.

(c) When used in this Agreement, the following capitalized terms shall have the respective meanings ascribed thereto in the NYUCC: "Account", "Certificated Security", "Chattel Paper", "Document", "Equipment", "Fixture", "General Intangible", "Instruction", "Instrument", "Inventory", "Issuer", "Secured Party", "Security", "Security Interest" and "Uncertificated Security".

2. Grant of Security Interest

(a) To secure the prompt and complete payment, observance and performance of the Obligations, the Borrower hereby grants to the Administrative Agent, for its benefit and the ratable benefit of the Lenders, the Issuing Bank and the Rate Protection Lenders, a Security Interest in and to all of the Borrower's right, title and interest in and to all: Accounts, Chattel Paper, Documents, Equipment, Fixtures, General Intangibles, Instruments, including, without limitation, Instruments evidencing intercompany Indebtedness, Inventory, Patents, Trademarks, Equity Interests in each Person which now is or may hereafter become a Subsidiary of the Borrower, whether or not evidenced by a Security, and all Proceeds of all of the foregoing, in each case whether now owned or existing or hereafter arising or acquired, and including, without limitation, all licenses, approvals, permits and other authorizations issued by the FCC, including

the Proceeds of any sale or other disposition thereof, in each case to the extent that a security interest therein is not prohibited by law, provided that to the extent that a security interest therein is now so prohibited and to the extent that such security interest at any time hereafter shall no longer be so prohibited, then such security interest shall automatically and without any further action attach and become fully effective at that time (giving effect to any retroactive effect to any change in applicable law or regulation) (collectively, the "Collateral").

3. Representations and Warranties

The Borrower hereby represents and warrants to the Administrative Agent as follows:

(a) Chief Executive Office. As of the date hereof, the Borrower's place of business or, if the Borrower has more than one place of business, its chief executive office, is, and has been continuously for the immediately preceding 5 month period, located at the address set forth for notices to the Borrower contained in the Credit Agreement (the "Office Location"). The Borrower has not changed its legal name during the six year period immediately preceding the date hereof.

(b) Information. As of the date hereof, all of the information set forth on each of the Schedules hereto is true, complete and correct.

(c) Security Interest. This Agreement, together with the delivery to the Administrative Agent of the Certificated Securities constituting Collateral and the continuous possession thereof by the Administrative Agent in the State of New York, creates a continuing "enforceable" Security Interest in the Collateral in favor of the Administrative Agent. Upon (i) the presentation for filing of the Financing Statements at the respective offices listed thereon together with the appropriate filing fee therefor, (ii) the delivery to the Administrative Agent of the Instruments and the Certificated Securities constituting the Collateral, and (iii) the registration, in accordance with Article 8 of the NYUCC, of the Security Interest granted hereby on the books of each Person which is an Issuer of an Uncertificated Security constituting the Collateral or the agreement by such Person to comply with Instructions originated by the Administrative Agent with respect to such Uncertificated Securities without further consent by the Borrower, and (iv) the filing of the Grants of Security Interests in the United States Patent and Trademark Office with respect to Patents, Registrations, and Trademarks, (A) such Security Interest shall be perfected, and (B) assuming that the Administrative Agent does not have "notice of any adverse claim" within the meaning of Article 8 of the NYUCC, the Administrative Agent shall be a "protected purchaser", within the meaning of such Article, with respect to the Collateral consisting of Securities.

(d) Absence of Liens. There are no Liens upon the Collateral other than Permitted Liens, if any.

(e) Equity Interests. The Equity Interests listed on Schedule 3(e) hereto constitute, as of the date hereof, all of the Equity Interests in each Subsidiary in which the Borrower has any right, title or interest, and each such Equity Interest issued by a corporate

Issuer has been duly authorized, validly issued and fully paid for, and is non-assessable. As of the Effective Date, except as set forth on Schedule 3(e), (i) no Subsidiary of the Borrower has issued any securities convertible into, or options or warrants for, any common or preferred equity securities thereof and (ii) there are no agreements, voting trusts or understandings binding upon the Borrower or any of its Subsidiaries with respect to the voting securities of any of such Subsidiary or affecting in any manner the sale, pledge, assignment or other disposition thereof, including any right of first refusal, option, redemption, call or other right with respect thereto, whether similar or dissimilar to any of the foregoing.

(f) Chattel Paper, Documents and Instruments. The Chattel Paper, Documents and Instruments listed on Schedule 3(f) hereto constitute, as of the date hereof, all of the Chattel Paper, Documents and Instruments which constitute the Collateral, and, to the best of the Borrower's knowledge, all such Chattel Paper, Documents and Instruments have been duly authorized, issued and delivered, and constitute the legal, valid, binding and enforceable obligations of the respective makers thereof.

(g) Accounts. As of the date hereof, all records concerning any Account constituting the Collateral are located at its Office Location, and no such Account is evidenced by a promissory note or other instrument.

(h) Equipment and Inventory. Except for Equipment and Inventory in transit with common carriers, the Borrower has exclusive possession and control of all Equipment and Inventory constituting the Collateral, all of which is as of the date hereof and has been continuously for the 5 month period immediately preceding the date hereof, located at one or more of the places listed on Schedule 3(h) hereto.

(i) Patents and Trademarks. The Borrower has no Registrations relating to Patents other than those listed on Schedule 3(i) hereto, and each such Registration is subsisting and is not invalid or unenforceable, in whole or in part, except to the extent that the unenforceability thereof could not reasonably be expected to have a material adverse effect on the value of the Patents taken as a whole. The Borrower has no Registrations relating to Trademarks other than those listed on Schedule 3(i) hereto, and each such Registration is subsisting and has not been adjudged invalid or unenforceable, in whole or in part, except to the extent that the unenforceability thereof could not reasonably be expected to have a material adverse effect on the value of the Trademarks taken as a whole. To the best of the Borrower's knowledge, each Patent and Trademark constituting Collateral is valid and enforceable. Except for Permitted Liens, the Borrower is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Patents and Trademarks constituting Collateral, free and clear of all Liens. To the best of the Borrower's knowledge, no claim has been made that the use of any Patent or Trademark violates the rights of any third person. The Borrower has used consistent standards of quality in its manufacture of products sold under the Patents and Trademarks.

4. Covenants of the Borrower

The Borrower hereby covenants with the Administrative Agent as follows:

(a) Chief Executive Office. The Borrower shall maintain its place of business, or if the Borrower has more than one place of business, its chief executive office, at the Office Location or at such other location in respect of which (A) the Borrower shall have provided the Administrative Agent with prior written notice thereof, and (B) UCC financing statements (or amendments thereto), in form and substance reasonably satisfactory to the Administrative Agent, shall have been filed within two months of such change.

(b) Further Assurances. The Borrower shall, at its own expense, promptly execute and deliver all certificates, documents, instruments, financing and continuation statements and amendments thereto, notices and other agreements, and take all further action, that the Administrative Agent may reasonably request from time to time, in order to perfect and protect the Security Interest granted hereby or to enable the Administrative Agent to exercise and enforce its rights and remedies hereunder with respect to the Collateral. The Borrower hereby irrevocably appoints the Administrative Agent as the Borrower's true and lawful attorney-in-fact, in the name, place and stead of the Borrower, to perform on behalf of the Borrower any and all obligations of the Borrower under this Agreement, and the Borrower agrees that the power of attorney herein granted constitutes a power coupled with an interest, provided, however, that the Administrative Agent shall have no obligation to perform any such obligation and such performance shall be at the sole cost and expense of the Borrower. If the Borrower fails to comply with any of its obligations hereunder, the Administrative Agent may do so in the Borrower's name or in the

Administrative Agent's name, but at the Borrower's expense, and the Borrower hereby agrees to reimburse the Administrative Agent in full for all reasonable expenses, including reasonable attorney's fees, incurred by the Administrative Agent in connection therewith.

(c) Information. The Borrower at its own expense shall furnish to the Administrative Agent such information, reports, statements and schedules with respect to the Collateral as the Administrative Agent may reasonably request from time to time.

(d) Defense of Collateral. The Borrower at its own expense shall defend the Collateral against all claims of any kind or nature (other than Permitted Liens, if any) of all Persons at any time claiming the same or any interest therein adverse to the interests of the Administrative Agent, the Issuing Bank, any Rate Protection Lender or any Lender, and the Borrower shall not cause, permit or suffer to exist any Lien upon the Collateral other than Permitted Liens, if any.

(e) Uncertificated Securities. The Borrower shall cause each Person which is an Issuer of an Uncertificated Security constituting Collateral (i) to register the Security Interest granted hereby upon the books of such Person in accordance with Article 8 of the NYUCC, and (ii) to agree to comply with Instructions originated by the Administrative Agent with respect to such Uncertificated Securities without further consent by the Borrower.

(f) Delivery of Pledged Collateral. Each Certificated Security representing an Equity Interest in a Person which is or shall become a Subsidiary of the Borrower shall be promptly delivered to the Administrative Agent, to be held by the Administrative Agent pursuant

hereto, in suitable form for transfer by delivery or accompanied by duly executed documents of transfer or assignment in blank, all in form and substance satisfactory to the Administrative Agent. The Borrower agrees that until so delivered, each such Certificated Security shall be held by the Borrower in trust for the benefit of the Administrative Agent and be segregated from the other Property of the Borrower.

(g) Chattel Paper, Documents and Instruments. All of the Instruments, Documents and Chattel Paper now or hereafter owned by or in the possession of the Borrower which constitute Collateral (other than checks received in the ordinary course of collection) shall be promptly delivered to the Administrative Agent, to be held by the Administrative Agent pursuant hereto, in suitable form for transfer by delivery or accompanied by duly executed documents of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Administrative Agent. The Borrower agrees that, with respect to all items of the Collateral which it is or shall hereafter be obligated to deliver to the Administrative Agent, until so delivered such items shall be held by the Borrower in trust for the benefit of the Administrative Agent and be segregated from the other Property of the Borrower.

(h) Accounts. Except as otherwise provided in this Section 4(h), the Borrower shall continue to collect in accordance with its customary practice, at its own expense, all amounts due or to become due to the Borrower in respect of the Borrower's Accounts and, prior to the occurrence of an Event of Default, the Borrower shall have the right to adjust, settle or compromise the amount or payment of any such Account, all in accordance with its customary practices. In connection with such collections, the Borrower may take and, at the direction of the Administrative Agent at any time that an Event of Default shall have occurred and be continuing shall take, such action as the Borrower or the Administrative Agent may reasonably deem necessary or advisable to enforce collection of such Accounts.

(i) Equipment and Inventory. The Borrower shall keep the Equipment and Inventory constituting Collateral at the places listed on Schedule 3(h) hereto, and at such other places located within the United States in respect of which (i) the Borrower shall have provided the Administrative Agent with prior written notice, and (ii) UCC financing statements (or amendments thereto), in form and substance satisfactory to the Administrative Agent, shall have been filed within two months of such change. The Borrower shall promptly furnish to the Administrative Agent a statement respecting any material loss or damage to any of the Equipment or Inventory constituting Collateral except to the extent that such loss or damage shall be insured pursuant to policies required to be maintained pursuant to the Credit Agreement.

(j) Patents and Trademarks. The Borrower will continue to use for the duration of this Agreement, consistent standards of quality in its manufacture of products sold under the Patents and Trademarks constituting Collateral. The Borrower shall give to the Administrative Agent prompt written notice thereof in the event that the Borrower shall obtain any right to any new Patent or Trademark or to any reissue, division, continuation, renewal, extension, or continuation-in-part of any Patent or Trademark. The Borrower shall prosecute diligently any applications of the Patents and Trademarks

constituting Collateral pending as of the date of this Agreement or thereafter, and preserve and maintain all rights in applications of

Patents and Trademarks constituting Collateral consistent with past practice, including the payment of all maintenance fees, except to the extent the failure so to preserve or maintain such rights could not reasonably be expected to have a material adverse effect on either (i) the value of the Patents taken as a whole, or (ii) the value of the Trademarks taken as a whole. The Borrower shall not abandon any right to file an application or any pending application for any Patent or Trademark unless the failure so to do could not reasonably be expected to have a material adverse effect on either (i) the value of the Patents taken as a whole, or (ii) the value of the Trademarks taken as a whole. The Borrower agrees that it will not enter into any agreement, including a license agreement, with respect to any Patent or Trademark which is inconsistent with the Borrower's past practices of licensing Patents or Trademarks as the case may be. The Borrower hereby grants to the Administrative Agent the right to visit the Borrower's plants and facilities which manufacture, inspect or store products sold under any of the Patents and Trademarks, and to inspect the products and quality control records relating thereto at reasonable times during regular business hours upon reasonable prior notice.

5. Other Agreements of the Borrower

(a) No Duty to Preserve. Except as otherwise required by law, the Borrower agrees that, with respect to the Collateral, neither the Administrative Agent, the Issuing Bank, any Rate Protection Lender nor any Lender has any obligation to preserve rights against prior or third parties.

(b) Administrative Agent's Duty With Respect to Collateral. The Administrative Agent's only duty with respect to the Collateral delivered to it shall be to use reasonable care in the custody and preservation of the Collateral, and the Borrower agrees that if the Administrative Agent accords the Collateral substantially the same kind of care as it accords its own Property, such care shall conclusively be deemed reasonable. In the event that all or any part of the Certificated Securities or Instruments constituting the Collateral are lost, destroyed or wrongfully taken while such Certificated Securities or Instruments are in the possession of the Administrative Agent, the Borrower agrees that it will use its best efforts to cause the delivery of new Certificated Securities or Instruments in place of the lost, destroyed or wrongfully taken Certificated Securities or Instruments upon request therefor by the Administrative Agent, without the necessity of any indemnity bond or other security, other than the Administrative Agent's agreement of indemnity upon usual and customary terms therefor. Anything herein to the contrary notwithstanding, the Administrative Agent shall not be under any duty to send notices, perform services, exercise any rights of collection, enforcement, conversion or exchange, vote, pay for insurance, taxes or other charges or take any action of any kind in connection with the management of the Collateral.

(c) Liability of Borrower under Contracts and Agreements Included in the Collateral. Anything herein to the contrary notwithstanding, (i) the Borrower shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (ii) the exercise by the Administrative Agent, the Issuing Bank, any Rate Protection Lender or any Lender of any of its rights hereunder shall not release the Borrower

from any of its duties or obligations under any such contract or agreement, (iii) neither the Administrative Agent, the Issuing Bank, any Rate Protection Lender nor any Lender shall have any obligation or liability, including indemnification obligations, under any such contract or agreement by reason of this Agreement, nor shall the Administrative Agent, the Issuing Bank, any Rate Protection Lender or any Lender be obligated to perform any of the obligations or duties of the Borrower thereunder, to make any payment, to make any inquiry as to the nature or sufficiency of any payment received by the Borrower or the sufficiency of any performance by any party under any such contract or agreement or to take any action to collect or enforce any claim for payment assigned hereunder, and (iv) neither the Administrative Agent, the Issuing Bank, any Rate Protection Lender nor any Lender shall be under any duty to send notices, perform services, exercise any rights of collection, enforcement, conversion or exchange, vote, pay for insurance, taxes or other charges or take any action of any kind in connection with the management of the Collateral.

6. Events of Default

Each of the following shall constitute an "Event of Default":

(a) If the Borrower shall fail to observe or perform any term, covenant or agreement contained in this Agreement; or

(b) The occurrence and continuance of an Event of Default under, and as such term is defined in, the Credit Agreement.

7. Remedies

(a) Upon the occurrence of an Event of Default or at any time thereafter during the continuance thereof, the Administrative Agent may:

(i) exercise any and all rights and remedies (A) granted to a Secured Party by the UCC in effect in the State of New York or otherwise allowed at law, and (B) otherwise provided by this Agreement, and

(ii) dispose of the Collateral as it may choose, so long as every aspect of the disposition including the method, manner, time, place and terms are commercially reasonable, and the Borrower agrees that, without limitation, the following are each commercially reasonable: (A) the Administrative Agent shall not in any event be required to give more than 10 days' prior notice to the Borrower of any such disposition, (B) any place within the City of New York or the Counties of Nassau, Suffolk, and Westchester may be designated by the Administrative Agent for disposition, and (C) the Administrative Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) The Borrower acknowledges and agrees that the Administrative Agent may elect, with respect to the offer or sale of any or all of the Equity Interests constituting the

Collateral, to conduct such offer and sale in such a manner as to avoid the need for registration or qualification of such Equity Interests or the offer and sale thereof under any Federal or state securities laws and that the Administrative Agent is authorized to comply with any limitation or restriction in connection with such sale as counsel may advise the Administrative Agent is reasonably necessary in order to avoid any violation of applicable law, compliance with such procedures as may restrict the number of prospective bidders and purchasers, require that such prospective bidders and purchasers have certain qualifications, and restrict such prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Equity Interests, or in order to obtain any required approval of the sale or of the purchaser by any Governmental Authority. The Borrower further acknowledges and agrees that any such transaction may be at prices and on terms less favorable than those which may be obtained through a public sale and not subject to such restrictions and agrees that, notwithstanding the foregoing, the Administrative Agent is under no obligation to conduct any such public sale and may elect to impose any or all of the foregoing restrictions, or any other restrictions which may be reasonably necessary in order to avoid any such registration or qualification, at its sole discretion or with the consent or direction of the Required Lenders, and that any such offer and sale so conducted shall be deemed to have been made in a commercially reasonable manner.

(c) To the extent permitted by law, the Borrower hereby expressly waives and covenants not to assert any appraisal, valuation, stay, extension, redemption or similar laws, now or at any time hereafter in force, which might delay, prevent or otherwise impede the performance or enforcement of this Agreement.

(d) Notwithstanding anything to the contrary contained in this Agreement, any other Loan Document or in any other agreement, instrument or document executed by the Borrower and delivered to the Administrative Agent, the Issuing Bank or any Lender, neither the Administrative Agent, the Issuing Bank nor any Lender will take any action pursuant to this Agreement, any other Loan Document or any other document referred to above which would constitute or result in any assignment of any license, approval, permit, certificate or other authorization issued by the FCC or any change of control of the Borrower or any Subsidiary if such assignment or change of control would require, under then existing law, the prior approval of the FCC without first obtaining such prior approval of the FCC. Upon the occurrence of an Event of Default or at any time during the continuance thereof, the Borrower waives, to the extent permitted by law, any right it may have to oppose, and agrees to take any action that the Administrative Agent may reasonably request in order to obtain from the FCC, such approval as may be necessary to enable the Administrative Agent, the Issuing Bank and the Lenders to exercise and enjoy the full rights and benefits granted to the Administrative Agent, the Issuing Bank and the Lenders by this Agreement, the other Loan Documents and the other documents referred to above, including specifically, at the cost and expense of the Borrower, the use of commercially reasonable efforts to assist in obtaining approval of the FCC for any action or transaction contemplated by this Agreement for which such approval

is or shall be required by law, and specifically, without limitation, upon request, to prepare, sign and file with the FCC the assignor's or transferor's portion of any application or applications for consent to the assignment of license or transfer of control necessary or appropriate under the FCC's rules and regulations

for approval of (a) any sale or other disposition of the Collateral by or on behalf of the Administrative Agent, or (b) any assumption by the Administrative Agent of voting rights in the Collateral effected in accordance with the terms of this Agreement. It is understood and agreed that all foreclosure and related actions will be made in accordance with the Communications Act and applicable regulations and published policies and decisions of the FCC pertaining to such foreclosure and related actions.

8. Voting

Notwithstanding anything to the contrary contained in this Agreement, the Borrower shall have the right to vote all Securities and General Intangibles constituting the Collateral and receive and retain all dividends and distributions thereon until such time, if any, as an Event of Default shall have occurred and be continuing and the Administrative Agent shall have notified the Borrower that the Administrative Agent shall have elected to terminate the rights of the Borrower under this section, at which time the Administrative Agent shall then be vested with the right to vote all Securities constituting the Collateral and receive and retain all dividends and distributions thereon, until such time as such Event of Default is cured or waived.

9. Notices

All notices and other communications provided for or otherwise required hereunder or in connection herewith shall be given in the manner and to the addresses set forth in Section 11.2 of the Credit Agreement.

10. Termination

On any date upon which (i) the Lenders shall no longer have any obligation to make Loans, (ii) the Issuing Bank shall no longer have (A) any obligation to issue Letters of Credit and (B) any obligations under the Letters of Credit theretofor issued, and (iii) the Obligations shall have been paid in full in cash, the outstanding principal balance of the Loans together with all accrued interest thereon, all of the Reimbursement Obligations and all other sums then due and owing under the Loan Documents, the Liens granted hereby shall cease and the Administrative Agent shall, at the Borrower's expense (A) execute and deliver all UCC Termination Statements and other documents necessary to terminate the Liens granted hereby that the Borrower shall have reasonably requested, and (B) return to the Borrower all Collateral that shall remain in the possession of the Administrative Agent at such time.

11. Relationship to Credit Agreement

This Agreement is the "Borrower Security Agreement" under, and as such term is defined in, the Credit Agreement, and is subject to, and should be construed in accordance with, the provisions thereof. Each of the Administrative Agent and the Borrower acknowledges that certain provisions of the Credit Agreement, including, without limitation, Sections 1.2 (Principles of Construction), 11.1 (Amendments and Waivers), 11.3 (No Waiver; Cumulative Remedies), 11.4 (Survival of Representations and Warranties), 11.7 (Successors and Assigns), 11.8 (Counterparts), 11.9 (Adjustments; Setoff), 11.12 (Governing Law), 11.13 (Headings),

11.14 (Severability), 11.15 (Integration), 11.16 (Limitation of Liability), 11.17 (Consent to Jurisdiction), 11.18 (Service of Process), 11.19 (No Limitation on Service or Suit) and 11.20 (WAIVER OF TRIAL BY JURY) thereof, are made applicable to this Agreement and all such provisions are incorporated by reference herein as if fully set forth herein.

IN EVIDENCE of the agreement by the parties hereto to the terms and conditions herein contained, each such party has caused this First Amended and Restated Borrower Security Agreement to be duly executed on its behalf.

SALEM COMMUNICATIONS CORPORATION

By: _____
Name: _____
Title: _____

THE BANK OF NEW YORK,
as Administrative Agent

By: _____
Name: _____
Title: _____

SCHEDULE 3(E) TO THE BORROWER SECURITY AGREEMENT
DATED AS OF JUNE __, 1999

LIST OF EQUITY INTERESTS

<TABLE>
<CAPTION>

Issuer	Class	Number of Shares	Cert. Number	Percentage of Outstanding Shares
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>

</TABLE>

SCHEDULE 3(f) TO THE BORROWER SECURITY AGREEMENT
DATED AS OF JUNE __, 1999

LIST OF CHATTEL PAPER, DOCUMENTS AND INSTRUMENTS

SCHEDULE 3(h) TO THE BORROWER SECURITY AGREEMENT
DATED AS OF JUNE __, 1999

ADDRESSES FOR EQUIPMENT AND INVENTORY LOCATIONS

SCHEDULE 3(i) TO THE BORROWER SECURITY AGREEMENT
DATED AS OF JUNE __, 1999

LIST OF REGISTRATIONS

- A. Patents
- B. Trademarks

ANNEX A-1 TO THE BORROWER SECURITY AGREEMENT
DATED AS OF JUNE __, 1999

FORM OF GRANT OF SECURITY INTEREST (PATENTS)

SALEM COMMUNICATIONS CORPORATION, a Delaware corporation (the "Borrower"), is obligated to THE BANK OF NEW YORK, as Administrative Agent (the "Administrative Agent"), and has entered into the First Amended and Restated Borrower Security Agreement as of June __, 1999 (as the same may be amended, supplemented or otherwise modified, the "Agreement") with the Administrative Agent.

Pursuant to the Agreement, the Borrower granted to the Administrative Agent a security interest in all of the right, title and interest of the Borrower in and to the letters patent or applications for letters patent, of the United States, more particularly described on Schedule 1 (the "Patents")

together with any reissue, continuation, continuation-in-part or extension thereof, and all proceeds thereof, any and all causes of action which may exist by reason of infringement thereof for the full term of the Patents (the "Collateral"), to secure the prompt payment, performance and observance of the Obligations (as defined in the Agreement).

For good and valuable consideration, the receipt of which is hereby acknowledged, and for the purpose of recording the grant of the security interest as aforesaid, the Borrower does hereby further assign to the Administrative Agent, and grant to the Administrative Agent a security interest in, the Collateral to secure the prompt payment, performance and observance of the Obligations.

The Borrower does hereby further acknowledge and affirm that the rights and remedies of the Administrative Agent with respect to the assignment of and security interest in the Collateral made and granted hereby are set forth in the Agreement, the terms and provisions of which are hereby incorporated herein by reference as if fully set forth herein.

Upon the indefeasible cash payment in full of all Obligations (as such term is defined in the Agreement), the Administrative Agent will take whatever actions are necessary at the Borrower's expense to release or reconvey to Borrower all right, title and interest of the Borrower in and to the Patents.

The Administrative Agent's address is: One Wall Street, New York, New York 10286.

IN WITNESS WHEREOF, the Borrower has caused this Assignment to be duly executed by its duly authorized officer as of the __ day of _____, _____.

SALEM COMMUNICATIONS CORPORATION

By: _____
Name: _____
Title: _____

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this __ day of _____, _____, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he resides at _____; that he is the _____ of SALEM COMMUNICATIONS CORPORATION, the corporation described in and which executed the above instrument, and that he signed his name thereto by order of the board of directors thereof.

Notary Public
[Notary's Stamp]

Schedule 1
to

Grant of Security Interest (Patents)
Dated as of _____

ANNEX A-2 TO THE BORROWER SECURITY AGREEMENT
DATED AS OF JUNE __, 1999

FORM OF GRANT OF SECURITY INTEREST (TRADEMARKS)

SALEM COMMUNICATIONS CORPORATION, a California corporation (the "Borrower"), is obligated to THE BANK OF NEW YORK, as Administrative Agent (the "Administrative Agent"), and has entered into the First Amended and Restated Borrower Security Agreement dated as of June __, 1999 (as the same may be amended, supplemented or otherwise modified, the "Agreement") with the Administrative Agent.

Pursuant to the Agreement, the Borrower granted to the Administrative Agent a security interest in all of the right, title and interest of the Borrower in and to the trademarks listed on Schedule 1, which trademarks are registered in the United States Patent and Trademark Office (the "Trademarks"), together with the goodwill of the business symbolized by the Trademarks and the applications and registrations therefor, and all proceeds thereof, any and all causes of action which may exist by reason of infringement thereof (the "Collateral"), to secure the prompt payment, performance and observance of the Obligations (as defined in the Agreement).

For good and valuable consideration, the receipt of which is hereby acknowledged, and for the purpose of recording the grant of the security interest as aforesaid, the Borrower does hereby further assign to the Administrative Agent, and grant to the Administrative Agent a security interest in, the Collateral to secure the prompt payment, performance and observance of the Obligations.

The Borrower does hereby further acknowledge and affirm that the rights and remedies of the Administrative Agent with respect to the assignment of and security interest in the Collateral made and granted hereby are set forth in the Agreement, the terms and provisions of which are hereby incorporated herein by reference as if fully set forth herein.

Upon the indefeasible cash payment in full of all Obligations (as such term is defined in the Agreement), the Administrative Agent will take whatever actions are necessary at the Borrower's expense to release or reconvey to the Borrower all right, title and interest of the Borrower in and to the Trademarks.

The Administrative Agent's address is: One Wall Street, New York, New York 10286.

IN WITNESS WHEREOF, the Borrower has caused this Assignment to be duly executed by its duly authorized officer as of the __ day of ____, ____.

SALEM COMMUNICATIONS CORPORATION

By: _____
Name: _____
Title: _____

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this __ day of ____, ____, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he resides at _____; that he is the _____ of SALEM COMMUNICATIONS CORPORATION, the corporation described in and which executed the above instrument, and that he signed his name thereto by order of the board of directors thereof.

Notary Public
[Notary's Stamp]

Schedule 1
to
Grant of Security Interest (Trademarks)
Dated as of _____

FIRST AMENDED AND RESTATED SUBSIDIARY GUARANTY AND SECURITY AGREEMENT
(as the same may be amended, supplemented or otherwise modified from time to time, this "Agreement"), dated as of June __, 1999, by and among the Persons party hereto (the "Current Guarantors"), such other Persons which from time to time may become party hereto (the "Additional Guarantors", and collectively with the Current Guarantors, the "Guarantors"), SALEM COMMUNICATIONS CORPORATION, a Delaware corporation (the "Borrower"), and THE BANK OF NEW YORK (the "Administrative Agent"), in its capacity as Administrative Agent for the Lenders under the Credit Agreement referred to below and the Rate Protection Lenders as defined herein.

RECITALS

A. This Agreement amends and restates the Subsidiary Guaranty and Security Agreement, dated as of September 25, 1997, by and between the Guarantors party thereto, Salem Communications Corporation, a California corporation ("Salem California"), and the Administrative Agent (as amended to the date hereof, the "Original Security Agreement"). On March 31, 1999, Salem California merged into Salem Delaware with Salem Delaware as the survivor. Pursuant to the terms and conditions of Consent No. 3, Salem Delaware entered into the Assumption Agreement whereby Salem Delaware, among other things, assumed all of the obligations of Salem California under the Loan Documents (including, without limitation, the Original Security Agreement).

B. This Agreement is intended solely as an amendment of, and contemporaneous restatement of, the terms and conditions of the Original Security Agreement and is not intended, and should not be construed in any way, to extinguish or terminate the Borrower Obligations, the Guarantor Obligations or the Security Interests granted under the Original Security Agreement.

C. Reference is made to the First Amended and Restated Credit Agreement, dated as of June __, 1999, by and among the Borrower, the Lenders party thereto, the Administrative Agent, Bank of America NT&SA, as Documentation Agent, and BankBoston, N.A., Fleet Bank, N.A. and Union Bank of California, N.A., as Co-Agents (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), which Credit Agreement amends and restates the Credit Agreement, dated as of September 25, 1997, by and among Salem California, the lenders party thereto, Bank of America NT&SA, as Documentation Agent, and The Bank of New York, as Administrative Agent, as amended and modified by Amendment No. 1 and Consent No. 1, dated as of August 5, 1998, Amendment No. 2 and Consent No. 2, dated as of January 22, 1999, Consent No. 3, dated as of March 31, 1999, and Amendment No. 3 and Consent No. 4, dated as of April 23, 1999 (as so amended, the "Original Credit Agreement").

D. In the past, as now, the Borrower has provided financing for the Guarantors and the Guarantors have relied upon the Borrower to provide such financing. In addition, it is anticipated that, if the Guarantors execute and deliver this Agreement, the Borrower will continue to provide such financing to the Guarantors, and that the proceeds of the Loans to be made and Letters of Credit to be issued will be used, in part, for the general corporate and working capital purposes of the Guarantors. It is a condition precedent to the effectiveness of the Credit Agreement and the making of all Loans and all extensions of credit under the Credit Agreement that the Guarantors shall have executed and delivered this Agreement. In light of all of the foregoing, each Guarantor expects to derive substantial benefit from the Credit Agreement and the transactions contemplated thereby and, in furtherance thereof, has agreed to execute and deliver this Agreement.

E. For convenience, this Agreement is dated as of June __, 1999, and references to certain matters relating to the period prior thereto have been deleted.

Therefore, in consideration of the Recitals, the terms and conditions herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantors, the Borrower and the Administrative Agent hereby agree as follows:

1. Defined Terms

(a) Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement.

(b) When used in this Agreement, the following capitalized terms shall have the respective meanings ascribed thereto as follows:

"Borrower Obligations": all of the obligations and liabilities of the Borrower under the Loan Documents and under each Interest Rate Protection Arrangement entered into by the Borrower with a Rate Protection Lender, in each case whether fixed, contingent, now existing or hereafter

arising, created, assumed, incurred or acquired, and whether before or after the occurrence of any Insolvency Event, and including (i) any obligation or liability in respect of any breach of any representation or warranty and (ii) all post-petition interest and funding losses, whether or not allowed as a claim in any proceeding arising in connection with an Insolvency Event.

"Collateral": as defined in Section 4.

"Equity Interest": (i) with respect to a corporation, the capital stock thereof, (ii) with respect to a partnership, a partnership interest therein, all rights of a partner in such partnership, whether arising under the partnership agreement of such partnership or otherwise; (iii) with respect to a limited liability company, a membership interest therein, all rights of a member of such limited liability company, whether arising under the limited liability company agreement of such limited liability company or otherwise; (iv) with respect to any other firm, association, trust, business enterprise or

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other entity, any equity interest therein, any interest therein which entitles the holder thereof to share in the revenue, income, earnings or losses thereof or to vote or otherwise participate in any election of one or more members of the Managing Person thereof, and (v) all warrants and options in respect of any of the foregoing and all other securities which are convertible or exchangeable therefor.

"Financing Statements": the UCC financing statements executed by the Guarantor and delivered pursuant to the Credit Agreement.

"Grants of Security Interests": collectively, the Grant of Security Interest (Patents) and the Grant of Security Interest (Trademarks), in the form of Annexes B-1 and B-2 hereto, respectively, in each case appropriately completed and signed by the Guarantor.

"Guarantor Obligations": with respect to each Guarantor, all of the obligations and liabilities of such Guarantor hereunder, whether fixed, contingent, now existing or hereafter arising, created, assumed, incurred or acquired.

"Insolvency Event": any Event of Default under Section 9.1(h) or (i) of the Credit Agreement.

"NYUCC": the UCC as in effect in the State of New York on the date hereof.

"Office Location": as defined in Section 5(c).

"Patents": all patents issued under the laws of the United States of America and all patent applications filed with the United States Patent and Trademark Office, and all of the rights associated with each of the foregoing.

"Proceeds": as defined in the NYUCC, together with (i) all dividends, distributions and income on and in respect of all of the Securities and Instruments and all other rights and benefits in respect thereof, and (ii) with respect to the Patents and Trademarks, all renewals thereof, all proceeds of infringement suits, all rights to sue for infringement, all license royalties, all reissues, divisions, continuations, extensions and continuations in part thereof.

"Registrations": (i) patents issued under the laws of the United States of America, (ii) patent applications filed with the United States Patent and Trademark Office, and (iii) all registered trademarks.

"Rate Protection Lenders": collectively, the Lenders and any affiliates of the Lenders which from time to time enter or have entered into Interest Rate Protection Arrangements with the Borrower.

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"Supplement": a Supplement to this Agreement, duly completed, in the form of Annex A hereto.

"Trademarks": as to any Guarantor (i) all rights under the laws of the United States of America, and each State thereof, to trademarks, together with all registrations thereof, applications therefor and all of the rights associated therewith, and (ii) the goodwill of such Guarantor's business symbolized by registered trademarks.

"UCC": with respect to any jurisdiction, Articles 1, 8

and 9 of the Uniform Commercial Code as from time to time in effect in such jurisdiction.

(c) When used in this Agreement, the following capitalized terms shall have the respective meanings ascribed thereto in the NYUCC: "Account", "Certificated Security", "Chattel Paper", "Document", "Equipment", "Fixture", "General Intangible", "Instruction", "Instrument", "Inventory", "Issuer", "Secured Party", "Security", "Security Interest" and "Uncertificated Security".

2. Guaranty

(a) Subject to Section 2(b) hereof, each Guarantor hereby absolutely, irrevocably and unconditionally guarantees the full and prompt payment when due (whether at stated maturity, by acceleration or otherwise) of the Borrower Obligations. This Agreement constitutes a guaranty of payment and neither the Administrative Agent, the Issuing Bank nor any Lender shall have any obligation to enforce any Loan Document or any Interest Rate Protection Arrangement or exercise any right or remedy with respect to any collateral security thereunder by any action, including making or perfecting any claim against any Person or any collateral security for any of the Borrower Obligations, prior to being entitled to the benefits of this Agreement. The Administrative Agent may, at its option, proceed against the Guarantors, or any one or more of them, in the first instance, to enforce the Guarantor Obligations without first proceeding against the Borrower or any other Person, and without first resorting to any other rights or remedies, as the Administrative Agent may deem advisable. In furtherance hereof, if the Administrative Agent, the Issuing Bank or any Lender is prevented by law from collecting or otherwise hindered from collecting or otherwise enforcing any Borrower Obligation in accordance with its terms, the Administrative Agent, the Issuing Bank or such Lender, as the case may be, shall be entitled to receive hereunder from the Guarantors after demand therefor, the sums which would have been otherwise due had such collection or enforcement not been prevented or hindered.

(b) Anything contained in this Agreement to the contrary notwithstanding, the obligations of each Guarantor hereunder shall be limited to a maximum aggregate amount equal to the greatest amount that would not render such Guarantor's obligations hereunder subject to avoidance as a fraudulent transfer or

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conveyance under Section 548 of Title 11 of the United States Code or any provisions of applicable state law (collectively, the "Fraudulent Transfer Laws"), in each case after giving effect to all other liabilities of such Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws (specifically excluding, however, any liabilities of such Guarantor (A) in respect of intercompany indebtedness to the Borrower or Affiliates of the Borrower to the extent that such indebtedness would be discharged in an amount equal to the amount paid by such Guarantor hereunder and (B) under any guarantee of senior unsecured indebtedness or Indebtedness subordinated in right of payment to the Obligations which guarantee contains an assumption that indebtedness incurred under the Credit Agreement shall be deemed to have been incurred prior to any indebtedness incurred under any such guarantee or contains a limitation as to maximum amount similar to that set forth in this subsection, pursuant to which the liability of such Guarantor hereunder is included in the liabilities taken into account in determining such maximum amount) and after giving effect as assets to the value (as determined under the applicable provisions of the Fraudulent Transfer Laws) of any rights to subrogation, contribution, reimbursement, indemnity or similar rights of such Guarantor pursuant to (i) applicable law or (ii) any agreement providing for an equitable allocation among such Guarantor and other Affiliates of the Borrower of obligations arising under guarantees by such parties (including the agreements in paragraph (d) of this Section).

(c) Each Guarantor agrees that the Guarantor Obligations may at any time and from time to time exceed the maximum liability of such Guarantor hereunder without impairing this Agreement or affecting the rights and remedies of the Administrative Agent, the Issuing Bank or any Lender hereunder.

(d) In addition to all rights of indemnity and subrogation as the Guarantors may have under applicable law (but subject to this paragraph), the Borrower agrees that (i) in the event a payment shall be made by any Guarantor hereunder, the Borrower shall indemnify such Guarantor for the full amount of such payment, and such Guarantor shall be subrogated to the rights of the person to whom such payments shall have been made to the extent of such payment, and (ii) in the event that any assets of any Guarantor shall be sold pursuant to any Loan Document to satisfy any claim of the Administrative Agent, any Lender, the Issuing Bank or any Rate Protection Lender, the Borrower shall indemnify such Guarantor in an amount equal to the greater of the book value or the fair market value of the assets so sold. Each Guarantor (a "contributing Guarantor") agrees (subject to this paragraph) that, in the event a payment shall be made by any other Guarantor hereunder or assets of any other Guarantor

shall be sold pursuant to any Loan Document to satisfy a claim of the Administrative Agent, any Lender, the Issuing Bank or any Rate Protection Lender and such other Guarantor (the "claiming Guarantor") shall not have been fully indemnified by the Borrower as provided in this paragraph, the contributing Guarantor shall indemnify the claiming Guarantor in an amount equal to the amount of such payment or the greater of the book value or the fair

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market value of such assets, as applicable, in each case multiplied by a fraction of which the numerator shall be the net worth of the contributing Guarantor on the date hereof and the denominator shall be the aggregate net worth of all the Guarantors on the date hereof (or, in the case of any Guarantor becoming a party hereto pursuant to Section 15, the date of the Supplement hereto executed and delivered by such Guarantor). Any contributing Guarantor making any payment to a claiming Guarantor pursuant to this paragraph shall be subrogated to the rights of such claiming Guarantor under this paragraph to the extent of such payment. Notwithstanding any provision of this paragraph to the contrary, all rights of the Guarantors under this paragraph and all other rights of indemnity, contribution or subrogation under applicable law or otherwise shall be fully subordinated to the indefeasible payment in full in cash of the Borrower Obligations and the Guarantor Obligations. No failure on the part of the Borrower or any Guarantor to make the payments required by this paragraph (or any other payments required under applicable law or otherwise) shall in any respect limit the obligations and liabilities of any Guarantor with respect to its obligations under this paragraph, and each Guarantor shall remain liable for the full amount of the obligations of such Guarantor under this paragraph.

3. Absolute Obligation

No Guarantor shall be released from liability hereunder unless and until the Maturity Date shall have occurred and either (a) the Issuing Bank shall not have any obligation under the Letters of Credit and the Borrower shall have paid in full in cash the outstanding principal balance of the Loans, together with all accrued interest thereon, all of the Reimbursement Obligations, and all other sums then due and owing under the Loan Documents, or (b) the Guarantor Obligations of such Guarantor shall have been paid in full in cash. Each Guarantor acknowledges and agrees that (i) neither the Administrative Agent, the Issuing Bank nor any Lender has made any representation or warranty to such Guarantor with respect to the Borrower, its Subsidiaries, any Loan Document, any Interest Rate Protection Arrangement, or any agreement, instrument or document executed or delivered in connection therewith, or any other matter whatsoever, and (ii) such Guarantor shall be liable hereunder, and such liability shall not be affected or impaired, irrespective of (A) the validity or enforceability of any Loan Document, any Interest Rate Protection Arrangement, or any agreement, instrument or document executed or delivered in connection therewith, or the collectability of any of the Borrower Obligations, (B) the preference or priority ranking with respect to any of the Borrower Obligations, (C) the existence, validity, enforceability or perfection of any security interest or collateral security under any Loan Document, or any Interest Rate Protection Arrangement, or the release, exchange, substitution or loss or impairment of any such security interest or collateral security, (D) any failure, delay, neglect or omission by the Administrative Agent, the Issuing Bank or any Lender to realize upon, enforce or protect any direct or indirect collateral security, indebtedness, liability or obligation, any Loan

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Document, any Interest Rate Protection Arrangement, or any agreement, instrument or document executed or delivered in connection therewith, or any of the Borrower Obligations, (E) the existence or exercise of any right of setoff by the Administrative Agent, the Issuing Bank or any Lender, (F) the existence, validity or enforceability of any other guaranty with respect to any of the Borrower Obligations, the liability of any other Person in respect of any of the Borrower Obligations, or the release of any such Person or any other guarantor of any of the Borrower Obligations, (G) any act or omission of the Administrative Agent, the Issuing Bank or any Lender in connection with the administration of any Loan Document, any Interest Rate Protection Arrangement, or any of the Borrower Obligations, (H) the bankruptcy, insolvency, reorganization or receivership of, or any other proceeding for the relief of debtors commenced by or against, any Person, (I) the disaffirmance or rejection, or the purported disaffirmance or purported rejection, of any of the Borrower Obligations, any Loan Document, any Interest Rate Protection Arrangement, or any agreement, instrument or document executed or delivered in connection therewith, in any bankruptcy, insolvency, reorganization or receivership, or any other proceeding for the relief of debtor, relating to any Person, (J) any law, regulation or decree now or hereafter in effect which might in any manner affect any of the terms or provisions of any Loan Document, any Interest Rate Protection Arrangement, or any agreement, instrument or document executed or delivered in connection therewith or any of the Borrower Obligations, or which

might cause or permit to be invoked any alteration in the time, amount, manner or payment or performance of any of the Borrower's obligations and liabilities (including the Borrower Obligations), (K) the merger or consolidation of the Borrower into or with any Person, (L) the sale by the Borrower of all or any part of its assets, (M) the fact that at any time and from time to time none of the Borrower Obligations may be outstanding or owing to the Administrative Agent, the Issuing Bank or any Lender, (N) any amendment or modification of, or supplement to, any Loan Document or any Interest Rate Protection Arrangement or (O) any other reason or circumstance which might otherwise constitute a defense available to or a discharge of the Borrower in respect of its obligations or liabilities (including the Borrower Obligations) or of such Guarantor in respect of any of the Guarantor Obligations (other than by the performance in full thereof).

4. Grant of Security Interest

To secure the prompt and complete payment, observance and performance of the Guarantor Obligations, each Guarantor hereby grants to the Administrative Agent, for its benefit and the ratable benefit of the Issuing Bank, the Lenders and the Rate Protection Lenders, a Security Interest in and to all of such Guarantor's right, title and interest in and to all: Accounts, Chattel Paper, Documents, Equipment, Fixtures, General Intangibles, Instruments, including, without limitation, Instruments evidencing intercompany Indebtedness, Inventory, Patents, Trademarks, Equity Interests in each Person which now is or may hereafter become a Subsidiary of such Guarantor or of the Borrower, whether

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or not evidenced by a Security, and all Proceeds of all of the foregoing, and including, without limitation, all licenses, approvals, permits and other authorizations issued by the FCC, including the Proceeds of any sale or other disposition thereof, in each case to the extent that a security interest therein is not prohibited by law, provided that to the extent that a security interest therein is now so prohibited and to the extent that such security interest at any time hereafter shall no longer be so prohibited, then such security interest shall automatically and without any further action attach and become fully effective at that time (giving effect to any retroactive effect to any change in applicable law or regulation), in each case whether now owned or existing or hereafter arising or acquired, (collectively, the "Collateral").

5. Representations and Warranties

Each Guarantor hereby represents and warrants to the Administrative Agent as follows:

(a) Binding Obligation. This Agreement constitutes the valid and binding obligation of such Guarantor, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws related to or affecting the enforcement of creditors' rights generally.

(b) Solvency. Such Guarantor (if a Current Guarantor, both immediately before and after giving effect to this Agreement and to all Indebtedness incurred by the Borrower in connection with the Loan Documents or, if an Additional Guarantor, immediately before and after giving effect to this Agreement) (i) is not insolvent, (ii) is not engaged, and is not about to engage, in any business or transaction, for which it has unreasonably small capital, and (iii) does not intend to incur, and does not believe that it would incur, debts that would be beyond its ability to pay such debts as they mature, in each case referred to above within the meaning of both Title XI of the United States Code and Article 10 of New York Debtor Credit Law, each as in effect on the date hereof.

(c) Chief Executive Office. As of the date hereof, such Guarantor's place of business or, if such Guarantor has more than one place of business, its chief executive office, is, and has been continuously for the immediately preceding 5 month period, located (the "Office Location") at, (i) if such Guarantor is a Current Guarantor, the address therefor referred to in Schedule 5(c) hereto, or (ii) if such Guarantor is an Additional Guarantor, the address therefor set forth on Schedule 5(c) to the Supplement delivered by such Additional Guarantor. Such Guarantor, (i) in the case of a Current Guarantor, has not changed its legal name during the 6 year period immediately preceding the date hereof, and (ii) in the case of an Additional Guarantor, has not changed its legal name during the 6 year period immediately preceding the date it became a

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Guarantor hereunder, except as otherwise disclosed on the Supplement delivered by such Additional Guarantor.

(d) Information. If such Guarantor is a Current Guarantor, all of the information with respect to such Guarantor, or any of its Property, set forth on each of the Schedules hereto is true, complete and correct as of the date hereof. If such Guarantor is an Additional Guarantor, all of the information with respect to such Guarantor, or any of its Property, set forth on each of the Schedules to the Supplement delivered by such Additional Guarantor is true, complete and correct as of the date of such Supplement. All of such Guarantor's books, records and documents relating to its Guarantor Collateral are in all material respects what they purport to be.

(e) Security Interest. This Agreement, together with the delivery to the Administrative Agent of the Certificated Securities constituting Collateral and the continuous possession thereof by the Administrative Agent in the State of New York, creates a continuing "enforceable" Security Interest in the Collateral in favor of the Administrative Agent. Upon (i) the presentation for filing of the Financing Statements at the respective offices listed thereon together with the appropriate filing fee therefor, (ii) the delivery to the Administrative Agent of the Instruments and the Certificated Securities constituting the Collateral, (iii) the registration, in accordance with Article 8 of the NYUCC, of the Security Interest granted hereby on the books of each Person which is an Issuer of an Uncertificated Security constituting the Collateral as the agreement by such Person to comply with Instructions originated by the Administrative Agent with respect to such Uncertificated Securities without further consent by the registered owner of such Uncertificated Securities, and (iv) the filing of the Grants of Security Interests in the United States Patent and Trademark Office with respect to Patents, Registrations, and Trademarks, (A) such Security Interest shall be perfected, and (B) assuming that the Administrative Agent does not have "notice of any adverse claim" within the meaning of Article 8 of the NYUCC, the Administrative Agent shall be a "protected purchaser", within the meaning of such Article, with respect to the Collateral consisting of Securities.

(f) Absence of Liens. There are no Liens upon the Collateral other than Permitted Liens, if any.

(g) Equity Interests. As of the Effective Date with respect to each Current Guarantor, as of the date of the Supplement executed by an Additional Guarantor with respect to such Additional Guarantor, (i) the Equity Interests listed on Schedule 5(g) or Schedule 5(g) to the Supplement, as the case may be, constitute all of the Equity Interests in each Subsidiary in which such Guarantor has any right, title or interest, and each such Equity Interest issued by a corporate Issuer has been duly authorized, validly issued and fully paid for, and is non-assessable and (ii) except as set forth in such Schedule 5(g) or Schedule 5(g) to such Supplement, (A) no Subsidiary of such Guarantor has issued any securities convertible into, or options or warrants for, any common or

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preferred equity securities thereof, (B) there are no agreements, voting trusts or understandings binding upon such Guarantor or any of its Subsidiaries with respect to the voting securities of any of such Subsidiary or affecting in any manner the sale, pledge, assignment or other disposition thereof, including any right of first refusal, option, redemption, call or other right with respect thereto, whether similar or dissimilar to any of the foregoing and (C) no such Equity Interest is represented by an Uncertificated Security.

(h) Chattel Paper, Documents and Instruments. With respect to each Current Guarantor, the Chattel Paper, Documents and Instruments listed on Schedule 5(h) hereto constitute, as of the date hereof, and with respect to each Additional Guarantor, the Chattel Paper, Documents and Instruments listed on Schedule 5(h) to the Supplement delivered by such Additional Guarantor constitute, as of the date of such Supplement, all of the Chattel Paper, Documents and Instruments which constitute the Collateral, and, to the best of such Guarantor's knowledge, all such Chattel Paper, Documents and Instruments have been duly authorized, issued and delivered, and constitute the legal, valid, binding and enforceable obligations of the respective makers thereof.

(i) Accounts. As of the date hereof, all records concerning any Account constituting the Collateral are located at its Office Location, and no such Account is evidenced by a promissory note or other instrument.

(j) Equipment and Inventory. Except for Equipment and Inventory in transit with common carriers, such Guarantor has exclusive possession and control of all Equipment and Inventory constituting the Collateral, all of which is as of the date hereof and has been continuously for the 5 month period immediately preceding the date hereof (or, in the case of an Additional Guarantor, the date of the Supplement delivered by such Additional Guarantor), located at one or more of the places listed on (i) if such Guarantor is a Current Guarantor, Schedule 5(j) hereto hereto, and (ii) if such Guarantor is an Additional Guarantor, Schedule 5(j) hereto to the Supplement delivered by such Additional Guarantor. Within the last 5-1/2 years as of the date hereof (or

of the Supplement of such Additional Guarantor) such Guarantor has not acquired any Inventory or Equipment in connection with any bulk sale, or other than in the ordinary course of business.

(k) Patents and Trademarks. Such Guarantor has no Registrations relating to Patents other than those listed on (i) if such Guarantor is a Current Guarantor, Schedule 5(k) hereto, and (ii) if such Guarantor is an Additional Guarantor, Schedule 5(k) to the Supplement delivered by such Guarantor, and each such Registration is subsisting and is not invalid or unenforceable, in whole or in part, except to the extent that the unenforceability thereof could not reasonably be expected to have a material adverse effect on the value of the Patents taken as a whole. Such Guarantor has no Registrations relating to Trademarks other than those listed on (i) if such Guarantor is a Current

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Guarantor, Schedule 5(k) hereto, and (ii) if such Guarantor is an Additional Guarantor, Schedule 5(k) to the Supplement delivered by such Guarantor, and each such Registration is subsisting and has not been adjudged invalid or unenforceable, in whole or in part, except to the extent that the unenforceability thereof could not reasonably be expected to have a material adverse effect on the value of the Trademarks taken as a whole. To the best of such Guarantor's knowledge, each Patent and Trademark constituting Collateral is valid and enforceable. Except for Permitted Liens, such Guarantor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Patents and Trademarks constituting Collateral, free and clear of all Liens. To the best of such Guarantor's knowledge, no claim has been made that the use of any Patent or Trademark violates the rights of any third person. Such Guarantor has used consistent standards of quality in its manufacture of products sold under the Patents and Trademarks.

(l) Uncertificated Securities. Each Guarantor which is an Issuer of an Uncertificated Security constituting Collateral has registered the Administrative Agent on its books and records as the registered owner of each such Uncertificated Security.

6. Covenants

Each Guarantor covenants with the Administrative Agent as follows:

(a) Chief Executive Office. Such Guarantor shall maintain its place of business, or if it has more than one place of business, its chief executive office, at the Office Location or at such other location in respect of which (i) such Guarantor shall have provided the Administrative Agent with prior written notice thereof, and (ii) UCC financing statements (or amendments thereto), in form and substance reasonably satisfactory to the Administrative Agent, shall have been filed within two months of such change.

(b) Further Assurances. Such Guarantor shall, at its own expense, promptly execute and deliver all certificates, documents, instruments, financing and continuation statements and amendments thereto, notices and other agreements, and take all further action, that the Administrative Agent may reasonably request from time to time, in order to perfect and protect the Security Interest granted hereby or to enable the Administrative Agent to exercise and enforce its rights and remedies hereunder with respect to the Collateral. Such Guarantor hereby irrevocably appoints the Administrative Agent as such Guarantor's true and lawful attorney-in-fact, in the name, place and stead of such Guarantor, to perform on behalf of such Guarantor any and all obligations of such Guarantor under this Agreement, and such Guarantor agrees that the power of attorney herein granted constitutes a power coupled with an interest, provided, however, that the Administrative Agent shall have no obligation to perform any such obligation and such performance shall be at the sole cost and expense of such Guarantor. If such Guarantor

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fails to comply with any of its obligations hereunder, the Administrative Agent may do so in such Guarantor's name or in the Administrative Agent's name, but at such Guarantor's expense, and such Guarantor hereby agrees to reimburse the Administrative Agent in full for all reasonable expenses, including reasonable attorney's fees, incurred by the Administrative Agent in connection therewith.

(c) Information. Such Guarantor shall, at its own expense, furnish to the Administrative Agent such information, reports, statements and schedules with respect to the Collateral as the Administrative Agent may reasonably request from time to time.

(d) Defense of Collateral. Such Guarantor shall, at its own expense, defend the Collateral against all claims of any kind or nature (other than Permitted Liens, if any) of all Persons at any time claiming the same or

any interest therein adverse to the interests of the Administrative Agent, the Issuing Bank, any Rate Protection Lender or any Lender, and such Guarantor shall not cause, permit or suffer to exist any Lien upon the Collateral other than Permitted Liens, if any.

(e) Uncertificated Securities. Such Guarantor shall cause each Person which is an Issuer of an Uncertificated Security constituting the Collateral (i) to register the Security Interest granted hereby upon the books of such Person in accordance with Article 8 of the NYUCC, and (ii) to agree to comply with Instructions originated by the Administrative Agent with respect to such Uncertificated Securities without further consent by the registered owner of such Uncertificated Securities.

(f) Delivery of Pledged Collateral. Each Certificated Security representing an Equity Interest in a Person which is or shall become a Subsidiary of the Borrower shall be promptly delivered to the Administrative Agent, to be held by the Administrative Agent pursuant hereto, in suitable form for transfer by delivery or accompanied by duly executed documents of transfer or assignment in blank, all in form and substance satisfactory to the Administrative Agent. Such Guarantor agrees that until so delivered, each such Certificated Security shall be held by such Guarantor in trust for the benefit of the Administrative Agent and be segregated from the other Property of such Guarantor.

(g) Chattel Paper, Documents and Instruments. All of the Instruments, Documents and Chattel Paper now or hereafter owned by or in the possession of such Guarantor which constitute Collateral (other than checks received in the ordinary course of collection) shall be promptly delivered to the Administrative Agent, to be held by the Administrative Agent pursuant hereto, in suitable form for transfer by delivery or accompanied by duly executed documents of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Administrative Agent. Such Guarantor agrees that, with respect to all items of the Collateral which it is or shall hereafter be

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obligated to deliver to the Administrative Agent, until so delivered such items shall be held by such Guarantor in trust for the benefit of the Administrative Agent and be segregated from the other Property of such Guarantor.

(h) Accounts. Except as otherwise provided in this subsection, such Guarantor shall continue to collect in accordance with its customary practice, at its own expense, all amounts due or to become due to such Guarantor in respect of such Guarantor's Accounts and, prior to the occurrence of an Event of Default, such Guarantor shall have the right to adjust, settle or compromise the amount or payment of any such Account, all in accordance with its customary practices. In connection with such collections, such Guarantor may take and, at the direction of the Administrative Agent at any time that an Event of Default shall have occurred and be continuing shall take, such action as such Guarantor or the Administrative Agent may reasonably deem necessary or advisable to enforce collection of such Accounts.

(i) Equipment and Inventory. Such Guarantor shall keep the Equipment and Inventory constituting Collateral at the places listed on (i) if such Guarantor is a Current Guarantor, Schedule 5(1) hereto, and (ii) if such Guarantor is an Additional Guarantor, Schedule 5(1) to the Supplement delivered by such Guarantor, and at such other places located within the United States in respect of which (A) such Guarantor shall have provided the Administrative Agent with prior written notice, and (B) UCC financing statements (or amendments thereto), in form and substance satisfactory to the Administrative Agent, shall have been filed within two months of such change. Such Guarantor shall promptly furnish to the Administrative Agent a statement respecting any material loss or damage to any of the Equipment or Inventory constituting Collateral except to the extent that such loss or damage shall be insured pursuant to policies required to be maintained pursuant to the Credit Agreement.

(j) Patents and Trademarks. Such Guarantor will continue to use for the duration of this Agreement, consistent standards of quality in its manufacture of products sold under the Patents and Trademarks constituting Collateral. Such Guarantor shall give to the Administrative Agent prompt written notice thereof in the event that such Guarantor shall obtain any right to any new Patent or Trademark or to any reissue, division, continuation, renewal, extension, or continuation-in-part of any Patent or Trademark. Such Guarantor shall prosecute diligently any applications of the Patents and Trademarks constituting Collateral pending as of the date of this Agreement or thereafter, and preserve and maintain all rights in applications of Patents and Trademarks constituting Collateral consistent with past practice, including the payment of all maintenance fees, except to the extent the failure so to preserve or maintain such rights could not reasonably

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be expected to have a material adverse effect on either (i) the value of the Patents taken as a whole, or (ii) the value of the Trademarks taken as a whole. Such Guarantor shall not abandon any right to file an application or any pending application for any Patent or Trademark unless the failure so to do could not reasonably be expected to have a material adverse effect on either (i) the value of the Patents taken as a whole, or (ii) the value of the Trademarks taken as a whole. Such Guarantor agrees that it will not enter into any agreement, including a license agreement, with respect to any Patent or Trademark which is inconsistent with such Guarantor's past practices of licensing Patents or Trademarks as the case may be. Such Guarantor hereby grants to the Administrative Agent the right to visit such Guarantor's plants and facilities which manufacture, inspect or store products sold under any of the Patents and Trademarks, and to inspect the products and quality control records relating thereto at reasonable times during regular business hours upon reasonable prior notice.

7. Other Agreements of the Guarantors

(a) No Duty to Preserve. Except as otherwise required by law, each Guarantor agrees that, with respect to the Collateral, neither the Administrative Agent, the Issuing Bank, any Rate Protection Lender nor any Lender has any obligation to preserve rights against prior or third parties.

(b) Administrative Agent's Duty With Respect to Collateral. Each Guarantor agrees that the Administrative Agent's only duty with respect to the Collateral delivered to the Administrative Agent shall be to use reasonable care in the custody and preservation of the Collateral, and each Guarantor agrees that if the Administrative Agent accords the Collateral substantially the same kind of care as the Administrative Agent accords its own Property, such care shall conclusively be deemed reasonable. In the event that all or any part of the Certificated Securities or Instruments constituting the Collateral are lost, destroyed or wrongfully taken while such Certificated Securities or Instruments are in the possession of the Administrative Agent, each Guarantor agrees that it will use its best efforts to cause the delivery of new Certificated Securities or Instruments in place of the lost, destroyed or wrongfully taken Certificated Securities or Instruments upon request therefor by the Administrative Agent, without the necessity of any indemnity bond or other security, other than the Administrative Agent's agreement of indemnity upon usual and customary terms therefor. Anything herein to the contrary notwithstanding, the Administrative Agent shall not be under any duty to send notices, perform services, exercise any rights of collection, enforcement, conversion or exchange, vote, pay for insurance, taxes or other charges or take any action of any kind in connection with the management of the Collateral.

(c) Liability of Guarantors under Contracts and Agreements Included in the Collateral. Anything herein to the contrary notwithstanding, (i) each Guarantor shall remain liable under the contracts and agreements to which it is a party and which is included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (ii) the exercise by the Administrative Agent, the Issuing Bank, any Rate Protection Lender or any Lender of any of its rights hereunder shall not release any Guarantor from any of

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its duties or obligations under any such contract or agreement, (iii) neither the Administrative Agent, the Issuing Bank, any Rate Protection Lender nor any Lender shall have any obligation or liability, including indemnification obligations, under any such contract or agreement by reason of this Agreement, nor shall the Administrative Agent, the Issuing Bank, any Rate Protection Lender or any Lender be obligated to perform any of the obligations or duties of any Guarantor thereunder, to make any payment, to make any inquiry as to the nature or sufficiency of any payment received by any Guarantor or the sufficiency of any performance by any party under any such contract or agreement or to take any action to collect or enforce any claim for payment assigned hereunder, and (iv) neither the Administrative Agent, the Issuing Bank, any Rate Protection Lender nor any Lender shall be under any duty to send notices, perform services, exercise any rights of collection, enforcement, conversion or exchange, vote, pay for insurance, taxes or other charges or take any action of any kind in connection with the management of the Collateral.

(d) Uncertificated Securities. Each Guarantor which is an Issuer of an Uncertificated Security constituting Collateral agrees to comply with Instructions originated by the Administrative Agent with respect to each such Uncertificated Security without further consent by the registered owner of such Uncertificated Security.

8. Events of Default

Each of the following shall constitute an "Event of Default":

(a) The failure of any Guarantor to observe or perform any

term, covenant or agreement contained in this Agreement; or

(b) The occurrence and continuance of an Event of Default under, and as such term is defined in, the Credit Agreement.

9. Remedies

(a) Upon the occurrence of an Event of Default or at any time thereafter during the continuance thereof, the Administrative Agent may:

(i) exercise any and all rights and remedies (A) granted to a Secured Party by the UCC in effect in the State of New York or otherwise allowed at law, and (B) otherwise provided by this Agreement, and

(ii) dispose of the Collateral as it may choose, so long as every aspect of the disposition including the method, manner, time, place and terms are commercially reasonable, and each Guarantor agrees that, without limitation, the

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following are each commercially reasonable: (A) the Administrative Agent shall not in any event be required to give more than 10 days' prior notice to the Guarantors of any such disposition, (B) any place within the City of New York or the Counties of Nassau, Suffolk, and Westchester may be designated by the Administrative Agent for disposition, and (C) the Administrative Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Each Guarantor acknowledges and agrees that the Administrative Agent may elect, with respect to the offer or sale of any or all of the Equity Interests constituting the Collateral, to conduct such offer and sale in such a manner as to avoid the need for registration or qualification of such Equity Interests or the offer and sale thereof under any Federal or state securities laws and that the Administrative Agent is authorized to comply with any limitation or restriction in connection with such sale as counsel may advise the Administrative Agent is reasonably necessary in order to avoid any violation of applicable law, compliance with such procedures as may restrict the number of prospective bidders and purchasers, require that such prospective bidders and purchasers have certain qualifications, and restrict such prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Equity Interests, or in order to obtain any required approval of the sale or of the purchaser by any Governmental Authority. Each Guarantor further acknowledges and agrees that any such transaction may be at prices and on terms less favorable than those which may be obtained through a public sale and not subject to such restrictions and agrees that, notwithstanding the foregoing, the Administrative Agent is under no obligation to conduct any such public sale and may elect to impose any or all of the foregoing restrictions, or any other restrictions which may be reasonably necessary in order to avoid any such registration or qualification, at its sole discretion or with the consent or direction of the Required Lenders, and that any such offer and sale so conducted shall be deemed to have been made in a commercially reasonable manner.

(c) To the extent permitted by law, each Guarantor hereby expressly waives and covenants not to assert any appraisal, valuation, stay, extension, redemption or similar laws, now or at any time hereafter in force, which might delay, prevent or otherwise impede the performance or enforcement of this Agreement.

(d) Notwithstanding anything to the contrary contained in this Agreement, any other Loan Document or in any other agreement, instrument or document executed by any Guarantor and delivered to the Administrative Agent, the Issuing Bank or any Lender, neither the Administrative Agent, the Issuing Bank nor any Lender will take any action pursuant to this Agreement, any other Loan Document or any other document referred to above which would constitute or result in any assignment of any

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license, approval, permit, certificate or other authorization issued by the FCC or any change of control of the Borrower or any Subsidiary if such assignment or change of control would require, under then existing law, the prior approval of the FCC without first obtaining such prior approval of the FCC. Upon the occurrence of an Event of Default or at any time thereafter during the continuance thereof, each Guarantor waives, to the extent permitted by law, any right it may have to oppose, and agrees to take any action that the Administrative Agent may reasonably request in order to obtain from the FCC,

such approval as may be necessary to enable the Administrative Agent, the Issuing Bank and the Lenders to exercise and enjoy the full rights and benefits granted to the Administrative Agent, the Issuing Bank and the Lenders by this Agreement, the other Loan Documents and the other documents referred to above, including specifically, at the cost and expense of the Borrower, the use of commercially reasonable efforts to assist in obtaining approval of the FCC for any action or transaction contemplated by this Agreement for which such approval is or shall be required by law, and specifically, without limitation, upon request, to prepare, sign and file with the FCC the assignor's or transferor's portion of any application or applications for consent to the assignment of license, approval, permit, certificate or other authorization or transfer of control necessary or appropriate under the FCC's rules and regulations for approval of (i) any sale or other disposition of the Collateral by or on behalf of the Administrative Agent, or (ii) any assumption by the Administrative Agent of voting rights in the Collateral effected in accordance with the terms of this Agreement. It is understood and agreed that all foreclosure and related actions will be made in accordance with the Communications Act and applicable regulations and published policies and decisions of the FCC pertaining to such foreclosure and related actions.

10. Voting

Notwithstanding anything to the contrary contained in this Agreement, each Guarantor shall have the right to vote all Securities constituting its Collateral and receive and retain all dividends and distributions thereon until such time, if any, as an Event of Default shall have occurred and be continuing and the Administrative Agent shall have notified such Guarantor that the Administrative Agent shall have elected to terminate the rights of such Guarantor under this section, at which time the Administrative Agent shall then be vested with the right to vote all Securities constituting the Collateral and receive and retain all dividends and distributions thereon, until such time as such Event of Default is cured or waived.

11. Termination

On any date upon which (i) the Lenders shall no longer have any obligation to make Loans, (ii) the Issuing Bank shall no longer have (A) any obligation to issue Letters of Credit and (B) any obligations under the Letters of Credit theretofor issued, and (iii) the Obligations shall have been paid in full in cash, the outstanding principal balance of

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the Loans together with all accrued interest thereon, all of the Reimbursement Obligations and all other sums then due and owing under the Loan Documents, the Liens granted hereby shall cease and the Administrative Agent shall, at the Guarantors' expense (A) execute and deliver all UCC Termination Statements and other documents necessary to terminate the Liens granted hereby that the Guarantors shall have reasonably requested, and (B) return to the Guarantors all their respective Collateral that shall remain in the possession of the Administrative Agent at such time.

12. Notices

Except as otherwise specifically provided herein, all notices, requests, consents, demands, waivers and other communications hereunder shall be in writing (including facsimile) and shall be electronically transmitted or mailed by registered or certified mail or delivered in person, and all statements, reports, documents, certificates and papers to be delivered hereunder shall be mailed by first class mail or delivered in person, in each case to the respective parties to this Agreement as follows: in the case of the Administrative Agent or the Borrower, as set forth in Section 11.2 of the Credit Agreement, in the case of each Current Guarantor, as set forth adjacent to the name of such Current Guarantor on the signature page(s) hereof, and, in the case of each Additional Guarantor, as set forth adjacent to the name of such Additional Guarantor on the signature page(s) of the Supplement delivered by such Additional Guarantor, or to such other addresses as to which the Administrative Agent may be hereafter notified by the respective parties hereto. Any notice, request, consent, demand, waiver or communication given in accordance with the provisions of this section shall be conclusively deemed to have been received by a party hereto and to be effective on the day on which delivered to such party at its address specified above or, if sent by registered or certified mail, on the delivery date noted on the receipt therefor, provided that a notice of change of address shall be deemed to be effective only when actually received. Any party hereto may rely on signatures of the other parties hereto which are transmitted by facsimile or other electronic means as fully as if originally signed.

13. Expenses

Each Guarantor agrees that it shall, upon demand, pay to the Administrative Agent any and all reasonable out-of-pocket sums, costs and expenses, which the Administrative Agent, the Issuing Bank or any Lender may pay

or incur defending, protecting or enforcing this Agreement (whether suit is instituted or not), reasonable attorneys' fees and disbursements. All sums, costs and expenses which are due and payable pursuant to this section shall bear interest, payable on demand, at the highest rate then payable on the Borrower Obligations.

14. Repayment in Bankruptcy, etc.

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If, at any time or times subsequent to the payment of all or any part of the Borrower Obligations or the Guarantor Obligations, the Administrative Agent, the Issuing Bank or any Lender shall be required to repay any amounts previously paid by or on behalf of the Borrower or any Guarantor in reduction thereof by virtue of an order of any court having jurisdiction in the premises, as a result of an adjudication that such amounts constituted preferential payments or fraudulent conveyances, the Guarantors unconditionally agree to pay to the Administrative Agent within 10 days after demand a sum in cash equal to the amount of such repayment, together with interest on such amount from the date of such repayment by the Administrative Agent, the Issuing Bank or such Lender, as the case may be, to the date of payment to the Administrative Agent at the applicable after maturity rate set forth in the Credit Agreement.

15. Additional Guarantors

Upon the execution and delivery to the Administrative Agent of a Supplement by any Person, appropriately acknowledged, such Person shall be a Guarantor.

16. Agreement to Pay; Subordination

In furtherance of the foregoing and not in limitation of any other right that the Administrative Agent, the Issuing Bank, any Lender or any Rate Protection Lender has at law or in equity against any Guarantor by virtue hereof, upon the failure of the Borrower or any other Loan Party to pay any Borrower Obligations when and as the same shall become due, whether at maturity, be acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Administrative Agent in cash the amount of such unpaid Obligations. Upon payment by any Guarantor of any sums to the Administrative Agent as provided above, all rights of such Guarantor against the Borrower arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior indefeasible payment in full in cash of all the Borrower Obligations. In addition, any indebtedness of the Borrower now or hereafter held by any Guarantor is hereby subordinated in right of payment to the prior payment in full in cash of the Borrower Obligations. If any amount shall erroneously be paid to any Guarantor on account of (i) such subrogation, contribution, reimbursement, indemnity or similar right or (ii) any such indebtedness of the Borrower, such amount shall be held in trust for the benefit of the Administrative Agent, the Issuing Bank, the Lenders and the Rate Protection Lenders and shall forthwith be paid to the Administrative Agent to be credited against the payment of the Borrower

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Obligations, whether matured or unmatured, in accordance with the terms of the Loan Documents.

17. Miscellaneous

(a) Except as otherwise expressly provided in this Agreement, each Guarantor hereby waives presentment, demand for payment, notice of default, nonperformance and dishonor, protest and notice of protest of or in respect of this Agreement, the other Loan Documents, each Interest Protection Arrangement, and the Borrower Obligations, notice of acceptance of this Agreement and reliance hereupon by the Administrative Agent, the Issuing Bank and each Lender, and the incurrence of any of the Borrower Obligations, notice of any sale of collateral security or any default of any sort.

(b) No Guarantor is relying upon the Administrative Agent, the Issuing Bank or any Lender to provide to such Guarantor any information concerning the Borrower or any of its Subsidiaries, and each Guarantor has made arrangements satisfactory to such Guarantor to obtain from the Borrower on a continuing basis such information concerning the Borrower and its Subsidiaries as such Guarantor may desire.

(c) Each Guarantor agrees that any statement of account with respect to the Borrower Obligations from the Administrative Agent, the Issuing Bank or any Lender to the Borrower which binds the Borrower shall also be binding upon such Guarantor, and that copies of said statements of account

maintained in the regular course of the Administrative Agent's, the Issuing Bank's or such Lender's business, as the case may be, may be used in evidence against such Guarantor in order to establish its Guarantor Obligations.

(d) Each Guarantor acknowledges that it has received a copy of the Loan Documents and each Interest Rate Protection Arrangement and has approved of the same. In addition, such Guarantor acknowledges having read each Loan Document and each such Interest Rate Protection Arrangement and having had the advice of counsel in connection with all matters concerning its execution and delivery of this Agreement.

(e) No Guarantor may assign any right, or delegate any duty, it may have under this Agreement.

(f) Subject to the limitations set forth in Section 2(b), the Guarantor Obligations shall be joint and several.

(g) This Agreement is the "Subsidiary Guaranty" referred to in the Credit Agreement, and is subject to, and should be construed in accordance with, the provisions thereof. Each of the Administrative Agent, the Guarantors and the Borrower

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acknowledges that certain provisions of the Credit Agreement, including, without limitation, Sections 1.2 (Principles of Construction), 11.1 (Amendments and Waivers), 11.3 (No Waiver; Cumulative Remedies), 11.4 (Survival of Certain Obligations), 11.7 (Successors and Assigns), 11.8 (Counterparts), 11.9 (Adjustments; Setoff), 11.12 (Governing Law), 11.13 (Headings), 11.14 (Severability), 11.15 (Integration), 11.16 (Limitation of Liability), 11.17 (Consent to Jurisdiction), 11.18 (Service of Process), 11.19 (No Limitation on Service or Suit) and 11.20 (WAIVER OF TRIAL BY JURY) thereof, are made applicable to this Agreement and all such provisions are incorporated by reference herein as if fully set forth herein.

IN EVIDENCE of the agreement by the parties hereto to the terms and conditions herein contained, each such party has caused this First Amended and Restated Subsidiary Guaranty and Security Agreement to be duly executed on its behalf.

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ATEP RADIO, INC.
BISON MEDIA, INC.
CARON BROADCASTING, INC.
CCM COMMUNICATIONS, INC.
COMMON GROUND BROADCASTING, INC.
GOLDEN GATE BROADCASTING COMPANY, INC.
INLAND RADIO, INC.
INSPIRATION MEDIA OF TEXAS, INC.
INSPIRATION MEDIA, INC.
KINGDOM DIRECT, INC.
NEW ENGLAND CONTINENTAL MEDIA, INC.
NEW INSPIRATION BROADCASTING
COMPANY, INC.
OASIS RADIO, INC.
ONEPLACE, LTD.
PENNSYLVANIA MEDIA ASSOCIATES, INC.
RADIO 1210, INC.
SALEM MEDIA CORPORATION
SALEM MEDIA OF CALIFORNIA, INC.
SALEM MEDIA OF COLORADO, INC.
SALEM MEDIA OF OHIO, INC.
SALEM MEDIA OF OREGON, INC.
SALEM MEDIA OF PENNSYLVANIA, INC.
SALEM MEDIA OF VIRGINIA, INC.
SALEM MEDIA OF TEXAS, INC.
SALEM MUSIC NETWORK, INC.
SALEM RADIO NETWORK INCORPORATED
SALEM RADIO REPRESENTATIVES, INC.
SOUTH TEXAS BROADCASTING, INC.
SRN NEWS NETWORK, INC.
VISTA BROADCASTING, INC.

By:

Name: Eric H. Halvorson
Title: Vice President

Address for Notices:

4880 Santa Rosa Road
Suite 300

Camarillo, California 93012
Attention: Jonathan L. Block
Telephone: (805) 987-0400 (ext.106)
Telecopy: (805) 384-4505

SALEM COMMUNICATIONS CORPORATION

By: _____

Name: Eric H. Halvorson
Title: Executive Vice President

THE BANK OF NEW YORK,
as Administrative Agent

By: _____

Name: _____

Title: _____

SCHEDULE 5(c) TO THE SUBSIDIARY GUARANTY
AND SECURITY AGREEMENT

DATED AS OF JUNE __, 1999

LIST OF OFFICE LOCATIONS

SCHEDULE 5(g) TO THE SUBSIDIARY GUARANTY
AND SECURITY AGREEMENT

DATED AS OF JUNE __, 1999

LIST OF EQUITY INTERESTS

<TABLE>
<CAPTION>

Issuer	Class	Number of Shares	Cert. Number	Percentage of Outstanding Shares
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>

</TABLE>

SCHEDULE 5(h) TO THE SUBSIDIARY GUARANTY
AND SECURITY AGREEMENT

DATED AS OF JUNE __, 1999

LIST OF CHATTEL PAPER, DOCUMENTS AND INSTRUMENTS

SCHEDULE 5(j) TO THE SUBSIDIARY GUARANTY
AND SECURITY AGREEMENT

DATED AS OF JUNE __, 1999

ADDRESSES FOR EQUIPMENT AND INVENTORY LOCATIONS

SCHEDULE 5(k) TO THE SUBSIDIARY GUARANTY
AND SECURITY AGREEMENT

DATED AS OF JUNE __, 1999

LIST OF REGISTRATIONS

- A. Patents
- B. Trademarks

ANNEX A TO THE SUBSIDIARY GUARANTY

FORM OF SUPPLEMENT TO FIRST AMENDED AND RESTATED
SUBSIDIARY GUARANTY

FIRST AMENDED AND RESTATED SUBSIDIARY GUARANTY AND SECURITY AGREEMENT,
dated as of June __, 1999, by and among the Guarantors party thereto, Salem
Communications Corporation and The Bank of New York, as Administrative Agent (as
the same may be amended, supplemented or otherwise modified from time to time,
the "Agreement").

[Date]

Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings ascribed thereto in the Agreement. Pursuant to Section 15 of the Agreement, by execution and delivery of this Supplement and, upon acceptance hereof by the Administrative Agent, the undersigned (i) shall be, and shall be deemed to be, a "Guarantor" under, and as such term is defined in, the Agreement, (ii) shall have made, and shall be deemed to have made, the representations and warranties contained in Section 5 of the Agreement on and as of the date hereof, (iii) as security for the payment and performance in full of its Guarantor Obligations, does hereby create and grant to the Administrative Agent, its successors and permitted assigns, for its benefit and the ratable benefit of the Issuing Bank, the Lenders and the Rate Protection Lenders, their respective successors and permitted assigns, a security interest in the Collateral (as defined in the Agreement) of the Additional Guarantor and (iv) shall have made, and shall be deemed to have made, all of the covenants and agreements of a Guarantor set forth in the Agreement.

[NAME OF ADDITIONAL GUARANTOR]

By: _____
Name: _____
Title: _____

Address for Notices:

Attention:

Telephone: () ____-____
Telecopy: () ____-____

Accepted and agreed to as of the date first above written:

THE BANK OF NEW YORK, as Administrative Agent

By: _____
Name: _____
Title: _____

[SCHEDULES CORRESPONDING TO THE SCHEDULES
IN THE AGREEMENT ARE TO BE ATTACHED]

ANNEX B-1 TO THE SUBSIDIARY GUARANTY
AND SECURITY AGREEMENT

DATED AS OF JUNE __, 1999

FORM OF GRANT OF SECURITY INTEREST (PATENTS)

[NAME OF GUARANTOR], a _____ corporation (the "Guarantor"), is
obligated to THE BANK OF NEW YORK, as Administrative Agent (the "Administrative

Agent"), and has entered into the First Amended and Restated Subsidiary Guaranty and Security Agreement, dated as of June __, 1999 (as the same may be amended, supplemented or otherwise modified from time to time, the "Agreement"), by and among each Guarantor party thereto, SALEM COMMUNICATIONS CORPORATION (the "Borrower") and THE BANK OF NEW YORK, as Administrative Agent (in such capacity, the "Administrative Agent").

Pursuant to the Agreement, the Guarantor granted to the Administrative Agent a security interest in all of the right, title and interest of the Guarantor in and to the letters patent or applications for letters patent, of the United States, more particularly described on Schedule 1 (the "Patents") together with any reissue, continuation, continuation-in-part or extension thereof, and all proceeds thereof, any and all causes of action which may exist by reason of infringement thereof for the full term of the Patents (the "Collateral"), to secure the prompt payment, performance and observance of the Guarantor Obligations (as defined in the Agreement).

For good and valuable consideration, the receipt of which is hereby acknowledged, and for the purpose of recording the grant of the security interest as aforesaid, the Guarantor does hereby further assign to the Administrative Agent, and grant to the Administrative Agent a security interest in, the Collateral to secure the prompt payment, performance and observance of the Guarantor Obligations.

The Guarantor does hereby further acknowledge and affirm that the rights and remedies of the Administrative Agent with respect to the assignment of and security interest in the Collateral made and granted hereby are set forth in the Agreement, the terms and provisions of which are hereby incorporated herein by reference as if fully set forth herein.

Upon the indefeasible cash payment in full of all Guarantor Obligations (as such term is defined in the Agreement), the Administrative Agent will take whatever actions are necessary at the Guarantor's expense to release or reconvey to Guarantor all right, title and interest of the Guarantor in and to the Patents.

The Administrative Agent's address is: One Wall Street, New York, New York 10286.

IN WITNESS WHEREOF, the Guarantor has caused this Assignment to be duly executed by its duly authorized officer as of the __ day of ____, ____.

[NAME OF GUARANTOR]

By: _____
Name: _____
Title: _____

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this __ day of ____, ____, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he resides at _____; that he is the _____ of [NAME OF GUARANTOR], the corporation described in and which executed the above instrument, and that he signed his name thereto by order of the board of directors thereof.

Notary Public
[Notary's Stamp]

Schedule 1
to

Grant of Security Interest (Patents)
Dated as of _____

AND SECURITY AGREEMENT
DATED AS OF JUNE __, 1999

FORM OF GRANT OF SECURITY INTEREST (TRADEMARKS)

[NAME OF GUARANTOR], a _____ corporation (the "Guarantor"), is obligated to THE BANK OF NEW YORK, as Administrative Agent (the "Administrative Agent"), and has entered into the First Amended and Restated Subsidiary Guaranty and Security Agreement, dated as of June __, 1999 (as the same may be amended, supplemented or otherwise modified from time to time, the "Agreement"), by and among each Guarantor party thereto, SALEM COMMUNICATIONS CORPORATION (the "Borrower") and THE BANK OF NEW YORK, as Administrative Agent (in such capacity, the "Administrative Agent").

Pursuant to the Agreement, the Guarantor granted to the Administrative Agent a security interest in all of the right, title and interest of the Guarantor in and to the trademarks listed on Schedule 1, which trademarks are registered in the United States Patent and Trademark Office (the "Trademarks"), together with the goodwill of the business symbolized by the Trademarks and the applications and registrations therefor, and all proceeds thereof, any and all causes of action which may exist by reason of infringement thereof (the "Collateral"), to secure the prompt payment, performance and observance of the Guarantor Obligations (as defined in the Agreement).

For good and valuable consideration, the receipt of which is hereby acknowledged, and for the purpose of recording the grant of the security interest as aforesaid, the Guarantor does hereby further assign to the Administrative Agent, and grant to the Administrative Agent a security interest in, the Collateral to secure the prompt payment, performance and observance of the Guarantor Obligations.

The Guarantor does hereby further acknowledge and affirm that the rights and remedies of the Administrative Agent with respect to the assignment of and security interest in the Collateral made and granted hereby are set forth in the Agreement, the terms and provisions of which are hereby incorporated herein by reference as if fully set forth herein.

Upon the indefeasible cash payment in full of all Guarantor Obligations (as such term is defined in the Agreement), the Administrative Agent will take whatever actions are necessary at the Guarantor's expense to release or reconvey to the Guarantor all right, title and interest of the Guarantor in and to the Trademarks.

The Administrative Agent's address is: One Wall Street, New York, New York 10286.

IN WITNESS WHEREOF, the Guarantor has caused this Assignment to be duly executed by its duly authorized officer as of the __ day of ____, ____.

[NAME OF GUARANTOR]

By: _____
Name: _____
Title: _____

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this __ day of ____, ____, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he resides at _____; that he is the _____ of [NAME OF GUARANTOR], the corporation described in and which executed the above instrument, and that he signed his name thereto by order of the board of directors thereof.

Notary Public
[Notary's Stamp]

Schedule 1
to

Grant of Security Interest (Trademarks)
Dated as of _____

SALEM EXHIBIT J

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement is made and entered into as of _____, by and between _____ (the "Assignor") and _____ (the "Assignee").

R E C I T A L S

A. Capitalized terms used herein which are not defined herein shall have the meanings set forth in the Credit Agreement (as hereinafter defined).

B. The Assignor, certain other lenders (together with any prior assignees, the "Lenders") and The Bank of New York, as Administrative Agent (the "Administrative Agent"), Bank of America NT&SA, as Documentation Agent, and BankBoston, N.A., Fleet Bank, N.A. and Union Bank of California, N.A., as Co-Agents, are parties to that certain First Amended and Restated Credit Agreement, dated as of June __, 1999 (as amended, modified or otherwise supplemented, the "Credit Agreement"), with Salem Communications Corporation, a Delaware corporation (the "Borrower"). Pursuant to the Credit Agreement, the Lenders agreed to make RC Loans to the Borrower under the RC Commitments in the aggregate amount of \$[150,000,000] and the Issuing Bank agreed to issue Letters of Credit under the Letter of Credit Commitment in the aggregate amount of \$[15,000,000]. The amount of the Assignor's RC Commitment is specified in Item 1 of Schedule 1 hereto. The type and outstanding principal amount of the Assignor's RC Loans are specified in Item 2 of Schedule 1 hereto. The Assignor's Letter of Credit Exposure is specified in Item 3 of Schedule 1 hereto.

C. The Assignor wishes to sell and assign to the Assignee, and the Assignee wishes to purchase and assume from the Assignor, (i) the portion of the Assignor's RC Commitment specified in Item 4 of Schedule 1 hereto (the "Assigned Commitment"), (ii) the portion of the Assignor's RC Loans specified in Item 5 of Schedule 1 hereto (the "Assigned Loans") and (iii) the portion of the Assignor's Letter of Credit Exposure specified in Item 7 of Schedule 1 hereto (the "Assigned Letter of Credit Exposure").

The parties agree as follows:

1. Assignment. Subject to the terms and conditions set forth herein and in the Credit Agreement, the Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, without recourse, on the date set forth above (the "Assignment Date") all right, title, interest and obligations under the Credit Agreement and the other Loan Documents of the Assignor in and with respect to the Assigned Loans, the Assigned Letter of Credit Exposure and the Assigned Commitment. As full consideration for the sale of the Assigned Loans, the Assigned Letter of Credit Exposure and the Assigned Commitment, the Assignee shall pay to the Assignor on the Assignment Date the principal amount of the Assigned Loans (the "Purchase Price").

2. Representation and Warranties. Each of the Assignor and the Assignee represents and warrants to the other that (a) it has full power and legal right to execute and deliver this Agreement and to perform the provisions of this Agreement; (b) the execution, delivery and performance of this Agreement have been authorized by all action, corporate or otherwise, and do not violate any provisions of its charter or by-laws or any contractual obligations or requirement of law binding on it; and (c) this Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

3. Condition Precedent. The obligations of the Assignor and the Assignee hereunder shall be subject to the fulfillment of the condition that the Assignor shall have (a) received payment in full of the Purchase Price, and (b) complied with the other applicable provisions of Section 11.7 of the Credit Agreement.

4. Notice of Assignment. The Assignor agrees to give notice of the assignment and assumption of the Assigned Loans, the Assigned Letter of Credit Exposure and the Assigned Commitment to the Administrative Agent and the Borrower and hereby instructs the Administrative Agent and the Borrower to make all payments with respect to the Assigned Loans, the Assigned Letter of Credit

Exposure and the Assigned Commitment directly to the Assignee at the applicable Lending Offices specified in Item 8 on Schedule 1 hereto; provided, however, that the Borrower and the Administrative Agent shall be entitled to continue to deal solely and directly with the Assignor in connection with the interests so assigned until the Administrative Agent and the Borrower shall have received notice of the assignment, the Administrative Agent and the Issuing Bank (to the extent required by Section 11.7 of the Credit Agreement) shall have consented in writing thereto, and the Administrative Agent shall have recorded and accepted this Agreement and received the Assignment Fee required to be paid pursuant to Section 11.7 of the Credit Agreement. From and after the date (the "Effective Date") on which the Administrative Agent shall notify the Borrower and the Assignor that the requirements set forth in the foregoing sentence shall have occurred and all consents (if any) required shall have been given, (i) the Assignee shall be deemed to be a party to the Credit Agreement and, to the extent that rights and obligations thereunder shall have been assigned to Assignee as provided in such notice of assignment to the Administrative Agent, shall have the rights and obligations of a Lender under the Credit Agreement, and (ii) the Assignee shall be deemed to have appointed the Administrative Agent to take such action as Administrative Agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Administrative Agent by the terms thereof, together with such powers as are reasonably incidental thereto. After the Effective Date, the Administrative Agent shall make all payments in respect of the interest assigned hereby (including payments of principal, interest, fees and other amounts) to the Assignee. The Assignor and Assignee shall make all appropriate adjustment in payments under the Assigned Loans, the Assigned Letter of Credit Exposure and the Assigned Commitment for periods prior to the Effective Date hereof directly between themselves. The Assignee agrees to deliver to the Borrower and the Administrative Agent such Internal Revenue Service forms as may be required to establish that the Assignee is entitled to receive payments under the Credit Agreement without deduction or withholding of tax.

- 2 -

5. Independent Investigation. The Assignee acknowledges that it is purchasing the Assigned Loans, the Assigned Letter of Credit Exposure and the Assigned Commitment from the Assignor totally without recourse and, except as provided in Section 2 hereof, without representation or warranty. The Assignee further acknowledges that it has made its own independent investigation and credit evaluation of the Borrower and the other Loans Parties in connection with its purchase of the Assigned Loans, the Assigned Letter of Credit Exposure and the Assigned Commitment. Except for the representations or warranties set forth in Section 2, the Assignee acknowledges that it is not relying on any representation or warranty of the Assignor, expressed or implied, including without limitation, any representation or warranty relating to the legality, validity, genuineness, enforceability, collectibility, interest rate, repayment schedule or accrual status of the Assigned Loans, the Assigned Letter of Credit Exposure or the Assigned Commitment, the legality, validity, genuineness or enforceability of the Credit Agreement, the related Notes, or any other Loan Document referred to in or delivered pursuant to the Credit Agreement, or financial condition or creditworthiness of the Borrower or any other Person. The Assignor has not and will not be acting as either the representative, Administrative Agent or trustee of the Assignee with respect to matters arising out of or relating to the Credit Agreement or this Agreement. From and after the Effective Date, except as set forth in Section 4 above, the Assignor shall have no rights or obligations with respect to the Assigned Loans, the Assigned Letter of Credit Exposure or the Assigned Commitment.

6. Method of Payment. All payments to be made by either party hereunder shall be in funds available at the place of payment on the same day and shall be made by wire transfer to the account designated by the party to receive payment.

7. Integration. This Agreement shall supersede any prior agreement or understanding between the parties (other than the Credit Agreement) as to the subject matter hereof.

8. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon both parties, their successors and assigns.

9. Headings. Section headings have been inserted herein for convenience only and shall not be construed to be a part hereof.

10. Amendments; Waivers. This Agreement may not be amended, changed, waived or modified except by a writing executed by the parties hereto, and may not be amended, changed, waived or modified in any manner inconsistent with Section 11.7 of the Credit Agreement without the prior written consent of the Administrative Agent.

11. Governing Law. This Agreement shall be governed by, and construed in accordance with the laws of, the State of New York.

[ASSIGNOR]

By: _____
Name: _____

[ASSIGNEE]

By: _____
Name: _____

Consented and Accepted:

THE BANK OF NEW YORK, as Administrative Agent

By: _____
Name: _____

Consented:

THE BANK OF NEW YORK, as Issuing Bank

By: _____
Name: _____

SCHEDULE 1
TO

ASSIGNMENT AND ASSUMPTION AGREEMENT

relating to the

First Amended and Restated Credit Agreement, dated as of June __, 1999, by and among Salem Communications Corporation, the Lenders party thereto, The Bank of New York, as Administrative Agent, Bank of America NT&SA, as Documentation Agent, and BankBoston, N.A., Fleet Bank, N.A. and Union Bank of California, N.A., as Co-Agents, as amended, modified or otherwise supplemented.

<TABLE>

<S>	<C>	<C>
Item 1.	Assignor's RC Commitment	\$ _____
Item 2.	Assignor's RC Loans consisting of:	\$ _____
	ABR Loans	\$ _____
	Eurodollar Loans	\$ _____
Item 3.	Assignor's Letter of Credit Exposure	\$ _____
Item 4.	Amount of Assigned RC Commitment	\$ _____
Item 5.	Percentage of RC Commitment Assigned as a percentage of the aggregate RC Commitments of all Lenders	_____ %
Item 6.	Amount of Assigned RC Loans consisting of:	\$ _____
	ABR Loans	\$ _____
	Eurodollar Loans	\$ _____

Item 7. Amount of Assigned Letter of Credit Exposure \$ _____

Item 8. Applicable Lending Offices of Assignee and Address for Notices pursuant to Section 11.2 of the Credit Agreement

Applicable Lending Office for ABR Loans	Applicable Lending Office for Eurodollar Loans	Address for Notices
<S>	<C>	<C>
-----	-----	-----
-----	-----	-----
-----	-----	-----
Attention:	Attention:	Attention:
Telephone:	Telephone:	Telephone:
Telecopier:	Telecopier:	Telecopier:

DRAFT 6/21/99

SALEM EXHIBIT K
FORM OF RC SUPPLEMENT

REVOLVER SUPPLEMENT, dated as of _____, to the First Amended and Restated Credit Agreement, dated as of June __, 1999, by and among Salem Communications Corporation (the "Borrower"), the Lenders party thereto, The Bank of New York, as Administrative Agent, Bank of America NT & SA, as Documentation Agent, and BankBoston, N.A., Fleet Bank, N.A. and Union Bank of California, N.A., as Co-Agents (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein that are defined in the Credit Agreement shall have the meanings therein defined.

1. Pursuant to Section 2.4(d) of the Credit Agreement, the Borrower hereby proposes to increase (the "Increase") the RC Commitment from \$_____ to \$_____.

2. Each of the following Lenders (each an "Increasing Lender") has been invited by the Borrower, and is ready, willing and able, to increase its RC Commitment as follows:

Name of Lender	RC Commitment (after giving effect to the Increase)
<S>	<C>
-----	\$ _____
-----	\$ _____

3. Each of the following Persons (each a "Proposed Lender") has been invited by the Borrower, and is ready, willing and able, to become a "Lender" and issue a RC Commitment under the Credit Agreement as follows:

Name of Person	RC Commitment
<S>	<C>
-----	\$ _____
-----	\$ _____

4. The Borrower hereby represents and warrants to the Administrative Agent, each Lender and each such Person that (i) immediately before and after giving effect to the Increase, no Default exists or would exist and (ii) the Increase is in all respects in compliance with the terms and conditions of the Loan Documents.

5. Pursuant to Section 2.4(d) of the Credit Agreement, by execution and delivery of this Supplement, together with the satisfaction of all of the other requirements set forth in such Section 2.4(d), (i) each of the Increasing Lenders shall have, on and as of the effective date of the Increase, a RC Commitment equal to the amount set forth above next to its name, and (ii) each such Proposed Lender shall be deemed to be a "Lender" under, and as such term is defined in,

the Credit Agreement, and shall have a RC Commitment equal to the amount set forth above next to its name.

IN WITNESS WHEREOF, the parties hereto have caused this RC Supplement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

SALEM COMMUNICATIONS CORPORATION

By: _____

Name: _____

Title: _____

THE BANK OF NEW YORK, as
Administrative Agent

By: _____

Name: _____

Title: _____

[INCREASING LENDER]

By: _____

Name: _____

Title: _____

[PROPOSED LENDER]

By: _____

Name: _____

Title: _____

THIRD AMENDMENT TO
EMPLOYMENT CONTRACT

This Third Amendment to Employment Contract is entered into this 26th day of May, 1999 between SALEM COMMUNICATIONS CORPORATION, a Delaware corporation ("Company"), and ERIC HALVORSON ("Employee").

WITNESSETH:

WHEREAS, the Company and Employee entered into a contract for the employment of Employee by Company on November 7, 1991, which contract was amended on April 22, 1996 and July 8, 1997 (the "Agreement"); and

WHEREAS, the parties desire to further amend the Agreement.

NOW THEREFORE, for valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Section 3.1 of the Agreement is hereby amended to provide that the annual base salary of Employee shall be \$400,000 effective June 1, 1999.

2. Except as specifically amended herein, all terms and conditions of the Agreement shall remain in full force and effect.

Executed as of the date first above written.

SALEM COMMUNICATIONS CORPORATION

By: /s/ EDWARD G. ATSINGER III

Edward G. Atsinger III

/s/ ERIC HALVORSON

Eric Halvorson

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the captions "Experts" and "Selected Financial Data" and to the use of our report dated March 24, 1999, except for Note 10, as to which the date is May 26, 1999, in the Registration Statement Amendment No. 2 (Form S-1 No. 333-76649), and related Prospectus of Salem Communications Corporation for the registration of shares of its common stock.

Our audits also included the financial statement schedule of Salem Communications Corporation listed in Item 16(b). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Woodland Hills, California
June 24, 1999