

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 (NO FEE REQUIRED, EFFECTIVE OCTOBER 7, 1996)

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 333-41733

SALEM COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

77-0121400

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification Number)

4880 SANTA ROSA ROAD, SUITE 300
CAMARILLO, CALIFORNIA

93012

(Address of Principal Executive Offices)

(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (805) 987-0400

Securities registered pursuant to
Section 12(b) of the Act:

None

Securities registered pursuant
to Section 12(g) of the Act:

Class A common stock, \$0.01 par value

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in part III of this Form 10-K or any amendment to this Form 10-K.

Aggregate market value of voting common stock held by non-affiliates of the registrant based upon the average bid and asked price of its Class A common stock, on March 23, 2000, on the Nasdaq National Market System was approximately \$119,950,933.

As of March 23, 2000 there were 17,902,392 shares of Class A common stock and 5,553,696 shares of Class B common stock of Salem Communications Corporation outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Stockholders to be held May 24, 2000 are incorporated by reference in Part III hereof.

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PART I

ITEM 1. BUSINESS.

From time to time, in both written reports (such as this report) and oral statements, Salem Communications Corporation ("Salem" or the "company") makes "forward-looking statements" within the meaning of Federal and state securities laws. Disclosures that use words such as the company "believes," "anticipates," "expects," "may" or "plans" and similar expressions are intended to identify forward-looking statements, as defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the company's current expectations and are based upon data available to the company at the time of the statements. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from expectations; the risks and uncertainties, include but are not limited to, Salem's ability to successfully integrate acquisitions into its organization, competition in the radio broadcast industry and from new media technologies, and adverse economic conditions, as well as other risks and uncertainties detailed from time to time in Salem's periodic reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission. Forward-looking statements made in this report speak as of the date hereof. The company undertakes no obligation to update or revise any forward-looking statements made in this report. Any such forward-looking statements, whether made in this report or elsewhere, should be considered in context with the various disclosures made by Salem about its business. These projections or forward-looking statements fall under the safe harbors of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act").

All metropolitan statistical area ("MSA") rank information used in this report is from the Fall 1999 Radio Market Survey Schedule & Population Rankings published by The Arbitron Company, excluding the Commonwealth of Puerto Rico. According to the Radio Market Survey, the population estimates used were based upon 1990 U.S. Bureau Census estimates updated and projected to January, 2000 by Market Statistics, based on the data from Sales & Marketing Management's 1998

Survey of Buying Power. Information regarding the number of radio stations in the United States featuring religious talk and music formats, the number of stations featuring religious formats and the size of the listening audience for religious programming have been obtained from the 1999 Broadcasting & Cable Yearbook, The M Street Journal (November 18, 1998) and Religion & Media Quarterly (July 1997).

GENERAL

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, developed over the last 25 years, is the ownership and operation of radio stations in large metropolitan markets. After completing our pending transactions, we will own or operate 70 radio stations, including 52 stations which broadcast to 21 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 1,300 affiliated radio stations, after completing our pending transactions.

Our primary strategy has been, and will continue to be, to acquire and operate radio stations in large metropolitan markets. 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 music formats. 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, our current CEO and chairman, are career radio broadcasters who have owned and operated radio stations 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 10 years with Salem. Our management has a track record of successfully identifying, acquiring and operating new radio stations.

We continue to seek new ways to expand and integrate our distribution and content capabilities. We have acquired magazine, Internet and software businesses that direct their content to persons with interests that are similar to those of our primary radio audience. We will continue to opportunistically pursue acquisitions of new media and other businesses that serve our audience. We plan to use these businesses, together with our radio stations and network, to attract and retain a larger audience and customer base.

Salem Communications Corporation was formed in 1986, as a California corporation, 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 shareholders 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 S corporation status of each of New Inspiration and Golden Gate was terminated in the reorganization. In 1999 the company was reincorporated in Delaware.

DEVELOPMENT OF THE BUSINESS

In 1999, we completed the purchase of the following radio stations:

DATE	MARKET	STATION	MSA RANK (1)	PURCHASE PRICE
April	Seattle-Tacoma, WA	KKOL-AM	13	\$1,750,000 (2)
July	Phoenix, AZ	KPXQ-AM(3)	15	\$5,000,000
September	Louisville, KY	WLSY-FM	52	\$5,000,000 (4)
		WRVI-FM		

In 1999, we completed the purchase of the following other media businesses:

DATE	ENTITY	PURCHASE PRICE
-----	-----	-----

January	OnePlace	\$ 6,150,000
January	CCM Communications, Inc.	1,886,000
March	Christian Research Report	300,000
August	AudioCentral	1,000,000
October	Gospel Media Network, Inc.	475,000
November	Involved Christian Radio Network	3,000,000

		\$12,811,000
		=====

- -----

- (1) "MSA" means metropolitan statistical area.
- (2) Acquired from Sonsinger, Inc., a corporation owned by Messrs. Atsinger and Epperson.
- (3) KPXQ-AM formerly had been known as KCTK-AM, KGME-AM and KFDJ-AM.
- (4) Combined purchase price for WLSY-FM and WRVI-FM.

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RADIO STATIONS

After completing our pending transactions, we will own and operate 70 radio stations in 32 markets. The following table sets forth information about each of Salem's stations in order of market size:

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
		KIEV-AM	1998
		KLTX-AM	1986
		KEZY-AM	(4)
		KXMX-FM	(4)
Chicago, IL.....	3	WYLL-FM	1990
San Francisco, CA.....	4	KFAX-AM	1984
		KJQI-FM	2000
Philadelphia, PA.....	5	WFIL-AM	1993
		WZZD-AM	1994
Dallas-Ft. Worth, TX.....	6	KWRD-FM	1996
		KSKY-AM	(5)
		KDGE-FM	(4)
Boston, MA.....	8	WEZE-AM	1997
Washington, D.C.....	9	WAVA-FM	1992
		WABS-AM	2000
Houston-Galveston, TX.....	10	KKHT-FM	1995
		KENR-AM	1995
		KTEK-AM	1998
Atlanta, GA.....	11	WNIV-AM	2000
		WLTA-AM	2000
		WGKA-AM	(6)
Seattle-Tacoma, WA.....	13	KGNW-AM	1985
		KLFE-AM	1994
		KKOL-AM	1999
		KAZJ-AM	1999
		KKMO-AM	1998
San Diego, CA.....	14	KPRZ-AM	1986
		KCBQ-AM	(7)
Phoenix, AZ.....	15	KCTK-AM	1996
		KPXQ-AM	1999
Minneapolis-St. Paul, MN.....	16	KKMS-AM	1996
		KYCR-AM	1998
Baltimore, MD.....	19	WITH-AM(8)	1997
Pittsburgh, PA.....	21	WORD-FM	1993
		WPIT-AM	1993
Denver-Boulder, CO.....	22	KRKS-FM	1993
		KRKS-AM	1994
		KBJD-AM	1999
		KNUS-AM	1996
		KALC-FM	(4)

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MARKET(1)	RANK (2)	CALL LETTERS	YEAR ACQUIRED
Cleveland, OH.....	23	WHK-AM	1997
		WCCD-AM	1997
		WRMR-AM	(4)
		WKNR-AM	(4)
Portland, OR.....	24	KPDQ-FM	1986
		KPDQ-AM	1986
Cincinnati, OH.....	25	WTSJ-AM	1997
		WBOB-AM	(4)
		WYGY-FM	(4)
Riverside-San Bernardino, CA.....	27	KLTH-AM (9)	1986
Sacramento, CA.....	28	KFIA-AM	1995
		KTKZ-AM	1997
San Antonio, TX.....	31	KSLR-AM	1994
Columbus, OH.....	33	WRFD-AM	1982
Nashville, TN.....	42	WBOZ-FM	(10)
		WVRY-FM	(10)
Louisville, KY.....	52	WLSY-FM	1999
		WRVI-FM	1999
Honolulu, HI.....	59	KAIM-AM	2000
		KAIM-FM	2000
		KGU-AM	2000
		KHNR-AM	2000
Akron, OH.....	67	WHLO-AM	1997
Colorado Springs, CO.....	93	KGFT-FM	1996
		KBIQ-FM	1996
		KPRZ-FM	1996 (5)
Oxnard, CA.....	107	KDAR-FM	1974
Canton, OH.....	122	WHK-FM (11)	1997

(1) Actual city of license may differ from metropolitan market served.

(2) "MSA" means metropolitan statistical area. We have obtained all Metro Survey rank information used in this report from the Fall 1999 Radio Market Survey Schedule & Population Rankings published by The Arbitron Company, excluding the Commonwealth of Puerto Rico. 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, 2000 by Market Statistics, based on the data from Sales & Marketing Management's 1998 Survey of Buyer Power.

(3) This market includes the Nassau-Suffolk, NY Metro market which independently has a MSA rank of 17.

(4) A contract to acquire KEZY-AM, KXXM-FM, KDGE-FM, KALC-FM, WRMR-AM, WKNR-AM, WBOB-AM and WYGY-FM for \$185.6 million has been signed and regulatory approval of the acquisition is pending.

(5) A contract to exchange Salem's station KPRZ-AM and \$7.5 million for KSKY-AM has been signed and FCC approval of the transaction is pending.

(6) A contract to acquire WGKA-AM for \$8.0 million has been signed. The FCC has approved the acquisition.

(7) The company operates KCBQ-AM under a local marketing agreement. The company has an option to purchase this station.

(8) WITH-AM is simulcast with WAVA-FM, Washington, D.C.

(9) KLTH-AM is simulcast with KLTX-AM, Los Angeles.

(10) A contract to acquire 100% of the stock of Reach Satellite Network, Inc., licensee of radio stations WBOZ-FM and WVRY-FM, for \$3.1 million has been signed. The FCC has approved the acquisition.

(11) WHK-FM is simulcast with WHK-AM, Cleveland.

PROGRAM REVENUE. For the year ended December 31, 1999, we derived 32.9% and 16.6% of our gross revenue, or \$31.3 million and \$15.8 million, respectively, from the sale of nationally syndicated and local block program time. We derive nationally syndicated program revenue from a programming customer base consisting primarily of geographically diverse, well-established non-profit religious and educational organizations that purchase time on stations in a large number of markets in the United States. 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.

ADVERTISING REVENUE. For the year ended December 31, 1999, we derived 31.2% of our gross revenue, or \$29.7 million from the sale of local spot advertising and 6.1% of our gross revenue, or \$5.9 million from the sale of national spot advertising.

OPERATIONS. Each of the radio markets in which we have a presence has a general manager who is responsible for day-to-day operations, local spot advertising sales and, where applicable, local program sales for all of our stations in the market. We pay our general managers a base salary plus a percentage of the respective station's net operating income. For each station we also have 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 rapid 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.

Our corporate headquarters personnel oversee the placement and rate negotiation for all nationally syndicated programs. Centralized oversight of this component of company 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.

We believe that the listening audiences for our radio stations formatted with our primary format, which provide the financial support for program producers purchasing time on these stations, are responsive to affinity advertisers that promote products targeted to audiences interested in religious and family issues and are receptive to direct response appeals such as those offered through infomercials. All of

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such stations have affinity advertising customers in their respective markets. Local church groups and many community organizations such as rescue missions and family crisis support services can often effectively reach their natural constituencies by advertising on religious format stations. 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. Our stations generate spot advertising revenue from general market advertisers, including automobile dealers, Internet companies and grocery store chains.

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 owned and operated radio stations in major markets. Salem Radio Network(R) which is headquartered in Dallas, 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 eight full-time satellite channels and all Salem Radio Network(R) product is delivered to affiliates via satellite.

After completing our pending transactions, Salem Radio Network(R) will have more than 1,300 affiliate stations, including our owned and operated stations, that broadcast one or more of the offered programming options. These programming options feature talk shows, news and music. Network operations also include commission revenue of Salem Radio Representatives from unaffiliated customers and an allocation of operating expenses estimated to relate to such commissions. Salem Radio Representatives, a wholly owned subsidiary of Salem, sells all national commercial advertising placed on Salem Radio Network's commercial affiliate radio stations. Salem Radio Network's gross revenue for the year ended December 31, 1999 was \$2.4 million. Salem Radio Network(R) incurred a net operating loss of \$0.8 million for the year ended December 31, 1999.

SALEM RADIO REPRESENTATIVES. We established Salem Radio Representatives in 1992 as a sales representation company specializing in placing national advertising on religious format radio stations. Salem Radio Network(R) has an exclusive relationship with Salem Radio Representatives for the sale of

available Salem Radio Network(R) spot advertising. Salem Radio Representatives receives a commission on all Salem Radio Network(R) sales. Salem Radio Representatives also contracts with individual radio stations to sell air time to national advertisers desiring to include selected company stations in national buys covering multiple markets.

OTHER MEDIA

INTERNET. In January 1999, we purchased the assets of OnePlace, LLC for \$6.2 million. OnePlace provides Christian supply catalogs in print and online, church management software and support, and Internet c-commerce and web site development services.

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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 contemporary Christian music industry. CCM's flagship publication, CCM Magazine(R), is a monthly music magazine offering interviews with artists, issue-oriented features, album reviews and concert schedules. Through CCM's trade publications, we are uniquely positioned to track contemporary Christian music audience trends.

SATELLITE RADIO. In August 1998 we expanded our reach by entering into an exclusive agreement with XM Satellite Radio, Inc. to develop, produce, supply and market religious and family issues audio programming which will be distributed by a subscriber-based satellite digital audio radio service. XM Satellite Radio, Inc. is one of two FCC licensees for this service (which is expected to commence in the year 2001) and it will have the capability of providing up to 100 channels of audio programming. 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.

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 the religious and family issues format 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 noncommercial 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 also compete for revenue in the spot advertising market with other commercial religious format and general format radio station licensees. We compete in the spot 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 being developed or introduced. These include delivery of audio programming by cable television and satellite systems, digital audio radio services, the Internet, personal communications services and the 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. The quality of programming delivered by digital audio broadcasting would be equivalent to compact disc.

The delivery of live and stored audio programming through the Internet has also created new competition. In addition, the anticipated commencement of satellite delivered digital audio radio services, which are intended to deliver multiple audio programming formats to local and national audiences, may create additional competition. We have attempted to address these existing and potential competitive threats through our Internet acquisition and through our exclusive arrangement to provide religious and family issues talk and music formats on one of the two FCC licensees of satellite digital audio radio services.

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NETWORK. Salem Radio Network(R) competes with other commercial radio networks that offer news and talk programming to religious and general format stations and two noncommercial networks that offer religious music formats. Salem Radio Network(R) 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 on-line audio programming and with web sites that offer content and e-commerce capabilities, such as Amazon.com, whose product offerings include religious books and music.

EMPLOYEES

At March 1, 2000, Salem employed 665 full-time and 320 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.

ITEM 2. PROPERTIES.

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 other media businesses are supported by office facilities.

Our radio stations' studios and offices, our network's operations, the operations of our other 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 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 "Certain Relationships and Related Transactions." 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.

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ITEM 3. LEGAL PROCEEDINGS.

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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On May 25, 1999, at a special telephonic meeting, the security holders of the company gave their unanimous consent to re-elect as directors of the company Edward G. Atsinger III, Stuart W. Epperson, Eric H. Halvorson, Richard A. Riddle, Roland S. Hinz, and to elect two new directors, Joseph S. Schuchert and Donald P. Hodel, as well as to adopt and approve the company's 1999 stock incentive plan.

On April 16, 1999, at a special telephonic meeting, the security holders of the company gave their unanimous consent to the adoption of an amended and restated certificate of incorporation as of March 31, 1999, its further amendment by an amended and restated certificate of incorporation filed with the Delaware Secretary of State on May 19, 1999 and the initial public offering of Class A common stock.

No other matters have been submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the period covered by this report.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Class A common stock is traded on the National Market System of the National Association of Securities Dealers, Inc. Automated

Quotation System ("NASDAQ-NMS") under the symbol SALM. At March 23, 2000, the Company had approximately 25 shareholders of record (not including the number of persons or entities holding stock in nominee or street name through various brokerage firms) and 17,902,392 outstanding shares of Class A common stock and 5,553,696 outstanding shares of Class B common stock. The following table sets forth for the fiscal quarters indicates the range of high and low bid information per share of the Class A common stock of the Company as reported on the NASDAQ-NMS since July 1, 1999, the date the Company's Class A common stock first became publicly traded.

	1999	
	4TH QUARTER	3RD QUARTER
High.....	30	31 1/8
Low.....	16 1/8	21 3/8

There is no established public trading market for the Company's Class B common stock.

DIVIDEND POLICY

No cash dividends were declared for any class of common equity in the last two fiscal years. The company intends to retain future earnings for use in its business and does not anticipate declaring or paying any dividends on shares of the company's Class A or Class B common stock in the foreseeable future. Further, the company's board of directors will make any determinations to declare and pay dividends in light of the company's earnings, financial position, capital requirements, agreements for our outstanding debt and such other factors as the board of directors deems relevant.

The company's sole source of cash from which to make dividend payments will be dividends paid to the company or payments made to the company by its subsidiaries. The ability of the subsidiaries to make such payments may be restricted by applicable state laws or terms of agreements to which they are or may become a party.

ITEM 6. 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, 1995, 1996, 1997, 1998 and 1999 are derived from the audited consolidated financial statements of Salem. The consolidated financial statements as of December 31, 1998 and 1999 and for each of the years in the three-year period ended December 31, 1999, and the independent auditors' report thereon, are included elsewhere in this report. 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 report.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1995	1996	1997	1998	1999
	(DOLLARS IN THOUSANDS) (EXCEPT PER SHARE DATA AND RATIOS)				
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:					
Net broadcasting revenue	\$ 48,168	\$ 59,010	\$ 67,912	\$ 77,891	\$ 87,122
Other media revenue	--	--	--	--	6,424
Total revenue	48,168	59,010	67,912	77,891	93,546
Operating expenses:					
Broadcasting operating expenses	27,527	33,463	39,626	42,526	46,291
Other media operating expenses	--	--	--	--	9,985
Corporate expenses	3,799	4,663	6,210	7,395	8,507
Stock and related cash grant.....	--	--	--	--	2,550
Tax reimbursements to S corporation shareholders(1)	2,057	2,038	1,780	--	--
Depreciation and amortization	7,884	8,394	12,803	14,058	18,233
Total operating expenses	41,267	48,558	60,419	63,979	85,566
Net operating income	6,901	10,452	7,493	13,912	7,980

Other income (expense):					
Interest income	319	523	230	291	1,005
Gain (loss) on disposal of assets	(7)	16,064	4,285	236	(219)
Interest expense	(6,646)	(7,361)	(12,706)	(15,941)	(14,219)
Other expense	(255)	(270)	(389)	(422)	(633)
	-----	-----	-----	-----	-----
Total other income (expense)	(6,589)	8,956	(8,580)	(15,836)	(14,066)
Income (loss) before income taxes and extraordinary item	312	19,408	(1,087)	(1,924)	(6,086)
Provision (benefit) for income taxes	(204)	6,655	106	(343)	(1,611)
	-----	-----	-----	-----	-----
Income (loss) before extraordinary item .	516	12,753	(1,193)	(1,581)	(4,475)
Extraordinary loss(2)	(394)	--	(1,185)	--	(3,570)
	-----	-----	-----	-----	-----
Net income (loss)	\$ 122	\$ 12,753	\$ (2,378)	\$ (1,581)	\$ (8,045)
	=====	=====	=====	=====	=====
Pro forma net income (loss)(1)	\$ 1,024	\$ 12,838	\$ (770)		
	=====	=====	=====		
Basic and diluted income (loss) per share before extraordinary item	\$ 0.03	\$ 0.77	\$ (0.07)	\$ (0.09)	\$ (0.22)
	=====	=====	=====	=====	=====
Basic and diluted net income (loss) per share(3)	\$ 0.01	\$ 0.77	\$ (0.14)	\$ (0.09)	\$ (0.40)
	=====	=====	=====	=====	=====
Pro forma basic and diluted income (loss) per share before extraordinary item	\$ 0.09	\$ 0.77	\$ 0.02		
	=====	=====	=====		
Pro forma basic and diluted net income (loss) per share	\$ 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	20,066,006
	=====	=====	=====	=====	=====
Other Data:					
Broadcast cash flow(4)	\$ 20,641	\$ 25,547	\$ 28,286	\$ 35,365	\$ 40,831
Broadcast cash flow margin(5)	42.9%	43.3%	41.7%	45.4%	46.9%
EBITDA(4)	\$ 16,842	\$ 20,884	\$ 22,076	\$ 27,970	\$ 28,763
After-tax cash flow(4)	9,306	11,594	10,647	12,335	15,809
Cash flows related to:					
Operating activities	\$ 7,681	\$ 10,495	\$ 7,314	\$ 11,015	\$ 8,204
Investing activities	(27,681)	(18,923)	(26,326)	(31,762)	(35,159)
Financing activities	19,227	9,383	18,695	21,019	59,162

</TABLE>

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<TABLE>
<CAPTION>

	DECEMBER 31,				
	1995	1996	1997	1998	1999
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Balance Sheet Data:					
Cash and cash equivalents	\$ 1,007	\$ 1,962	\$ 1,645	\$ 1,917	\$ 34,124
Total assets	104,817	159,185	184,813	207,750	264,364
Long-term debt, less current portion	81,020	121,790	154,500	178,610	100,087
Stockholders' equity	13,282	20,354	10,682	9,101	142,839

</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 notes 1 and 7 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>

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

</TABLE>

- (2) The extraordinary loss in each of 1995, 1997 and 1999 relates to the write-off of deferred financing costs and termination fees related to the repayment of long-term debt. See note 5 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. EBITDA and after-tax cash flow for the year ended December 31, 1999 excludes a \$2.6 million charge (\$1.9 million, net of income tax) for a one-time stock grant concurrent with our initial public offering. 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 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.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

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 report. Our consolidated financial statements are not directly comparable from period to period because of our acquisition and disposition of radio stations and our acquisition of other media businesses. See note 2 to our consolidated financial statements.

Historically, the principal sources of our revenue have been:

- 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.

In 1999, we expanded our sources of revenue and product offerings with the acquisition of other media businesses.

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					
	1997		1998		1999	
	<C>	<C>	<C>	<C>	<C>	<C>
	(DOLLARS IN THOUSANDS)					
Block program time:						
National.....	\$27,664	37.0%	\$29,506	34.5%	\$31,317	32.9%
Local.....	11,392	15.2	13,389	15.7	15,816	16.6
	-----	-----	-----	-----	-----	-----
	39,056	52.2	42,895	50.2	47,133	49.5
Advertising:						
National.....	3,621	4.8	4,458	5.2	5,855	6.1
Local.....	21,143	28.3	26,106	30.6	29,686	31.2
	-----	-----	-----	-----	-----	-----
	24,764	33.1	30,564	35.8	35,541	37.3
Infomercials.....	3,819	5.1	4,121	4.8	3,764	4.0
Salem Radio Network.....	6,186	8.3	6,053	7.1	6,983	7.3
Other.....	1,005	1.3	1,778	2.1	1,856	1.9
	-----	-----	-----	-----	-----	-----
Gross broadcasting revenue..	74,830	100.0%	85,411	100.0%	95,277	100.0%
		=====		=====		=====
Less agency commissions.....	6,918		7,520		8,155	
	-----		-----		-----	
Net broadcasting revenue....	\$67,912		\$77,891		\$87,122	
	=====		=====		=====	

</TABLE>

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. Historically we have not subscribed to traditional audience measuring services. Instead, we have marketed 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.

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 when, due to the nature of the radio station, our plans for the market and other circumstances, we find it beneficial or advisable to change its format.

This transition period is when we develop a radio station's customer and listener base. During this period, a station will 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 1999, 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 from the (1) sales of and advertising in print and online catalogs, (2) sales of software and software support contracts, (3) sales of products, services and banner advertising on the Internet, and (4) sales of web site development services. 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 and EBITDA. 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. EBITDA and after-tax cash flow for the year ended December 31, 1999 excludes a \$2.6 million charge (\$1.9 million, net of income tax) for a one-time stock grant concurrent with our initial public offering on June 30, 1999. 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.

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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.

RESULTS OF OPERATIONS.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

NET BROADCASTING REVENUE. Net broadcasting revenue increased \$9.2 million or 11.8% to \$87.1 million in 1999 from \$77.9 million in 1998. The inclusion of revenue from the acquisitions of radio stations and revenue generated from local marketing agreements entered into during 1999 and 1998, partially offset by the loss of revenue from radio stations sold in 1998, provided \$1.9 million of the increase. On a same station basis, net revenue improved \$7.3 million or 9.6% to \$83.1 million in 1999 from \$75.8 million in 1998. Included in the same station comparison are the results of two stations that we began to own or operate in 1999 for a total purchase price of \$1.8 million, and 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 1997 that previously operated with formats other than their current format, an increase in program rates and 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 revenue increased to 37.3% in 1999 from 35.8% in 1998. Revenue from block program time as a percentage of our gross revenue decreased to 49.5% in 1999 from 50.2% in 1998. This change in our revenue mix is primarily due to our continued efforts to develop more local advertising sales in all of our markets.

OTHER MEDIA REVENUE. Other media revenue was \$6.4 million for the year ended December 31, 1999 and was generated from businesses acquired in 1999.

BROADCASTING OPERATING EXPENSES. Broadcasting operating expenses increased \$3.8 million or 8.9% to \$46.3 million in 1999 from \$42.5 million in 1998. The inclusion of expenses from the acquisitions of radio stations and expenses incurred for local marketing agreements entered into during 1999 and 1998, partially offset by the exclusion of operating expenses from radio stations sold in 1998, accounted for \$1.4 million of the increase. On a same station basis, broadcasting operating expenses

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increased \$2.4 million or 5.8% to \$43.9 million in 1999 from \$41.5 million in 1998, primarily due to incremental selling and production expenses incurred to produce the increased revenue in the period. The difference between 1999 and 1998 broadcasting operating expenses was increased 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.

OTHER MEDIA OPERATING EXPENSES. Other media operating expenses were \$10.0 million for the year ended December 31, 1999 and were incurred in the businesses acquired in 1999.

BROADCAST CASH FLOW. Broadcast cash flow increased \$5.4 million or 15.3% to \$40.8 million in 1999 from \$35.4 million in 1998. As a percentage of net broadcasting revenue, broadcast cash flow increased to 46.8% in 1999 from 45.4% in 1998. The increase is primarily attributable to the improved performance of radio stations acquired in 1997 and 1998 that previously operated with formats other than their current format, offset by a one-time credit for music licensing fees in 1998. Acquired and reformatted radio stations typically produce low margins during the first few years following conversion. 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 \$4.9 million or 14.3% to \$39.2 million in 1999 from \$34.3 million in 1998.

CORPORATE EXPENSES. Corporate expenses increased \$1.1 million or 14.9% to \$8.5 million in 1999 from \$7.4 million in 1998, primarily due to an increase in bonuses of \$300,000 in 1999 as compared to 1998, an increase in executive officer compensation of \$340,000 as compared to 1998, public reporting costs of \$200,000 and additional personnel and overhead costs associated with radio station and other media acquisitions in 1999.

EBITDA. EBITDA increased \$800,000 or 2.9% to \$28.8 million in 1999 from \$28.0 million in 1998. As a percentage of total revenue, EBITDA decreased to 30.8% in 1999 from 35.9% in 1998. EBITDA was negatively impacted by the results of operations of our other media businesses acquired during 1999, which generated a net loss before depreciation and amortization of \$3.6 million during the year. EBITDA excluding the other media businesses increased \$4.3 million or 15.4% to \$32.3 million in 1999 from \$28.0 million in 1998. As a percentage of net broadcasting revenue, EBITDA excluding the other media businesses increased to 37.1% in 1999 from 35.9% in 1998. The increase is primarily attributable to

the improved performance of radio stations acquired in 1997 and 1998 that previously operated with formats other than their current format.

DEPRECIATION AND AMORTIZATION. Depreciation expense increased \$2.3 million or 53.5% to \$6.6 million in 1999 from \$4.3 million in 1998. Amortization expense increased \$1.8 million or 18.4% to \$11.6 million in 1999 from \$9.8 million in 1998. The increases were primarily due to radio station and other media acquisitions consummated during 1999 and 1998.

OTHER INCOME (EXPENSE). Interest income increased \$700,000 to \$1.0 million in 1999 from \$300,000 in 1998. The increase is primarily due to the interest earned on the investment of the net proceeds received on our initial public offering in July 1999. Interest expense decreased \$1.7 million or 10.7% to \$14.2 million in 1999 from \$15.9 million in 1998. The decrease is primarily due to interest expense associated with \$50 million in principal amount of the senior subordinated notes repurchased in July 1999 partially offset by interest expense associated with additional borrowings to fund acquisitions consummated during 1998 and the first and second quarters of 1999. Other expense increased \$211,000 to \$633,000 in 1999 from \$422,000 in 1998 primarily due to increased bank commitment fees.

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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 (26.5)% for 1999 and (17.8%) for 1998. The effective tax rate in 1999 and 1998 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.

NET INCOME (LOSS). We recognized a net loss of \$8.0 million in 1999, compared to a net loss of \$1.6 million in 1998. Included in the net loss for 1999 is a \$3.6 million extraordinary loss, net of income tax benefit, resulting from the premium paid on the repurchase of \$50 million principal amount of our senior subordinated notes, the related write-off of a portion of the unamortized bond issue costs, and the write-off of deferred financing costs related to our credit facility. Additionally, we incurred a \$1.9 million charge, net of income tax, related to a one-time stock grant concurrent with our initial public offering on June 30, 1999.

AFTER-TAX CASH FLOW. After-tax cash flow increased \$3.5 million or 28.5% to \$15.8 million in 1999 from \$12.3 million in 1998. This increase was offset by negative after-tax cash flow of our other media businesses in 1999. After-tax cash flow excluding other media losses (net of income tax) increased \$5.6 million or 45.5% to \$17.9 million from \$12.3 million in 1998. The increase is primarily due to an increase in broadcast cash flow and a decrease in interest expense.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 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 their current format, an increase in program rates and 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 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.

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 their current 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. 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.

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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.

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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 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.

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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 received net proceeds of \$140.1 million from our initial public offering in July 1999, which was used to pay a portion of our senior subordinated notes and amounts outstanding under our credit facility. 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. At December 31, 1999 we had \$34.1

million of cash and cash equivalents and positive working capital of \$42.0 million.

We will fund future acquisitions from cash on hand, borrowings under our credit facility and operating cash flow; the aggregate purchase price for all pending acquisitions exceeds the maximum amount that we may currently borrow under our credit facility. We are evaluating alternatives to fund these acquisitions including amending our credit facility to allow a greater debt to cash flow ratio, selling some of our existing radio stations, and obtaining bridge financing. We believe that cash on hand, cash flow from operations, borrowings under our credit facility, proceeds from the sale of some of our existing radio stations and anticipated bridge financing will be sufficient to permit us to meet our financial obligations, fund our pending acquisitions and fund operations for at least the next twelve months.

At December 31, 1999, we had no amounts outstanding under our credit facility. In July 1999, we paid amounts outstanding of \$39.8 million with a portion of the net proceeds of the offering. We amended 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. The amended credit facility matures on June 30, 2006. Aggregate commitments under the amended credit facility begin to decrease commencing March 31, 2001.

Amounts outstanding under our credit facility bear interest 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 credit facility, the prime rate spread ranges from 0% to 1%, and the LIBOR spread ranges from 0.875% to 2.25%.

The maximum amount that we may borrow under our credit facility is 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 credit facility is 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. The Adjusted Debt to Cash Flow Ratio at December 31, 1999 was 2.48 to 1, resulting in a borrowing availability of approximately \$131.4 million.

Our credit facility contains 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 credit facility also requires us to satisfy specified financial covenants, which covenants require the maintenance of specified financial ratios and compliance with certain financial tests, including ratios for maximum leverage as described, minimum interest coverage (not less than 1.75 to 1), 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 is 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.

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In September 1997, we issued \$150 million principal amount of 9 1/2% senior subordinated notes due 2007. In July 1999, we repurchased \$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 repurchase, we are 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 repurchase of our senior subordinated notes in July 1999, we recorded a non-cash charge of \$1.5 million for the write-off of unamortized bond issue costs. This was in addition to the \$3.9 million premium paid in connection with this repurchase.

Net cash provided by operating activities decreased to \$8.2 million for the year ended December 31, 1999, compared to \$11.0 million in 1998, primarily due to a decrease in accounts payable and accrued interest and an increase in prepaid expenses of other media businesses during the year ended December 31, 1998.

Net cash used in investing activities increased to \$35.2 million for the year ended December 31, 1999, compared to \$31.8 million in 1998 primarily due to acquisitions (cash used of \$23.9 million to purchase three radio stations and other media businesses in 1999 compared to cash used of \$33.7 million to purchase four radio stations in 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 provided by financing activities increased to \$59.2 million for the year ended December 31, 1999 compared to net cash provided by financing activities of \$21.0 million in 1998. The increase was primarily due to the net proceeds of our initial public offering offset by the application of the net proceeds to pay off \$39.8 million owing under our prior credit facility and the repurchase of \$50 million in principal amount of our senior subordinated notes in July 1999.

In 1999, we purchased radio stations KKOL-AM, Seattle, Washington, KCTK-AM, Phoenix, Arizona, WLSY-FM and WRVI-FM, Louisville, Kentucky, in separate transactions for a total of \$11.8 million. In 1999, we also purchased OnePlace, CCM, Christian Research Report, AudioCentral, Gospel Media Network, Inc. and Involved Christian Radio Network, in separate transactions for a total of \$12.8 million. We paid for these purchases primarily with a portion of the net proceeds of the offering.

Subsequent to December 31, 1999, we used a portion of the net proceeds of the offering to purchase the assets (principally intangibles) of the following radio stations:

ACQUISITION DATE	STATION	MARKET SERVED	PURCHASE PRICE
January 4, 2000.....	WNIV-AM and WLTA-AM	Atlanta, GA	\$ 8,000,000
January 10, 2000.....	WABS-AM	Washington, D.C.	4,100,000
January 25, 2000.....	KJQI-FM	San Francisco, CA	8,000,000
February 15, 2000.....	KAIM-AM/FM	Honolulu, HI	1,800,000
February 17, 2000.....	KHNR-AM and KGU-AM	Honolulu, HI	1,700,000

			\$23,600,000
			=====

In November 1999, we agreed to purchase radio station WGKA-AM, Atlanta, Georgia for \$8.0 million. We anticipate this purchase will close in April 2000.

In December 1999, we agreed to purchase all of the outstanding shares of stock of Reach Satellite Network, Inc. (RSN), for \$3.1 million. RSN owns and operates Solid Gospel, a radio broadcasting network that produces and distributes music programming to its own radio stations WBOZ-FM and WVRV-FM, Nashville, Tennessee, and to independent radio station affiliates. RSN also owns and operates SolidGospel.com, a web site on the Internet. We anticipate this purchase will close in April 2000.

On January 18, 2000, we purchased real property in Dallas, Texas, for \$885,000.

In January 2000, we agreed to exchange our radio station KPRZ-FM, Colorado Springs, Colorado, plus \$7.5 million for radio stations KSKY-AM, Dallas, Texas. We anticipate this exchange will occur in May 2000.

On February 25, 2000, we purchased the KIEV-AM property in Los Angeles, California, for \$2.8 million. This amount was included in current portion of long-term debt at December 31, 1999.

In March 2000, we agreed to purchase the following radio stations for \$185.6 million: KDGE-FM, Dallas, Texas, KALC-FM, Denver, Colorado, KXMX-FM and KEZY-AM, Los Angeles, California, WYGY-FM and WBOB-AM, Cincinnati, Ohio, and WRMR-AM and WKNR-AM, Cleveland, Ohio. We anticipate this purchase will close in the third quarter of 2000. In connection with this agreement we deposited a \$25 million irrevocable letter of credit with an escrow agent. Under the agreement we are subject to a liquidated damages provision. If we fail to consummate the purchase or otherwise terminate the agreement we are required to pay the seller \$21.4 million in addition to the \$25 million letter of credit, which would be disbursed to the seller.

IMPACT OF YEAR 2000

In prior years, the company discussed the nature and progress of its plans to become Year 2000 ready. In late 1999, the company completed its remediation and testing of systems. As a result of those planning and implementation efforts, the company experienced no significant disruptions in mission critical information technology and non-information technology systems and believes those systems successfully responded to the Year 2000 date change. The company is not aware of any material problems resulting from Year 2000 issues, either with its products, its internal systems, or the products and services of third parties. The company will continue to monitor its mission critical computer applications and those of its suppliers and vendors throughout the Year 2000 to ensure that any latent Year 2000 matters that may arise are

addressed promptly.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

DERIVATIVE INSTRUMENTS. The company does not invest, and during the year ended December 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 LIBOR and in the "prime rate" in the United States. As of December 31, 1999, we may borrow \$131.4 million under our credit facility. Amounts outstanding under the credit facility bear interest 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 credit facility, the prime rate spread ranges from 0% to 1%, and the LIBOR spread ranges from 0.875% to 2.25%. There were no amounts outstanding under our credit facility as of December 31, 1999.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and supplementary data required by this item are set forth at the end of this Annual Report on Form 10-K beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Incorporated herein by this reference is the information set forth in the sections entitled "DIRECTORS AND EXECUTIVE OFFICERS - Directors" and "--Executive Officers" and SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE contained in the company's Proxy Statement for its 2000 Annual Meeting of Stockholders (the "2000 Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by this reference is the information set forth in the sections entitled "COMPENSATION AND OTHER INFORMATION" and "COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION" contained in the 2000 Proxy Statement.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Incorporated herein by this reference is the information set forth in the sections entitled "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS" and "SECURITY OWNERSHIP OF MANAGEMENT" contained in the 2000 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Incorporated herein by this reference is the information set forth in the section entitled "RELATED PARTY TRANSACTIONS" contained in the 2000 Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements.

The financial statements required to be filed hereunder are set forth at the end of this Report beginning on page F-1.

2. Exhibits.

<TABLE>

<CAPTION>

EXHIBIT
NUMBER

DESCRIPTION OF EXHIBITS

----- <S>	----- <C>
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 Communications Corporation, a California corporation, 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 (filed as part of Exhibit 4.01).
4.03+	Form of Note Guarantee (filed as part of Exhibit 4.01).
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).
4.05+	Borrower Security Agreement, dated as of September 25, 1997, by and between Salem and The Bank of New York, as Administrative Agent of the Lenders (incorporated by reference to Exhibit 4.07 of the previously filed Registration Statement on Form S-4).
4.06+	Subsidiary Guaranty and Security Agreement dated as of September 25, 1997, by and between Salem, certain named guarantors, and The Bank of New York, as Administrative Agent (incorporated by reference to Exhibit 4.09 of the previously filed Registration Statement on Form S-4).
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 for the Lenders, Bank of America NT&SA, as documentation agent, and the several Lenders (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 for the Lenders, Bank of America NT&SA, as documentation agent, and the Lenders.
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* First Amended and Restated Credit Agreement 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.
- 4.16 Amendment No. 1 to First Amended and Restated Credit Agreement, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America, N.A., as Documentation Agent and the Lenders party thereto.
- 4.17 Amendment No. 2 to First Amended and Restated Credit Agreement, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America, N.A., as Documentation Agent and the Lenders party thereto.
- 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, between Salem and Eric H. Halvorson.
- 10.03.04+ 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.
- 10.05.01+ 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>

<TABLE>
<CAPTION>

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----
<S>	<C>
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 of Texas, Inc. and Atsinger Family Trust/Epperson Family Limited Partnership (KSLR-AM/San Antonio, Texas).
- 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-Boulder, Colorado) and Messrs. Atsinger and Epperson expiring 2006.
- 10.05.16 Antenna/tower lease between Salem Media of Colorado, Inc. and Atsinger Family Trust/Epperson Family Limited Partnership (KRKS-AM/KBJD-AM/Denver, Colorado).
- 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.
- 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).

</TABLE>

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- 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 Marketing Agreement dated August 13, 1999 between Concord Media Group, Inc. and Radio 1210, Inc.
- 10.08.02 Asset Purchase Agreement dated as of August 18, 1999, by and between Salem Media of Georgia, Inc. and Genesis Communications, Inc. (WNIV-FM, Atlanta, Georgia and WLTA-FM, Alpharetta, Georgia).
- 10.08.03 Asset Purchase Agreement dated as of November 29, 1999, by and among JW Broadcasting, Inc., Salem Media of Georgia, Inc. and Salem Communications Corporation (WGKA-AM, Atlanta, Georgia).
- 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.
- 27.01 Financial Data Schedule.

- -----
+ 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.

** 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 April 14, 1999.

* Incorporated by reference to the exhibit of the same number to the Company's Registration Statement on Form S-1 (No. 333-76649) as amended, as declared, effective by the Securities and Exchange Commission on June 30, 1999.

reporting Item 5, in connection with the reincorporation of the company in Delaware.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SALEM COMMUNICATIONS CORPORATION

March 30, 2000 By: /s/ Edward G. Atsinger III

Edward G. Atsinger III
President and Chief Executive Officer

March 30, 2000 By: /s/ Dirk Gastaldo

Dirk Gastaldo
Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature -----	Title -----	Date ----
<S> /s/ Edward G. Atsinger III ----- Edward G. Atsinger III	<C> President and Chief Executive Officer (Principal Executive Officer)	<C> March 30, 2000
/s/ Dirk Gastaldo ----- Dirk Gastaldo	Vice President and Chief Financial Officer (Principal Financial Officer)	March 30, 2000
/s/ Eileen E. Hill ----- Eileen E. Hill	Vice President, Financial Planning and Analysis (Principal Accounting Officer)	March 30, 2000
/s/ Edward G. Atsinger III ----- Edward G. Atsinger III	Director	March 30, 2000
/s/ Stuart W. Epperson ----- Stuart W. Epperson	Director	March 30, 2000
/s/ Eric H. Halvorson ----- Eric H. Halvorson	Director	March 30, 2000
/s/ Richard A. Riddle ----- Richard A. Riddle	Director	March 30, 2000
/s/ Roland S. Hinz ----- Roland S. Hinz	Director	March 30, 2000
/s/ Donald P. Hodel ----- Donald P. Hodel	Director	March 30, 2000
/s/ Joseph S. Schuchert ----- Joseph S. Schuchert	Director	March 30, 2000

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Consolidated Statements of Stockholders' Equity for the years ended December 31, 1997, 1998 and 1999	F-5
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REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
of Salem Communications Corporation

We have audited the accompanying consolidated balance sheets of Salem Communications Corporation as of December 31, 1998 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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, 1998 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

Woodland Hills, California
March 15, 2000

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SALEM COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

<TABLE>
<CAPTION>

	DECEMBER 31,	
	----- 1998	1999 -----
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,917	\$ 34,124
Accounts receivable (less allowance for doubtful accounts of \$862 in 1998 and \$1,753 in 1999)	14,289	17,481
Other receivables	67	645
Prepaid expenses	658	1,628
Due from stockholders	--	905

Deferred income taxes	2,443	732
Total current assets	19,374	55,515
Property, plant, equipment and software, net	40,749	50,665
Intangible assets:		
Broadcast licenses	167,870	177,487
Noncompetition agreements	14,593	14,625
Customer lists and contracts	4,094	4,097
Favorable and assigned leases	1,800	1,800
Goodwill	6,689	15,177
Other intangible assets	2,567	4,799
	197,613	217,985
Less accumulated amortization	55,837	67,465
Intangible assets, net	141,776	150,520
Bond issue costs	4,657	2,750
Other assets	1,194	4,914
Total assets	\$207,750	\$ 264,364

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 1,676	\$ 2,600
Accrued expenses	489	1,256
Accrued compensation and related	1,613	2,047
Accrued interest	3,968	2,546
Deferred subscription revenue	--	1,670
Income taxes	89	148
Current portion of long-term debt and capital lease obligations	--	3,248
Total current liabilities	7,835	13,515
Long-term debt, less current portion	178,610	100,087
Deferred income taxes	11,581	7,232
Other liabilities	623	691
Stockholders' equity:		
Class A common stock, \$.01 par value; authorized 80,000,000 shares; issued and outstanding 11,107,392 shares and 17,902,392 shares at December 31, 1998 and 1999, respectively..	111	179
Class B common stock, \$.01 par value; authorized 20,000,000 shares; issued and outstanding 5,553,696 shares	56	56
Additional paid-in capital	5,665	147,380
Retained earnings (deficit)	3,269	(4,776)
Total stockholders' equity	9,101	142,839
Total liabilities and stockholders' equity	\$207,750	\$ 264,364

</TABLE>

See accompanying notes.

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SALEM COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
<S>	<C>	<C>	<C>
Gross broadcasting revenue	\$ 74,830	\$ 85,411	\$ 95,277
Less agency commissions	6,918	7,520	8,155
Net broadcasting revenue	67,912	77,891	87,122
Other media revenue	--	--	6,424
Total revenue	67,912	77,891	93,546
Operating expenses:			
Broadcasting operating expenses	39,626	42,526	46,291
Other media operating expenses	--	--	9,985
Corporate expenses	6,210	7,395	8,507
Stock and related cash grant	--	--	2,550
Tax reimbursements to S corporation shareholders..	1,780	--	--

Depreciation (including \$1,817 in 1999 for other media businesses)	3,988	4,305	6,599
Amortization (including \$420 in 1999 for other media businesses)	8,815	9,753	11,634
	-----	-----	-----
Total operating expenses	60,419	63,979	85,566
	-----	-----	-----
Net operating income	7,493	13,912	7,980
Other income (expense):			
Interest income	230	291	1,005
Gain (loss) on disposal of assets	4,285	236	(219)
Interest expense	(12,706)	(15,941)	(14,219)
Other expense	(389)	(422)	(633)
	-----	-----	-----
Loss before income taxes and extraordinary item	(1,087)	(1,924)	(6,086)
Provision (benefit) for income taxes	106	(343)	(1,611)
	-----	-----	-----
Loss before extraordinary item	(1,193)	(1,581)	(4,475)
Extraordinary loss on early extinguishment of debt (net of income tax benefit of \$659 in 1997 and \$1,986 in 1999)	(1,185)	--	(3,570)
	-----	-----	-----
Net loss	\$ (2,378)	\$ (1,581)	\$ (8,045)
	=====	=====	=====
Basic and diluted loss per share before extraordinary item	\$ (0.07)	\$ (0.09)	\$ (0.22)
Extraordinary loss per share	(0.07)	--	(0.18)
	-----	-----	-----
Basic and diluted net loss per share	\$ (0.14)	\$ (0.09)	\$ (0.40)
	=====	=====	=====
Basic and diluted weighted average shares outstanding	16,661,088	16,661,088	20,066,006
	=====	=====	=====
Pro forma information for 1997 (unaudited):			
Loss before income taxes and extraordinary item as reported above	\$ (1,087)		
Add back tax reimbursements to S Corporation shareholders	1,780		

Pro forma income before income taxes and extraordinary item	693		
Pro forma provision for income taxes	278		

Pro forma income before extraordinary item	415		
Extraordinary loss	(1,185)		

Pro forma net loss	\$ (770)		
	=====		
Proforma basic and diluted income per share before extraordinary item	\$ 0.02		
Extraordinary loss per share	(0.07)		

Basic and diluted net loss per share	\$ (0.05)		
	=====		
Basic and diluted weighted average shares outstanding	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/ (DEFICIT)
	SHARES	AMOUNT	SHARES	AMOUNT		
TOTAL						
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<C>						
Stockholders' equity, January 1, 1997 .	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 10,682	11,107,392	111	5,553,696	56	5,665	4,850
Net loss	--	--	--	--	--	(1,581)
(1,581)						

Stockholders' equity, December 31, 1998 9,101	11,107,392	111	5,553,696	56	5,665	3,269
Stock grant	75,000	1	--	--	1,687	--
1,688						
Issuance of Class A common stock	6,720,000	67	--	--	140,028	--
140,095						
Net loss	--	--	--	--	--	(8,045)
(8,045)						

Stockholders' equity, December 31, 1999 \$ 142,839	17,902,392	\$179	5,553,696	\$56	\$147,380	\$ (4,776)
	=====	=====	=====	=====	=====	=====

</TABLE>

See accompanying notes.

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SALEM COMMUNICATIONS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	-----	-----	-----
	<C>	<C>	<C>
OPERATING ACTIVITIES			
Net loss	\$ (2,378)	\$ (1,581)	\$ (8,045)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	12,803	14,058	18,233
Amortization of bank loan fees	175	42	87
Amortization of bond issue costs	126	531	443
Deferred income taxes	(1,022)	(730)	(4,106)
(Gain) loss on sale of assets	(4,285)	(236)	219
Loss on early extinguishment of debt, before taxes..	1,844	--	5,556
Noncash stock grant	--	--	1,688
Changes in operating assets and liabilities:			
Accounts receivable	(1,572)	(2,048)	(2,573)
Prepaid expenses and other current assets	(473)	(18)	(1,747)
Accounts payable and accrued expenses	1,844	1,035	(1,555)
Deferred subscription revenue	--	--	384
Other liabilities	78	166	(439)
Income taxes	174	(204)	59
Net cash provided by operating activities	7,314	11,015	8,204
INVESTING ACTIVITIES			
Capital expenditures	(7,512)	(6,865)	(9,142)
Deposits on radio station acquisitions	(4,907)	4,907	(1,325)
Purchases of radio stations	(19,436)	(33,682)	(11,837)
Purchases of other media businesses	--	--	(12,049)
Proceeds from disposal of property, plant and equipment and intangible assets	5,120	4,226	73
Expenditures for tower construction project held for sale	(9)	(495)	(410)
Proceeds from sale of tower construction project ...	--	--	914
Other assets	418	147	(1,383)
Net cash used in investing activities	(26,326)	(31,762)	(35,159)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt and notes payable to stockholders	222,810	40,500	18,750
Net proceeds from issuance of common stock	--	--	140,095
Payments of long-term debt and notes payable to stockholders	(190,166)	(19,200)	(94,860)
Payments on capital lease obligations	--	--	(239)

Payments of bank loan fees	(1,025)	--	--
Payment of premium on senior subordinated notes	--	--	(3,875)
Payments of costs related to bank credit facility ..	(417)	--	(709)
Payments of bond issue costs	(5,033)	(281)	--
Distributions to shareholders	(7,474)	--	--
	-----	-----	-----
Net cash provided by financing activities	18,695	21,019	59,162
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents .	(317)	272	32,207
Cash and cash equivalents at beginning of year	1,962	1,645	1,917
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 1,645	\$ 1,917	\$ 34,124
	=====	=====	=====
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 9,523	\$ 14,965	\$ 15,048
Income taxes	295	591	450

</TABLE>

See accompanying notes.

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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), and 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.

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 5. 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 \$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.

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Salem is a domestic U.S. radio broadcast company which has traditionally provided talk and music programming targeted at audiences interested in religious and family issues. Salem operated 54 and 45 radio stations across the United States at December 31, 1999 and 1998, 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 radio stations in the U.S., including some of Salem's stations. SRR sells commercial air time to national advertisers for Salem's radio stations and networks, and for independent radio station affiliates.

Salem also owns and operates OnePlace, LLC (OnePlace) and CCM Communications, Inc. (CCM). OnePlace provides Christian supply catalogs in print and online, church management software and support, and Internet e-commerce and web site development services. CCM publishes magazines that follow the Christian music industry. The revenue and related operating expenses of these businesses are reported as "other media" on the consolidated statements of operations.

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 has adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company identifies its operating segments based on business activities. The Company's chief operating decision maker reviews financial information to manage the business consistent with the manner presented in the consolidated financial statements. As the Company acquires and integrates new businesses it evaluates, based on the nature, size and integration and management strategies, whether it has separate reportable segments. During the three years ended December 31, 1999, the Company had one reportable segment.

Revenue Recognition

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

Revenue from the sale of products and services from the Company's other media businesses is recognized when the products are shipped and the services are rendered. Revenue from the sale of advertising in CCM's publications is recognized upon publication. Revenue from the sale of subscriptions to CCM's publications is recognized over the life of the subscription.

Advertising by the radio stations exchanged for goods and services is recorded as the advertising is broadcast and is valued at the estimated 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. The estimated fair value of the barter advertising provided for the years ended December 31, 1997, 1998 and 1999, was approximately \$1,743,000, \$2,510,000 and \$2,936,000, respectively. Barter expenses were approximately the same. Barter advertising provided and barter expenses are included net in broadcasting operating expenses.

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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Property, Plant, Equipment and Software

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

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

The carrying value of property, plant, equipment and software 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, equipment and software have been made during the years ended December 31, 1997, 1998 and 1999.

Intangible Assets

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

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

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, 1997, 1998 and 1999.

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.

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Accounting For Stock Based Compensation

Employee stock options are accounted for under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," which requires the recognition of expense when the option price is less than the fair value of the stock at the date of grant.

The Company generally awards options for a fixed number of shares at an option price equal to the fair value at the date of grant. The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

Income Taxes

The Company accounts for income taxes in accordance with 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 S Corporations are passed through to their shareholders.

Basic and Diluted Net Loss Per Share

Basic net loss per share has been computed using the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed using the weighted average number of shares of common stock outstanding during the period plus the dilutive effects of stock options.

Options to purchase 304,500 shares of common stock with exercise prices greater than the average market prices of common stock were outstanding at December 31, 1999. These options were excluded from the respective computations of diluted net loss per share because their effect would be anti-dilutive.

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
<S>	<C>	<C>	<C>
Numerator:			
Net loss	\$ (2,378,000)	\$ (1,581,000)	\$ (8,045,000)
Denominator:			
Weighted average shares	16,661,088	16,661,088	20,066,066
Basic and diluted net loss per share	\$ (0.14)	\$ (0.09)	\$ (0.40)

</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.

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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 information has not been considered meaningful by management. Pro forma and historical financial information of radio stations acquired where the format was not changed and of other media businesses acquired have not been significant to the consolidated financial position or operating results of the Company.

The Company used the purchase method of accounting for all of the acquisitions described below, and, accordingly, the operating results of the acquired assets and businesses are included in the consolidated operating results since the dates of acquisition.

During the year ended December 31, 1999, the Company purchased the assets (principally intangibles) of the following radio stations:

ACQUISITION DATE	STATION	MARKET SERVED	PURCHASE PRICE
April 30, 1999.....	KKOL-AM	Seattle, WA	\$ 1,750
July 23, 1999.....	KCTK-AM	Phoenix, AZ	5,000
September 13, 1999.....	WLSY-FM	Louisville, KY	2,500
September 13, 1999.....	WRVI-FM	Louisville, KY	2,500
			\$11,750

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

ASSET	AMOUNT
	(IN THOUSANDS)

Property and equipment.....	\$ 2,160
Broadcast licenses.....	9,557
Goodwill and other intangibles.....	33

	\$ 11,750
	=====

In addition to the stations above, in January 1999, the Company purchased the assets of OnePlace for \$6.2 million, and all the outstanding shares of stock of CCM for \$1.9 million. The purchases were financed primarily by an additional borrowing.

On March 11, 1999, the Company acquired the assets of Christian Research Report (CRR) for \$300,000. The publications of CRR follow the contemporary Christian music industry.

On August 25, 1999, the Company purchased the assets of the Internet sites AudioCentral.com and ChristianBooks.com for \$400,000 cash and \$600,000 non-cash consideration.

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On October 19, 1999, the Company acquired the assets of Gospel Media Network, Inc., relating to the audio and video streaming of content on the GospelMedia.com Internet site, for \$475,000.

On November 30, 1999, the Company acquired the assets of the Involved Christian Radio Network, which provides streaming media on its Internet site, ICRN.com, for \$3.0 million.

The revenue and operating expenses of these businesses are reported as "other media" on our consolidated statements of operations.

The table below summarizes the other media acquisitions during 1999:

ACQUISITION DATE	ENTITY	PURCHASE PRICE
- - - - -	- - - - -	- - - - -
		(IN THOUSANDS)
January 29, 1999.....	OnePlace	\$ 6,150
January 29, 1999.....	CCM	1,886
March 11, 1999.....	Christian Research Report	300
August 25, 1999.....	AudioCentral	1,000
October 19, 1999.....	Gospel Media Network, Inc.	475
November 30, 1999.....	Involved Christian Radio Network	3,000

		\$12,811
		=====

The purchase price has been allocated to the assets acquired and liabilities assumed as follows:

	AMOUNT
	- - - - -
	(IN THOUSANDS)
Assets	
Accounts receivable and other current assets..	\$ 1,453
Property, plant, equipment and software.....	5,764
Subscriber base and domain names.....	2,246
Goodwill and other intangible assets.....	8,790
Other assets.....	607

	18,860
Liabilities	
Accounts payable and other current liabilities	(3,437)
Other long-term liabilities.....	(2,612)

	(6,049)

Purchase price.....	\$12,811
	=====

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

ACQUISITION DATE	STATION	MARKET SERVED	PURCHASE PRICE
- - - - -	- - - - -	- - - - -	- - - - -
			(IN THOUSANDS)

August 21, 1998.....	KKMO-AM	Tacoma, WA	\$ 500
August 26, 1998.....	KIEV-AM	Los Angeles, CA	33,210
October 30, 1998.....	KYCR-AM	Minneapolis, MN	500
October 30, 1998.....	KTEK-AM	Houston, TX	2,061

			\$36,271
			=====

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

ASSET	AMOUNT
----	-----
	(IN THOUSANDS)
Property and equipment.....	\$ 4,507
Broadcast licenses.....	29,627
Goodwill and other intangibles.....	2,137

	\$36,271
	=====

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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.

During the year ended December 31, 1997, the Company purchased the assets (principally intangibles) of the following radio stations:

ACQUISITION DATE	STATION	MARKET SERVED	PURCHASE PRICE
-----	-----	-----	-----
			(IN THOUSANDS)
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
			=====

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

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

	\$ 25,461
	=====

In November 1997, the Company sold the assets (principally intangibles) of radio station WPZE-AM (Boston, MA) for \$5 million. Proceeds from the sale 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.

3. DUE FROM STOCKHOLDERS

The amounts due from stockholders represent short-term advances made to stockholders of the Company and repaid in January 2000.

4. PROPERTY, PLANT, EQUIPMENT AND SOFTWARE

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

DECEMBER 31,	
-----	-----
1998	1999
-----	-----
(IN THOUSANDS)	

Land.....	\$ 1,440	\$ 1,974
Buildings.....	1,417	1,742
Office furnishings and equipment.....	9,775	12,952
Antennae, towers and transmitting equipment.....	25,665	32,672
Studio and production equipment.....	14,817	18,613
Computer software.....	--	4,427
Record and tape libraries.....	511	527
Automobiles.....	69	166
Leasehold improvements.....	3,797	4,877
Construction-in-progress.....	8,767	4,658
	-----	-----
	66,258	82,608
Less accumulated depreciation.....	25,509	31,943
	-----	-----
	\$40,749	\$50,665
	=====	=====

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5. LONG-TERM DEBT

Long-term debt consisted of the following at:

	DECEMBER 31,	
	1998	1999
	-----	-----
	(IN THOUSANDS)	
Revolving line of credit with banks.....	\$ 24,000	\$ --
9 1/2% Senior Subordinated Notes due 2007....	150,000	100,000
Obligation to acquire KIEV-AM property.....	2,810	2,810
Unsecured note payable to stockholder with interest at 8 1/4%.....	1,800	--
Capital leases acquired through OnePlace.....	--	344
Seller financed note to acquire GospelMedia..	--	181
	-----	-----
	178,610	103,335
Less current portion.....	--	3,248
	-----	-----
	\$178,610	\$100,087
	=====	=====

Since the revolving line of credit with banks carries a floating interest rate, the carrying amount approximates its fair market value. The Notes were issued in September 1997 at par. At December 31, 1999, their fair market value was approximately \$100.1 million.

Revolving Line of Credit with Banks

Salem has a credit agreement with six banks (the Credit Agreement) to provide for borrowing capacity of up to \$150 million under a revolving line of credit. The 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, 1999, the maximum Adjusted Debt to Cash Flow Ratio allowed under the Credit Agreement was 6.00 to 1.00. At December 31, 1999, the Adjusted Debt to Cash Flow Ratio was 2.48 to 1.00, resulting in total borrowing availability of approximately \$131.4 million. The maximum Adjusted Debt to Cash Flow Ratio allowed under the Credit Agreement is 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.

The note underlying the revolving line of credit bears interest at a fluctuating base rate plus a spread that is 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%, and the LIBOR spread ranges from .875% to 2.25%. Interest is payable quarterly. Commencing March 31, 2001, and every quarter thereafter, the commitment under the Credit Agreement reduces by increasing amounts through June 30, 2006, when it expires.

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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 July 1999, the Company used a portion of the net proceeds of the

Offering to repay all amounts due under a previous revolving line of credit with the banks, and to repurchase \$50 million principal amount of the Notes. The Company wrote off certain deferred financing costs (including bond issue costs of \$1.5 million) and paid a premium of \$3.9 million on the Notes. The write-off and premium of \$3,570,000, net of a \$1,986,000 income tax benefit, was recorded as an extraordinary item in the accompanying statement of operations for the year ended December 31, 1999.

In September 1997, in connection with the issuance of the Notes and the Credit Agreement the Company repaid all amounts due under a previous revolving line of credit with the banks. The Company wrote off certain deferred financing costs and terminated all of its

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interest rate swap and cap agreements associated with the line of credit (see Note 6). 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.

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 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. The Notes are in general freely transferable without further registration under the Securities Act of 1933.

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%. The obligation is classified as current at December 31, 1999.

At December 31, 1998, the Company owed \$1.8 million to one of its stockholders. The entire amount was paid to the stockholder in April 1999.

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In connection with the acquisition of OnePlace in January 1999, the Company acquired several capital leases related to various data processing equipment. The obligation recorded at December 31, 1999 represents the present value of future commitments under the lease agreements.

In connection with the acquisition of Gospel Media Network, Inc., the Company incurred an obligation to make future payments to the seller. These payments have been discounted to reflect the present value of the future commitments.

Maturities of Long-Term Debt

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

2000.....	\$ 3,189
2001.....	146
2002.....	--
2003.....	--
2004.....	--
Thereafter.....	100,000

 \$103,335
 =====

6. 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 5).

7. 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.

In connection with the 1999 acquisition of CCM the Company recorded a net deferred tax liability of \$1,468,000, which was recorded as an increase to the deferred tax liability and is not reflected in the income tax benefit in 1999.

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

<TABLE>
 <CAPTION>

	1997 -----	1998 -----	1999 -----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Current:			
Federal.....	\$ (149)	\$ --	\$ --
State.....	618	387	509
	-----	-----	-----
	469	387	509
Deferred:			
Federal.....	(1,162)	(467)	(3,507)
State.....	140	(263)	(599)
	-----	-----	-----
	(1,022)	(730)	(4,106)
Current tax benefit reflected in net extraordinary loss.....	(659)	--	(1,986)
	-----	-----	-----
Income tax provision (benefit).....	\$ 106	\$ (343)	\$ (1,611)
	=====	=====	=====

</TABLE>

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

<TABLE>
 <CAPTION>

	1998 -----	1999 -----
	(IN THOUSANDS)	
<S>	<C>	<C>
Deferred tax assets:		
Financial statement accruals not currently deductible	\$ 665	\$ 1,140
Net operating loss, AMT credit and other carryforwards	2,367	4,846
State taxes	122	176
Other	--	537
	-----	-----
Total deferred tax assets	3,154	6,699

Valuation allowance for deferred tax assets .	(95)	(95)
	-----	-----
Net deferred tax assets	3,059	6,604
Deferred tax liabilities:		
Excess of net book value of property, plant, equipment and software for financial reporting purposes over tax basis	4,263	4,291
Excess of net book value of intangible assets for financial reporting purposes over tax basis	7,305	7,842
Other	629	971
	-----	-----
Total deferred tax liabilities	12,197	13,104
	-----	-----
Net deferred tax liabilities	\$ 9,138	\$ 6,500
	=====	=====

</TABLE>

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,		
	1997	1998	1999
	----	----	-----
<S>	<C>	<C>	<C>
Statutory federal income tax rate.....	(34)%	(34)%	(34)%
State income taxes, net.....	49	4	1
Nondeductible expenses.....	5	7	7
Exclusion of income taxes of S corporations and the Partnership.....	(76)	--	--
Change in taxable entity (S corporation to C corporation).....	56	--	--
Other, net.....	10	5	--
	----	----	-----
	10%	(18)%	(26)%
	====	====	====

</TABLE>

The S Corporations had book income before income taxes of \$2,400,000 in 1997. This amount includes the S Corporations' 85% ownership interest in Beltway.

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At December 31, 1999, the Company has net operating loss carryforwards for federal income tax purposes of approximately \$13,500,000 which expire in years 2010 through 2019 and for state income tax purposes of approximately \$10,900,000 which expire in years 2000 through 2014. 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 1999 and 1998 to offset a portion of the deferred tax assets related to the state net operating loss carryforwards.

8. 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 \$4,800,000, \$4,800,000 and \$6,000,000 in 1997, 1998, and 1999, respectively.

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, 1999, are as follows:

	RELATED PARTIES	OTHER	TOTAL
	-----	-----	-----
	(IN THOUSANDS)		
2000.....	\$ 1,501	\$ 4,827	\$ 6,328
2001.....	1,515	4,055	5,570
2002.....	1,244	3,316	4,560
2003.....	1,160	3,119	4,279
2004.....	990	2,921	3,911
Thereafter.....	2,994	11,658	14,652

-----	-----	-----
\$ 9,404	\$29,896	\$39,300
=====	=====	=====

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, 1998 and 1999, a liability of approximately \$432,000 and \$494,000 respectively, is included in other liabilities in the accompanying balance sheet for the amounts earned under this agreement.

9. STOCK OPTION PLAN

The 1999 Stock Incentive Plan (the Plan) allows the Company to grant stock options to employees, directors, officers and advisors of the Company. A maximum of 1,000,000 shares were authorized under the Plan. Options generally vest over five years and have a maximum term of 10 years. The Plan provides that vesting may be accelerated in certain corporate transactions of the Company. The Plan provides that the Board of Directors, or a committee appointed by the Board, has discretion, subject to certain limits, to modify the terms of outstanding options. At December 31, 1999, the Company had 695,500 shares available for future grants under its Plan.

A summary of stock option activity is as follows:

<TABLE>
<CAPTION>

	OPTIONS	OPTION PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE CONTRACTUAL LIFE REMAINING IN YEARS
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Outstanding at December 31, 1998	--	--	--	--
Grants	304,500	\$22.50 - \$27.06	\$22.65	9.5
	-----	-----	-----	---
Outstanding at December 31, 1999	304,500	\$22.50 - \$27.06	\$22.65	9.5
	=====	=====	=====	===

</TABLE>

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No options were exercisable as of December 31, 1999.

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized in the results of operations for the stock option grants. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date, amortized over the vesting period, for awards in 1999 consistent with the provisions of SFAS No. 123, the Company's net income and basic earnings per share would have been reduced to the pro forma amounts as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	-----	-----	-----
<S>	<C>	<C>	<C>
Net loss	\$(2,378)	\$(1,581)	\$(8,045)
Pro forma net loss	(2,378)	(1,581)	(8,845)
Pro forma basic and diluted loss per share	\$ (0.14)	\$ (0.09)	\$ (0.44)

</TABLE>

Using the Black-Scholes valuation model, the per share weighted-average fair value of stock options granted during the year ended December 31, 1999 was \$11.36. The pro forma effect on the Company's net loss and basic and diluted loss per share for 1999 is not representative of the pro forma effect in future years. The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants made in 1999: dividend yield of 0%; expected volatility of 58.0%; risk-free interest rate of 5.8%; expected life of 4 years. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options. The assumptions used in option valuation models are highly subjective, particularly the expected stock price volatility of the underlying stock. Because changes in these subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing

models do not provide a reliable single measure of the fair value of its employee stock options.

10. RELATED PARTY TRANSACTIONS

In December 1998, the Company borrowed \$1.8 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 was \$1.8 million (see Note 5). The note was repaid in full and cancelled in April 1999.

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 \$2.5 million. The Company repaid all amounts outstanding in May 1998 and the note was cancelled.

A stockholder's trust owns real estate on which certain assets of two radio stations are located. One of the stations, KAVC-FM, was sold during 1998. Salem, in the ordinary course of its business, entered into two separate lease agreements with this trust. Rental expense included in operating expense for 1997, 1998 and 1999 amounted to \$57,000, \$60,000 and \$48,000, 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 1997, 1998 and 1999 amounted to \$1.0 million, \$1.0 million and \$1.4 million, respectively.

In October 1997, the Company assigned its contract with a tower construction company to build a broadcast tower in Houston to the principal shareholders subject to the principal shareholders obtaining financing. The principal shareholders 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.

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 had 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. The Company acquired KKOL-AM from Sonsinger on April 30, 1999 for \$1.4 million and associated real estate for \$400,000. 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, \$164,000 and \$43,000 in 1997, 1998 and 1999, respectively in LMA fees to Sonsinger.

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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 1997, 1998 and 1999 amounted to approximately \$60,000, \$69,000 and \$156,000, respectively.

11. 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 25% of the amounts contributed by each participant but does not match participants' contributions in excess of 6% of their compensation per pay period. Prior to January 1, 1999, the Company matched 10% of the amounts contributed by each participant but did not match participants' contributions in excess of 10% of their compensation per pay period. The Company contributed and expensed \$80,000, \$87,000 and \$237,000 to the Plan in 1996, 1997 and 1999 respectively.

12. 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, in connection with 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 (see Note 9).

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 was 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 associated with the award was recognized as compensation expense of \$2.6 million during the year ended December 31, 1999.

Upon the closing of the Company's initial public offering, the Company issued 6,720,000 shares of the Company's Class A common stock at \$22.50 per share, generating gross offering proceeds of \$151.2 million. After deducting a \$9.6 million underwriting discount and \$1.5 million in other related expenses, the net proceeds to Salem were \$140.1 million.

In addition, two selling stockholders sold 2,940,000 shares of the Company's Class A common stock (including 1,260,000 shares sold by the stockholders as a result of the exercise by the managing underwriters of their over-allotment option subsequent to the initial offering) to the underwriting syndicate at the same price per share raising gross proceeds of \$66.2 million. After deducting a \$4.2 million underwriting discount the net proceeds to the selling stockholders were \$62.0 million. Salem did not receive any monies from the sale of shares of the Company's Class A common stock by these selling stockholders.

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13. SUBSEQUENT EVENTS (Unaudited)

Subsequent to December 31, 1999, the Company purchased the assets (principally intangibles) of the following radio stations:

ACQUISITION DATE	STATION	MARKET SERVED	PURCHASE PRICE
- - - - -	- - - - -	- - - - -	- - - - -
			(IN THOUSANDS)
January 4, 2000.....	WNIV-AM and WLTA-AM	Atlanta, GA	\$ 8,000
January 10, 2000.....	WABS-AM	Washington, D.C.	4,100
January 25, 2000.....	KJQI-FM	San Francisco, CA	8,000
February 15, 2000.....	KAIM-AM/FM	Honolulu, HI	1,800
February 16, 2000.....	KHNR-AM and KGU-AM	Honolulu, HI	1,700

			\$23,600
			=====

In November 1999, the Company agreed to purchase radio station WGKA-AM, Atlanta, Georgia, for \$8 million. The Company anticipates this purchase will close in April 2000.

In December 1999, the Company agreed to purchase all of the outstanding shares of stock of Reach Satellite Network, Inc. (RSN), for \$3.1 million. RSN owns and operates Solid Gospel, a radio broadcasting network that produces and distributes music programming to its own radio stations WBOZ-FM and WVRV-FM, Nashville, Tennessee, and to independent radio station affiliates. RSN also owns and operates SolidGospel.com, a web site on the Internet. The Company anticipates this purchase will close in April 2000.

On January 18, 2000, the Company purchased real property in Dallas, Texas, for \$885,000.

In January 2000, the Company agreed to exchange its radio station KPRZ-FM, Colorado Springs, Colorado, plus \$7.5 million, for radio station KSKY-AM, Dallas, Texas. The Company anticipates this exchange will occur in May 2000.

On February 25, 2000, the Company purchased the KIEV-AM transmitter

site in Los Angeles, California, for \$2.8 million. This amount was included in current portion of long-term debt at December 31, 1999.

In March 2000, the Company agreed to purchase the following radio stations for \$185.6 million: KDGE-FM, Dallas, Texas, KALC-FM, Denver, Colorado, KXMX-FM and KEZY-AM, Los Angeles, California, WYGY-FM and WBOB-AM, Cincinnati, Ohio, and WRMR-AM and WKNR-AM, Cleveland, Ohio. The Company anticipates this purchase will close in the third quarter of 2000. In connection with this agreement the Company deposited a \$25 million irrevocable letter of credit with an escrow agent. Under the agreement Salem is subject to a liquidated damages provision. If the Company fails to consummate the purchase or otherwise terminates the agreement it is required to pay the seller \$21.4 million in addition to the \$25 million letter of credit, which would be disbursed to the seller.

14. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED):

	March 31		June 30		September 30		December 31	
	1998	1999	1998	1999(1)	1998	1999	1998	1999
(in thousands, except per share data)								
Total revenue	\$ 17,702	\$ 21,520	\$ 18,702	\$ 22,718	\$ 19,232	\$ 23,100	\$ 22,255	\$ 26,208
Net operating income	2,932	2,936	3,399	(89)	4,067	2,345	3,514	2,788
Net income (loss) before extraordinary item	(574)	(1,308)	(785)	(3,516)	184	(138)	(406)	487
Extraordinary loss	--	--	--	--	--	(3,570)	--	--
Net income (loss)	\$ (574)	\$ (1,308)	\$ (785)	\$ (3,516)	\$ 184	\$ (3,708)	\$ (406)	\$ 487
Basic and diluted earnings (loss) per share before extraordinary item	\$ (0.03)	\$ (0.08)	\$ (0.05)	\$ (0.21)	\$ 0.01	\$ (0.01)	\$ (0.02)	\$ 0.02
Extraordinary loss per share	--	--	--	--	--	(0.15)	--	--
Basic and diluted earnings (loss) per share	\$ (0.03)	\$ (0.08)	\$ (0.05)	\$ (0.21)	\$ 0.01	\$ (0.16)	\$ (0.02)	\$ 0.02

(1) Includes a charge of \$2.6 million (\$1.9 million net of tax) related to stock and related cash award made during the quarter.

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SALEM COMMUNICATIONS CORPORATION

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS

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		
(DOLLARS IN THOUSANDS)						
Year Ended December 31, 1997 .. Allowance for doubtful accounts	\$1,005	\$1,283	\$ --	\$ (1,039)		\$1,249
Year Ended December 31, 1998 .. Allowance for doubtful accounts	1,249	2,087	--	(2,474)		862
Year Ended December 31, 1999 .. Allowance for doubtful accounts	862	2,670	--	(1,779)		1,753

SALEM COMMUNICATIONS CORPORATION

INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----	SEQUENTIALLY NUMBERED PAGES -----
4.16	Amendment No. 1 to First Amended and Restated Credit Agreement, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America, N.A., as Documentation Agent and the Lenders party thereto.	
4.17	Amendment No. 2 to First Amended and Restated Credit Agreement, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America, N.A., as Documentation Agent and the Lenders party thereto.	
10.05.13	Antenna/tower lease between Salem Media of Texas, Inc. and Atsinger Family Trust/Epperson Family Limited Partnership (KSLR-AM/San Antonio, Texas).	
10.05.16	Atenna/tower lease between Salem Media of Colorado, Inc. and Atsinger Family Trust/Epperson Family Limited Partnership (KRKS-AM/KBJD-AM/ Denver, Colorado).	
10.08.01	Local Marketing Agreement dated August 13, 1999 between Concord Group, Inc. and Radio 1210, Inc.	
10.08.02	Asset Purchase Agreement dated as of August 18, 1999, by and between Salem Media of Georgia, Inc. and Genesis Communications, Inc. (WNIV-FM, Atlanta, Georgia and WLTA-FM, Alpharetta, Georgia).	
10.08.03	Asset Purchase Agreement dated as of November 29, 1999, by and among JW Broadcasting, Inc., Salem Media of Georgia, Inc. and Salem Communications Corporation (WGKA-AM, Atlanta, Georgia).	
21.01	Subsidiaries of Salem.	
27.01	Financial Data Schedule.	

- -----
- + 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.
 - ** 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 April 14, 1999.
 - * Incorporated by reference to the exhibit of the same number to the Company's Registration Statement on Form S-1 (No. 333-76649) as amended, as declared, effective by the Securities and Exchange Commission on June 30, 1999.

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 1

AMENDMENT NO. 1 (this "Amendment"), dated as of August 11, 1999, to the First Amended and Restated Credit Agreement, dated as of June 30, 1999, by and among SALEM COMMUNICATIONS CORPORATION, a Delaware corporation (the "Borrower"), THE BANK OF NEW YORK, as administrative agent for the Lenders thereunder (in such capacity, the "Administrative Agent"), BANK OF AMERICA, N. A. (f/k/a 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 thereto (the "Credit Agreement").

RECITALS

I. Except as otherwise provided herein, capitalized terms used herein which are not defined herein shall have the meanings set forth in the Credit Agreement.

II. The Borrower has requested that the Administrative Agent and the Required Lenders amend the Credit Agreement upon the terms and conditions contained herein, and the Administrative Agent and the Required Lenders are willing to do so.

Accordingly, in consideration of the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and pursuant to Section 11.1 of the Credit Agreement, the Borrower, the Subsidiary Guarantors, the Administrative Agent and each Lender signatory hereto agree as follows:

III. Section 8.5 of the Credit Agreement is hereby amended by (i) deleting the word "and" at the end of clause (l) thereof, (ii) replacing the period at the end of clause (m) thereof with "; and", and (iii) adding a new clause (n) to the end thereof as follows:

(n) other Investments, provided that (i) the aggregate amount of all such other Investments shall not exceed in the aggregate \$5,000,000 at any time, and (ii) immediately before and after giving effect to each such Investment no Default or Event of Default shall or would exist.

IV. Paragraph 1 of this Amendment shall not become effective until the Administrative Agent shall have received counterparts of this Amendment duly executed by the Borrower, the Subsidiary Guarantors, the Administrative Agent and the Required Lenders.

V. In all other respects the Credit Agreement and other Loan Documents shall remain in full force and effect.

VI. In order to induce the Administrative Agent and the Lenders to execute and deliver this Amendment, the Borrower and the Subsidiary Guarantors each (a) certifies that, immediately before and after giving effect to this Amendment, all representations and warranties contained in the Loan Documents to which it is a party shall be true and correct in all respects with the same effect as though such representations and warranties had been made on the date hereof, except as the context otherwise requires or as otherwise permitted by the Credit Agreement or this Amendment, (b) certifies that, immediately before and after giving effect to this Amendment, no Default or Event of Default shall exist under the Loan Documents, as amended, and (c) agrees to pay all of the reasonable fees and disbursements of counsel to the Administrative Agent incurred in connection with the preparation, negotiation and closing of this Amendment.

VII. Each of the Borrower and the Subsidiary Guarantors (a) reaffirms and admits the validity, enforceability and continuing effect of all Loan Documents to which it is a party, and its obligations thereunder, and (b) agrees and admits that as of the date hereof it has no valid defenses to or offsets against any of its obligations to the Administrative Agent, the Documentation Agent, the Issuing Bank or any of the Lenders under the Loan Documents to which it is a party.

VIII. This Amendment may be executed in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same document. It shall not be necessary in making proof of this Amendment to produce or account for more than one counterpart signed by the party to be charged.

IX. This Amendment 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.

X. The parties have caused this Amendment to be duly executed as of the date first written above.

SALEM COMMUNICATIONS CORPORATION

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 1

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

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 1

THE BANK OF NEW YORK,
in its individually capacity
and as Administrative Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 1

BANK OF AMERICA, N.A. (f/k/a
BANK OF AMERICA NT & SA)
in it individual capacity and as
Documentation Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 1

BANKBOSTON, N.A.,
in it individual capacity and as a
Co-Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 1

FLEET BANK, N.A.,
in it individual capacity and as a
Co-Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 1

UNION BANK OF CALIFORNIA, N.A.,
in it individual capacity and as a
Co-Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 1

THE BANK OF NOVA SCOTIA

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 1

FIRST HAWAIIAN BANK

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 2

AMENDMENT NO. 2 (this "Amendment"), dated as of February 14, 2000, to the First Amended and Restated Credit Agreement, dated as of June 30, 1999, by and among SALEM COMMUNICATIONS CORPORATION, a Delaware corporation (the "Borrower"), THE BANK OF NEW YORK, as administrative agent for the Lenders thereunder (in such capacity, the "Administrative Agent"), BANK OF AMERICA, N. A. as Documentation Agent, BANKBOSTON, N.A., FLEET BANK, N.A., and UNION BANK OF CALIFORNIA, N.A., as Co-Agents, and the Lenders party thereto, as amended by Amendment No. 1, dated as of August 11, 1999 (the "Credit Agreement").

RECITALS

I. Except as otherwise provided herein, capitalized terms used herein which are not defined herein shall have the meanings set forth in the Credit Agreement.

II. The Borrower has requested that the Administrative Agent and the Lenders amend the Credit Agreement upon the terms and conditions contained herein, and the Administrative Agent and the Lenders are willing to do so.

Accordingly, in consideration of the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and pursuant to Section 11.1 of the Credit Agreement, the Borrower, the Subsidiary Guarantors, the Administrative Agent and the Lenders agree as follows:

III. The defined term "Letter of Credit Commitment" contained in Section 1.1 of the Credit Agreement is hereby amended by replacing the amount \$15,000,000 with the amount \$30,000,000.

IV. Paragraph 1 of this Amendment shall not become effective until the Administrative Agent shall have received:

V. counterparts of this Amendment duly executed by the Borrower, the Subsidiary Guarantors, the Administrative Agent and all of the Lenders; and

VI. a certificate, dated the date hereof, of the Secretary or an Assistant Secretary of each Loan Party 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 this Amendment and the transactions contemplated hereby.

VII. In all other respects the Credit Agreement and other Loan Documents shall remain in full force and effect.

VIII. In order to induce the Administrative Agent and the Lenders to execute and deliver this Amendment, the Borrower and the Subsidiary Guarantors each (a) certifies that, immediately before and after giving effect to this Amendment, all representations and warranties contained in the Loan Documents to which it is a party shall be true and correct in all respects with the same effect as though such representations and warranties had been made on the date hereof, except as the context otherwise requires or as otherwise permitted by the Credit Agreement or this Amendment, (b) certifies that, immediately before and after giving effect to this Amendment, no Default or Event of Default shall exist under the Loan Documents, as amended, and (c) agrees to pay all of the reasonable fees and disbursements of counsel to the Administrative Agent incurred in connection with the preparation, negotiation and closing of this Amendment.

IX. Each of the Borrower and the Subsidiary Guarantors (a) reaffirms and admits the validity, enforceability and continuing effect of all Loan Documents to which it is a party, and its obligations thereunder, and (b) agrees and admits that as of the date hereof it has no valid defenses to or offsets against any of its obligations to the Administrative Agent, the Documentation Agent, the Issuing Bank or any of the Lenders under the Loan Documents to which it is a party.

X. This Amendment may be executed in any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same document. It shall not be necessary in making proof of this Amendment to produce or account for more than one counterpart signed by the party to be charged.

XI. This Amendment 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.

XII. The parties have caused this Amendment to be duly executed as of the date first written above.

SALEM COMMUNICATIONS CORPORATION

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 2

- 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

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 2

THE BANK OF NEW YORK,
in its individual capacity
and as Administrative Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 2

BANK OF AMERICA, N.A.
in its individual capacity and as
Documentation Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 2

BANKBOSTON, N.A.,
in its individual capacity and as a
Co-Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 2

FLEET BANK, N.A.,
in its individual capacity and as a
Co-Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 2

UNION BANK OF CALIFORNIA, N.A.,
in its individual capacity and as a
Co-Agent

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 2

THE BANK OF NOVA SCOTIA

By: -----

Name: -----

Title: -----

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 2

FIRST HAWAIIAN BANK

By: -----

Name: -----

Title: -----

LAND LEASE AGREEMENT

This agreement is entered into on this 1st day of January, 2000 between, SALEM MEDIA OF TEXAS, INC. (KSLR) ("Lessee"), and ATSSINGER FAMILY TRUST/EPPERSON FAMILY LIMITED PARTNERSHIP ("Lessor").

ARTICLE I

DEFINITIONS

The terms listed below when spelled with initial capital letters have the following meanings in this agreement:

1.1 ADJUSTMENT DATE shall be the first anniversary of the commencement date and every succeeding anniversary of the commencement date thereafter.

1.2 AGREEMENT means this Land Lease Agreement, including the schedules and any other executed attachments and/or addenda all of which are made part of this Agreement.

1.3 ANTENNA means the structure, supporting structures including foundations and guy wires, cabling, ground systems and all other equipment related to the tower system as set forth in Section 5.1 hereof.

1.4 ARTICLE or ARTICLES means one or more of the articles of this Agreement.

1.5 COMMENCEMENT DATE means 12:01 AM on the date specified in this Agreement as the Commencement Date of the Initial Term, as hereinafter defined.

1.6 EQUIPMENT BUILDING means the structure or area provided for the Transmitters and associated broadcast transmission equipment as designated in Section 5.2 for the limited purpose of constructing, installation, maintenance, operation, repair or removal of the equipment. Notwithstanding anything in this Agreement to the contrary, any item to be constructed or installed in the Equipment Building pursuant to this Agreement shall be paid for, constructed and maintained by Lessee.

1.7 EXPIRATION DATE means 11:59 PM on the date specified in this Agreement as the date on which the Initial Term or any extended term of this Agreement expires.

1.8 FACILITIES and FACILITY refer collectively or individually to any and all Equipment, Cabling, Antenna and/or buildings or other structures required to be constructed pursuant to Section 5.2 hereof, as the context may indicate.

1.9 INITIAL TERM means the period from the Commencement Date to the date set forth in Section 3.2.

1.10 LEASED LAND/LESSOR'S PROPERTY means the 50 acre parcel located 0.84 km west, Northwest of the Intersection of Interstate 10 and State Route 468.

1.11 MONTHLY RENT shall have the meaning as defined in Section 4.2(c) hereof.

1.12 RENT means the consideration paid by Lessor to Lessee pursuant to this Agreement.

1.13 SCHEDULE or SCHEDULES means one or more schedules attached to this Agreement.

1.14 SECTION or SECTIONS means one or more of the sections of this Agreement.

1.15 TOWER means within this document the same as Antenna.

ARTICLE II

SCOPE OF THE AGREEMENT

2.1 LEASE. This Agreement sets forth the terms and conditions under which Lessor agrees to lease land to the Lessee. Lessee agrees to use the Leased Land and related rights only in accordance with the terms and conditions of this

Agreement; to comply with all applicable governmental regulations and requirements of law pertaining to Lessee's activities in or around Lessor's Property; to pay all fees, charges, costs and expenses in accordance with this Agreement promptly when due; to keep the Facilities properly maintained; and to comply in all respects with each of the obligations, duties, rules, conditions, and requirements applicable to Lessee under this Agreement.

2.2 NO OTHER USE. Lessee will use the Leased Land solely for operating the Antenna for its Commercial Broadcast Transmitter site, only for the purpose and benefit of Salem Media of Texas Inc. and Lessee will not make any other use of the Leased Land related rights provided under this Agreement. Lessee shall not use Lessor's Property or any portion thereof, including the Equipment Building, for purpose of maintaining the studios, offices or storage of Lessee.

2.3 NO OTHER RIGHTS. Only the Leased Land and related rights described in this Agreement are provided under this Agreement. Lessor does not provide any service or product under this Agreement.

ARTICLE III

TERM OF THE AGREEMENT; TERMINATION; RENEWALS

3.1 COMMENCEMENT DATE. The Commencement Date shall be January 1, 2000.

3.2 EXPIRATION DATE. The Expiration Date of this Agreement shall be the day preceding the Tenth (10th) year anniversary of the Commencement Date, except that if such date is not the last day of a calendar month, the Expiration Date of this Agreement shall be the last day of the month in which the Tenth (10th) anniversary of the Commencement Date falls. If the term has been extended, the Expiration Date shall be the last day of the term as so extended.

3.3 TERMINATION BY LAW. Lessor shall have the right to terminate this Agreement, upon notice to Lessee, and shut down and/or remove Lessee's Antenna if:

(a) This Agreement is required to be terminated by ruling or regulation of the Federal Communications Commission ("FCC") or the Federal Aviation Administration ("FAA") or by any violation of the Communications Act of 1934, as amended, arising out of Lessee's use of Leased Land; or

(b) A final determination, not subject to appeal, of any local, state or federal governmental body that Lessee's Facilities or the placement and/or operation of Lessee's Facilities is in violation of any laws, rules or regulations of any local state or federal agencies including, without limitation, any land use provisions and/or any zoning and/or planning code; or

(c) A final determination, not subject to appeal, that Lessee's Facilities fail to meet in any material respect the requirements imposed by law or the rules and regulations of local, state and federal agencies and Lessee shall have failed to cure said matters within ten (10) days of such final determination and written notice thereof.

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ARTICLE IV

FEES AND CHARGES; BILLING

4.1 PAYMENT OF RENT. Lessee agrees to pay rent to Lessor, without notice or demand, from the Commencement Date through the Expiration Date provided herein, at:

Atsinger Family Trust/Epperson Family Limited Partnership
c/o Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, California 93012
Attention: Accounting (805-987-0400)

or to such other person or place as Lessor may designate from time to time by notice to Lessee.

4.2 RENT.

(a) Beginning with the Commencement Date, and continuing to the first Adjustment Date, the base rent shall be the sum of \$ 9,000.00 per annum, payable in equal monthly installments of \$750.00 in advance of the first day of each month (and thereafter on each and every Adjustment Date the monthly rent shall be computed according to Section 4.2(b); provided, however, that the installment of the base rent

payable for the first full month of the term shall be due and payable on the full execution and delivery of this Agreement. If the Commencement Date and/or Expiration Date occur on a day other than the first day of a calendar month, rent shall be prorated for the month in which the Commencement Date and/or Expiration Date occurs.

(b) During the one (1) year period beginning with each Adjustment Date, the monthly rent payable by Lessee shall reflect an adjustment, as herein provided, for the change, if any, from the year in which the Commencement Date falls, in the Consumer Price Index for All Urban Consumers [Base Year 1982-84=100] ("CPI") as measured in February and published by the United States Department of Labor, Bureau of Labor Statistics; i.e., during the one (1) year period beginning with the Adjustment Date, the monthly rent shall be the product obtained by multiplying the Base Rent times a fraction, the numerator of which shall be the CPI for February of the year such Adjustment Date falls and the denominator of which shall be the CPI for February of the year in which the Commencement Date falls. Notwithstanding the results of the foregoing calculation, the annual base rent payable by Lessee hereunder shall not in any event be less than 105% of the annual base rent payable during the immediately preceding one (1) year period. In the event that the Bureau of Labor Statistics shall change the base period for the CPI, the new index number shall be substituted for the old index number in making the above computation. In the event the Bureau of Labor Statistics ceases publishing the CPI, or materially changes the method of its computation, Lessor and Lessee shall accept comparable statistics on the purchasing power of the consumer dollar as published at the time of said discontinuation or change by a responsible financial periodical of recognized authority to be chosen by Lessor subject to reasonable consent of Lessee.

(c) As used herein, "Monthly Rent" shall refer to the rent paid by Lessee pursuant to this Section 4.2.

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4.3 ADDITIONAL RENT. Lessee shall pay or reimburse Lessor within ten (10) days after receipt of a statement from Lessor for all taxes, including without limitation, real estate taxes, personal property taxes, ad valorem taxes and special assessments, levied against Lessor which are attributable to Lessee, or its assigns, as a result of the Facilities, buildings or structures placed or operated on Lessor's Property by Lessee or services offered by Lessee on Lessor's Property (but excluding any taxes attributable to Lessor's Property), which statement shall include, at the request of Lessee, such documentation as is reasonably necessary to substantiate said amounts. In addition, Lessee shall pay or reimburse Lessor within ten (10) days after receipt of a statement for any state or local tax of any kind (except income taxes) arising from or attributable to this Agreement.

4.4 NO NOTICE. From and after the Commencement Date, Lessee will pay to Lessor the Monthly Rent. Said installments are due and payable in advance, without notice or demand. Although Lessor may, for its own convenience, issue bills to Lessee, any failure of Lessor to issue a timely bill will not relieve Lessee of its obligation to pay Monthly Rent without notice or demand.

4.5 NO SET-OFF. Except as otherwise provided in this Agreement, Lessee will pay all Rent, fees, costs, and expenses without deduction or set-off of any kind.

ARTICLE V

GRANT OF LAND LEASE USES

5.1 ANTENNA. Lessor, in consideration of the rents to be paid and the covenants contained herein, hereby leases to Lessee the right to erect and maintain a four-tower Antenna Array (hereafter referred to as Antenna) as generally depicted on Exhibit 1 for the limited purpose of installing, maintaining, operating, or repairing the Antenna in accordance with this Agreement, and to pass through portions of the Lessor's Property designated by Lessor for ingress to and egress from the Antenna Location. All site work for the use on the Antenna shall be performed by Lessee and at the expense of Lessee.

5.2 EQUIPMENT BUILDING. Lessor, in further consideration of the rents to be paid and covenants contained herein, hereby grants to Lessee the rights to build and/or use an Equipment Building as reasonably determined by Lessor, for the limited purpose of installing, maintaining, operating, repairing, or removing all necessary and required Equipment in accordance with this Agreement; and to pass through portions of the Lessor's Property designated by Lessor for ingress to and egress from the Equipment Building. All site work for the use of the Equipment Building shall be performed by Lessee and at the expense of Lessee. Notwithstanding anything in this Agreement to the contrary, in the event Lessee is required by Lessor to construct a permanent building or other permanent structure on Lessor's Property, at the expiration of the term of this Agreement, the permanent building and other permanent structures shall, at the

sole election of Lessor, become the property of Lessor.

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ARTICLE VI

INSTALLATIONS OF FACILITIES

6.1 SPECIFICATIONS. Lessee shall prepare specifications for Lessee's Facilities to be constructed and maintained on Lessor's property. All such specifications shall be based upon information contained in the Schedules hereto and engineering data furnished by Lessee and may include the requirement of Lessee to provide, at Lessee's expense, the purchase and installation of such equipment for protecting Lessor's property.

6.2 PRIOR APPROVAL. Prior to the initiation by Lessee of the delivery, installation, replacement, modification or removal of Facilities, Lessee must obtain the prior written approval of Lessor to Lessee's proposed scheduling of work and Lessee's choice of vendors and contractors. Lessor, at its sole discretion and election, may condition said approval on obtaining additional information and/or requiring schedule changes and substitution of vendors and contractors. Lessor's approval of any act or action of Lessee or Lessee's Authorized Personnel pursuant to this Agreement shall not be considered an endorsement, representation, or warranty regarding the viability of said scheduling, and/or the ability of said vendor or contractor to perform the work intended by Lessee. Lessee shall deliver, construct and install the Facilities in strict conformity with the specifications, schedules, and choice of vendors and contractors approved by Lessor.

6.3 DELIVERY & INSTALLATION OF FACILITIES. Lessee shall furnish, construct and install all Facilities. Physical delivery of the Facilities to Lessor's property and all installation work performed by Lessee shall be performed in accordance with the specifications and approvals furnished pursuant to this Article.

6.4 LESSEE'S RESPONSIBILITIES. Notwithstanding anything in this Agreement to the contrary, Lessee has the sole responsibility for any product liability claims, product warranty claims, delays and service outages of Lessee that may result from defective Facilities, improper scheduling, improper installation, or any other matter, irrespective of the cause.

ARTICLE VII

USE OF LEASED SPACE

7.1 FACILITIES. Lessee may bring the Facilities onto the Leased Land at Lessee's own risk and expense. Equipment shall be confined to the Equipment Building and the Antenna shall be confined to the Antenna Location.

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7.2 OTHER MATERIALS. In addition to the Facilities, Lessee may bring onto the Leased Land, at Lessee's own risk and expense (a) any materials and apparatus specially identified in written engineering specifications approved in writing by Lessor, and (b) small tools and portable test equipment as needed to perform Lessee's obligations under this Agreement. Lessee's rights under this Section 7.2 are subject to the conditions that all such materials, apparatus, tools, and test equipment will remain at all times in the care, custody, and control of Lessee's Employees.

7.3 NEGATIVE COVENANTS. Lessee may not bring onto the Leased Land any material, apparatus, facilities, tools, or equipment other than those identified in this Agreement unless Lessee first obtains written permission from Lessor. Without limiting the foregoing, Lessee is specifically informed that the following are not permitted within the Leased Land: wet cell batteries, explosives, flammable liquids or gases, alcohol, controlled substances, weapons, toxic materials, hazardous waste, pollutants, contaminants, asbestos and asbestos related products, polychlorinated biphenyl's (PCB's), petroleum, crude oil or any fraction or distillate thereof, and any similar equipment and/or materials. Lessee shall not use or permit Lessor's Property to be used by any dangerous, toxic, noxious, offensive, or unlawful purposes.

ARTICLE VIII

RIGHT OF ENTRY

8.1 ACCESS. Lessee shall have reasonable access to the Leased Land; provided access to the Leased Land shall be regulated pursuant to the rules and regulations described in Section 23.5 and access to Antenna and Equipment Building may be limited based upon the reasonable discretion of Lessor.

8.2 AUTHORIZED PERSONNEL. All persons, contractors and/or engineers installing, maintaining, repairing, removing or otherwise working on the Facilities shall be approved in advance by Lessor, which approval shall not be unreasonably withheld. A list ("Authorized Entry List") of those persons, contractors and/or engineers approved by Lessor shall be maintained by Lessor. Prior to the Commencement Date, Lessee will submit to Lessor a proposed "Authorized Entry List". Lessor may request additional information from Lessee before granting its approval, which approval may not be unreasonably withheld. Lessee will promptly give notice to Lessor, both orally and in writing, of the name of any person who ceases to be one of Lessee's employees or agents or whom Lessee wishes to remove from the "Authorized Entry List".

8.3 QUALIFIED PERSONNEL. Lessee represents and warrants that on the date hereof and each and every date prior to the last act to be performed by Lessee pursuant to this Agreement, including Section 9.2 hereof, Lessee's Employees and any other person(s) installing, maintaining, repairing, removing or otherwise working on the Facilities by Lessor shall be a technician qualified to perform said duties and have been trained in compliance with then current OSHA, FCC and ANSI standards, including such standards relating to radio frequency radiation.

ARTICLE IX

PROTECTION OF SERVICE AND PROPERTY

9.1 CONTINUITY OF USE. The continuity of the use of the land by Lessor is of paramount importance. Lessee and Lessee's Employees will at all times exercise the highest degree of care to prevent damages to the Lessor's Property and to all other real and personal property of Lessor, its customers and other tenants of Lessor's Property. Lessee and Lessee's Employees will perform any work and use the Facilities in a manner that will protect all other persons, structures, equipment, utilities, and/or work areas of any kind against injury, damage or interruption of service. Lessee and Lessee's Employees will not use any Facilities, equipment, tools or methods which, in the sole judgment of Lessor, might endanger or interfere with the services of Lessor.

9.2 QUIET ENJOYMENT. Except as otherwise set forth in this Agreement, Lessor shall not alter, make adjustments to, relocate or otherwise modify or tamper with Lessee's Facilities.

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ARTICLE X

INSPECTION

10.1 WORK IN PROGRESS. Lessor, its employees and agents may inspect and observe any work while in progress or after completion to ascertain whether the work is in accordance with the specifications and requirements of this Agreement. Lessor may require Lessee to correct any faulty work. However, inspection or observation by Lessor or by its agents of work performed by Lessee or Lessee's Employees will not relieve Lessee of full responsibility for the proper performance of the work.

10.2 TIME. Lessor, its agent and its designees (including without limitation building inspectors, fire marshals, and other officials) may inspect the Leased Land and the Facilities at any time. At Lessee's request, Lessee's Employees on the Authorized Entry List may accompany Lessor during such inspections except when, in the sole judgment of Lessor, safety or service considerations require otherwise.

ARTICLE XI

UTILITIES

11.1 LESSEE RESPONSIBILITY. Lessee shall be responsible, at Lessee's sole cost, for obtaining, using and paying for all utility services to the Leased Land for Lessee's use including, without limitation, electricity, electricity for proper antenna operations including required FAA obstruction lighting, elevator, platform tenants, electricity for the building common areas both inside and outside, including general lighting and receptacles air conditioning, heat, water, sewer, telephone, waste disposal and gas (collectively referred to herein as "Utilities").

11.2 INTERRUPTION. Under no circumstances shall Lessor be liable for any interruption or failure in the supply of any Utilities to the Leased Land, nor shall Lessee have any right to an abatement in rent or offset to rent in the event of any interruption or failure in the supply of any Utilities to the Leased Land.

ARTICLE XII

OWNERSHIP OF FACILITIES

12.1 RISK OF LOSS. Except as otherwise provided in this Agreement, all Facilities shall be owned by Lessee, and Lessee shall bear all risk of loss and/or damage to the Facilities.

12.2 OWNERSHIP. Any and all Facilities on Lessor's Land, except utility service and any building or structure installed by Lessee (which, at the expiration of the term of this Agreement, shall, at the sole election and discretion of Lessor, be the property of Lessor), shall remain the personal property of Lessee notwithstanding the fact that it may be affixed or attached to the realty or Lessor's Property, and shall, subject to all terms and conditions of this Agreement, during the Agreement, any extension thereof or upon the termination thereof belong to and be removable by Lessee. All other machinery, equipment, buildings, structures and trade fixtures attached to Lessor's Property, shall, upon termination of this agreement, be deemed fixtures and, at the sole election of Lessor, become the property of Lessor.

ARTICLE XIII

MAINTENANCE AND REPAIR

13.1 FACILITIES. Lessee will, at its own risk and expense, maintain and repair, including replacement if necessary (collectively referred to as "Maintenance"), the Antenna, buildings, structures and any other items or things placed on Lessor's Property by Lessee pursuant to this Agreement. All Maintenance shall be performed in a manner suitable to Lessor so as not to conflict with the use of Lessor's Property by Lessor, or any other tenant of Lessor. All Maintenance shall be provided by qualified technicians, authorized to enter Lessor's Property pursuant to Section 8.2.

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ARTICLE XIV

NO ALTERATIONS

14.1 Except as specifically set forth in this Agreement, Lessee may not make any alterations, additions and/or improvements to any part of the Lessor's Property, the Leased Land, the Antenna and Equipment without the prior written consent of the Lessor, which consent shall be given in Lessor's sole discretion.

ARTICLE XV

REPRESENTATIONS, WARRANTIES AND OTHER OBLIGATIONS

15.1 LESSOR'S REPRESENTATIONS AND WARRANTIES. Lessor represents and warrants that:

(a) The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary actions on the part of Lessor and shall not constitute a breach or violation under any agreement to which Lessor is a party.

(b) To the best of Lessor's knowledge, there are no violations of any federal, state, county or municipal law, ordinance, order, regulations or requirement with respect to the Leased Land, and as of the date of this Agreement, no notice of any kind relating thereto (which would adversely affect the transactions contemplated by this Agreement) has been issued by public authorities having jurisdiction over the Leased Land.

(c) There is no action, suit or proceeding pending or, to Lessor's knowledge, threatened against or affecting the Leased Land or any portion thereof and Lessor has not received notice, written or otherwise, of any litigation affecting or concerning the Leased Land relating to or arising out of its ownership, management, use or operation.

(d) Lessor's Property is and will remain in material compliance at all times during the Term of this agreement with all federal, state, county, municipal, local, administrative and other governmental laws, statutes, ordinances, codes, rules, regulations and orders pertaining thereto, including, without limitation, to the extent applicable, all zoning laws and building codes, all environmental laws and all regulations of the FAA and the FCC.

15.2 LESSEE'S REPRESENTATIONS AND WARRANTIES. Lessee represents and warrants that:

(a) The Facilities and the operation thereof do not and will not result

in exposure of workers or the general public to levels of radio frequency radiation in excess of the "Radio Frequency Protection Guides" recommended in "American National Standard Safety Levels With Respect to Human Exposure to Radio Frequency Electromagnetic Fields, 300 KHz to 100 GHz," issued by the American National Standards Institute ("Acceptable Radio Frequency Radiation Standards").

(b) The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary actions on the part of Lessee and shall not constitute a breach or violation under any agreement to which Lessee is a party. This Agreement constitutes a valid and binding agreement and obligation of Lessee, enforceable in accordance with its terms.

(c) Lessee will conduct its activities on Lessor's Property in compliance with all applicable laws, including, without limitation, all OSHA, FCC, and FAA rules and regulations, environmental laws, and any rule or law applicable to the construction or operation of Lessee's Facilities.

(d) The Leased Land is and will remain in material compliance at all times during the Term and any Extension Term with all federal, state, county, municipal, local, administrative and other governmental laws, statutes, ordinances, codes, rules, regulations and orders pertaining thereto, including, without limitation, to the extent applicable, all zoning laws and building codes and all regulations of the FAA and the FCC.

(e) No agent, broker or other person, entity or firm acting on behalf of or under the authority of Lessee or any affiliate of Lessee is or will be entitled to any broker's or finder's fee or any other commission or similar fee, directly or indirectly, in connection with the transactions contemplated by this Agreement.

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ARTICLE XVI

EVENTS OF DEFAULT

16.1 DEFAULT OF LESSEE. Any of the following events shall constitute an "event of default" on the part of Lessee:

(a) The failure of Lessee to pay any amount due hereunder, and continuation of such failure for more than five (5) days after Lessee's receipt of written notice thereof from Lessor; provided however that Lessor shall not be required to provide such written notice to Lessee more than twice in any twelve (12) month period prior to declaring such failure to pay an event of default;

(b) The failure of Lessee to comply with the provisions of Article IX hereof; or

(c) The failure of Lessee to fulfill any other obligation hereunder or the inaccuracy of any representation or warranty and the continuation of such failure or inaccuracy for more than ten (10) days after notice by Lessor, provided, however, that if the nature of Lessee's failure is such that more than ten (10) days is required for its cure, then Lessee shall not be deemed to be in default if Lessee has commenced such cure within the ten (10) day period, demonstrates to Lessor's reasonable satisfaction that such default is curable and thereafter diligently prosecutes such cure to completion.

16.2 TERMINATION BY DEFAULT OF LESSEE. If an event of default on the part of Lessee shall occur at any time, Lessor, at its election, may give Lessee a notice of termination specifying a day not less than thirty (30) days thereafter on which the term of this Agreement shall end. If such notice is given, the Agreement shall expire on the day so specified as fully and completely as if that day were the day herein originally fixed for such expiration, and Lessee shall then quit and surrender the Leased Land to Lessor. If the Agreement is terminated pursuant to this Section, Lessee shall remain liable to Lessor for the payment of rent for the remainder of the lease term and without prejudice to any other right or remedy which Lessor may have hereunder or by law and which shall, at the sole election and discretion of Lessor, become immediately due and payable. Notwithstanding the foregoing, Lessor shall attempt to mitigate any damages it may suffer as a result of the default of this Agreement by Lessee. Notwithstanding any waiver of any prior breach or event of default hereunder, Lessor may re-enter the Leased Land either by reasonable force or otherwise, or dispossess Lessee, any legal representative of Lessee or other occupant of the Leased land by appropriate suit, action or proceeding and remove its effects and hold the Leased Land as if this Agreement had not been made. Notwithstanding anything in this Agreement to the contrary, and in

addition to any other remedies Lessor may have, if an event of default shall occur, Lessor, at its election, may stop providing Utilities to Lessee's Facilities and/or the Leased Land and Lessee specifically waives any and all claims for damages against Lessor arising from a loss Utilities to the Leased Land.

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ARTICLE XVII

INSURANCE

17.1 LESSEE'S INSURANCE. Lessee shall, at its sole expense, maintain commercial public liability insurance against claims for personal injury, bodily injury, wrongful death and property damage occurring on, in or about Lessor's Property under policies and with companies reasonably acceptable to Lessor, affording insurance protection to limits of not less than One Million Dollars (\$1,000,000.00) for combined single limit with respect to any one occurrence and Three Million Dollars (\$3,000,000.00) in the aggregate for all occurrences within each policy year. Lessee shall also maintain "all risk" or special form policies of property insurance covering the Facilities and any improvements of Lessee located on the Lessor's Property for the full replacement cost. Lessor, its managing agent, all mortgagees, and such other parties as Lessor may reasonably designate shall be named as additional insureds on each such policy pertaining to Lessor's Property and shall be furnished with a certificate thereof. Each such policy of insurance shall, to the extent obtainable at no extra premium, provide: (a) that any claim shall be payable notwithstanding any act, whether of commission or omission, negligent or otherwise, of Lessor, of Lessee, of any other tenant or of any agent, employee, representative, visitor or guest of any of them, which act might otherwise result in the forfeiture of the insurance afforded by such policy, and (b) that Lessor shall not be liable to the insurer by reason of any payment by the insurer to Lessor, or any such other tenant. In addition, each such policy shall provide an agreement by the insurer that the policy will not be canceled or modified to reduce coverage as to risk, amount or named insured without at least fifteen (15) days' prior written notice to Lessee, Lessor, mortgagees, and all other named insureds.

17.2 WAIVER. Neither Lessor, nor their representatives, agents, or employees shall be liable to Lessee or to anyone claiming through Lessee or to any insurance company (by way of subrogation or otherwise) insuring Lessee for any business interruption or for any loss or damage to any building, structure or other tangible property, or injury to or death of persons occurring on or about Lessor's Property, or in any manner growing out of or connected with Lessee's use or occupation of the Lessor's Property, or the use or occupation of the Lessor's Property by Lessee's agents, employees, representatives, visitors or guests even though such business interruption, loss, damage, injury or death might have been occasioned by the negligence of Lessor or their agents or employees, to the extent that such business interruption, loss, damage, injury or death is or could be covered by an "all risk" or special form policy of property insurance, regardless of whether such insurance policies are actually carried. Each insurance policy carried by Lessee hereto shall contain a clause incorporating such waiver of subrogation and a clause to the effect that the foregoing waiver shall not affect the right of the insured party to recover under such policy.

17.3 LESSEE'S OBLIGATION TO REIMBURSE. Should Lessee store or maintain any materials or equipment, or do any acts which result in an increase in the rate or premium of any insurance coverage required to be provided by Lessor pursuant to this Agreement, Lessee shall immediately reimburse Lessor for the full amount of any such increase or shall remove them if Lessor so requires.

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ARTICLE XVIII

INDEMNIFICATION

18.1 INDEMNIFICATION BY LESSEE. Lessee shall indemnify Lessor and its agents, officers and employees and hold Lessor and its agents, officers and employees harmless from and against all claims, actions, losses, damages, liabilities and expense (including reasonable attorneys' fees) incurred by or asserted against Lessor whether during or after the term of this Agreement, including by reason of personal injury, loss of life, or damage to property, caused by or resulting from, in whole or any material part: (i) any breach of this Agreement by Lessee; (ii) Lessee's breach of any warranty contained in this Agreement; (iii) any negligent or intentional act or omission of Lessee, Lessee's Employees, agents, invitees or contractors, whether in, on, about or with respect to the Leased Land or Lessor's Property; (iv) the use by Lessee of any part of the Leased Land or Lessor's Property; (v) any work undertaken by or at the request of Lessee on or about the Leased Land; (vi) any inspection, observation or any action undertaken by Lessor pursuant to Article IX hereof; (vii) the claim, existence or discovery of any hazardous substance on Lessor's Property arising from Lessee's activities; (viii) any other activity undertaken

by or at the request of Lessee pursuant to or in connection with this Agreement; or (ix) the presence of any individuals on the Leased Space or Lessor's Property as a result of Lessee's request or this Agreement.

18.2 DEFENSE BY LESSEE. If Lessor so elects by notice to Lessee, Lessee shall have the obligation of defending, at its sole cost and expense, by counsel selected by Lessee and approved by Lessor (such approval not to be unreasonably withheld), against any claim to which the foregoing indemnity may apply. Lessor may assume, or require that such defense be assumed, by Lessor and counsel selected by Lessor, at the cost and expense of Lessee if Lessor is for any reason dissatisfied with the defense by Lessee, or believes that its interests would be better served thereby. In any case where Lessee is defending any such claim, Lessor may participate in the defense thereof by counsel selected by it, but at Lessor's expense. Lessee shall not enter into any settlement of any claim without the consent of Lessor, which consent shall not be unreasonably withheld.

ARTICLE XIX

RECONSTRUCTION OF DAMAGED PREMISES

19.1 REPAIR. Except as otherwise provided in this Agreement, if Lessee's Property, or any portion thereof, is partially or totally destroyed by fire or other casualty so as to become partially or totally unusable, Lessee may repair or reconstruct the damage on Lessor's Land to the extent and in the manner required to meet the then current needs of Lessee.

19.2 RENT ABATEMENT. This Agreement will remain in full force and effect pending repair or replacement of the damaged or destroyed premises, and the obligation of Lessee to pay the Monthly Rent will not be abated during any period due to damage to or destruction of the Lessee's Facilities (other than fault of Lessor).

19.3 ELECTION NOT TO REPAIR. Notwithstanding anything to the contrary in Sections 19.1 and 19.2 Lessee may, at its sole and absolute discretion, elect not to repair or rebuild its Facilities, or any portion thereof. Lessee will promptly notify Lessor within forty-five (45) days of the event causing the damage or destruction, if such option is elected.

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ARTICLE XX

FORCE MAJEURE

20.1 FORCE MAJEURE. Except for Lessee's obligation to pay Rent, and except as set forth in Article XIX above, neither party shall be held liable for any delay or failure in performance of any part of this Agreement from any cause beyond its control and without its fault or negligence, such as acts of God, acts of civil or military authority, government regulations, strikes, labor disputes, embargoes, epidemics, war, terrorist acts, riots, insurrections, fire, explosions, earthquakes, nuclear accidents, floods, power blackouts or brownouts or surges, volcanic action, other major environmental disturbances, unusually severe weather conditions, inability to secure products or services of other persons or transportation facilities, or act or omissions of transportation common carriers (collectively referred to as "Force Majeure Conditions").

20.2 TERMINATION BY FORCE MAJEURE. If any such Force Majeure Condition occurs and is the proximate cause of a delay or failure in performance of any part of a party's obligations under this Agreement for more than ninety (90) days, the other party may, by written notice given to the party whose performance was delayed or who failed to perform, terminate this Agreement or that part of this Agreement that is affected by such delay or failure to perform

ARTICLE XXI

SAFETY

21.1 FACILITIES. Lessee is responsible for the safety of all Facilities, buildings, structures and other materials brought by Lessee onto Lessor's Land, and for the safety of all work performed by Lessee's Employees in the delivery, provision, installation, operation, maintenance, repair and removal of the Facilities, buildings, structures and any other material brought by Lessee onto Lessor's Property. In discharging this responsibility, Lessee shall comply (and shall cause Lessee's Employees to comply) with the requirements of the Occupational Safety and Health Act of 1970, as amended; and with any other federal, state, or local act or other requirements of law affecting safety and health.

21.2 VIOLATIONS. Lessee shall be responsible for any violation by Lessee or Lessee's Employees of any safety or health standard under this Agreement. If any material furnished or any work performed by Lessee or Lessee's Employees gives rise to a safety or health violation, Lessee will immediately remedy such condition and will indemnify, defend, and hold Lessor it's

employees, agents, officers, representatives, affiliates, parent, subsidiaries and their affiliated companies, and their employees, agents, officers and representatives) harmless from any penalty, fine, or liability in connection with such a violation.

ARTICLE XXII

PERMITS, LICENSES, APPROVALS

22.1 FCC PERMITS. Lessee will apply for and obtain, at its sole cost and expense, FCC construction permits applicable to the installation of the Facilities, and will meet all FCC license and other requirements and restrictions. The FCC construction permit(s) must be approved before any construction or installation activity begins. A completed copy of Lessee's FCC application and License will be supplied to Lessor along with the executed agreement.

22.2 FAA APPROVAL. Lessee will notify the FAA of any Tower modifications and Antenna installations, that may be required by Lessee, and will use reasonable efforts to obtain any FAA-required permits, license, or approvals associated with Lessee's Facilities. Lessee will pay for all costs and expenses it incurs in obtaining or attempting to obtain any permits, license, or approvals.

22.3 OTHER PERMITS OR LICENSE. Lessee shall apply for and obtain, at its sole cost and expense, any and all License, permits, variances or other governmental approvals required to install, operate and maintain its Facilities in the Leased Land; provided that Lessee shall not submit any such applications without the prior written consent of Lessor, which consent shall not be unreasonably withheld.

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ARTICLE XXIII

MISCELLANEOUS PROVISIONS

23.1 SEVERABILITY. If any one or more of the provisions contained in this Agreement is, for any reason, held to be unenforceable in any respect under applicable state law or laws of the United States of America, such unenforceability will not affect any other provision of this Agreement, but this Agreement will then be construed in such a way as will achieve the intent of such unenforceable provision or provisions to the extent permitted by law.

23.2 ASSIGNMENT BY LESSOR. Notwithstanding any of the provisions of this Agreement, Lessor may assign, in whole or in part, Lessor's interest in this Agreement. In the event Lessor assigns this Agreement to a successor owner of the Leased Land, Lessor shall be and is hereby relieved of all liability arising after the consummation of such assignment under any and all covenants and obligations contained in or derived from this Agreement or arising out of any act, occurrence or omission relating to the Leased Land occurring after the consummation of such assignment, but only upon the condition that, as part of such Assignment, Lessor will cause the Assignee to agree, in writing, to carry out any and all of the covenants and obligations of Lessor under this Agreement occurring after the consummation of Lessor's assignment of its interest in and to this Agreement. In the event of an assignment of Lessor's interest in this Agreement to a Lender, as hereinafter defined, or a designee of a Lender, (i) the assignee shall have no obligation to Lessee hereunder other than, provided Lessee is not in default hereof, the obligation of quiet enjoyment, (ii) all amounts required to be paid to Lessor hereunder from Lessee shall be paid to the assignee, and (iii) Lessee shall not assert against such assignee any claims, defenses, setoffs or counterclaims that it might have had against Lessor.

23.3 ASSIGNMENT BY LESSEE. Lessee may not assign this Agreement without the prior written consent of Lessor which consent shall not unreasonably be withheld. Lessee may not sublet this Agreement, the Leased Land, or any portion thereof without the prior written consent of Lessor, which consent shall be given or withheld in Lessor's sole and absolute discretion. Under no circumstance shall this Agreement be assigned by Lessee to any party which does not agree in writing to be bound by all terms and conditions contained herein and, notwithstanding Lessee's assignment of this Agreement, Lessee shall remain liable for all obligations of Lessee pursuant to this Agreement until such time as this Agreement is terminated.

23.4 CONDEMNATION. In the event Lessor's Property or any portion thereof is taken pursuant to a condemnation proceeding or by eminent domain, such that Lessor, or Lessee can no longer operate telecommunications equipment on Lessor's property, this Agreement shall, at Lessor's sole and absolute discretion, terminate without liability to either party and Lessee shall not be entitled to any portion of any award arising out of such proceedings.

23.5 RULES AND REGULATIONS. From time to time, Lessor shall be entitled to create and enforce rules and regulations governing the use of Lessor's Property. Lessee agrees Lessee and Lessee's employees shall abide by said rules

and regulations. Lessor agrees that it shall not create or enforce any unreasonable rules or regulations which would unduly prejudice Lessee's use of the Leased Land, or which would prevent reasonable access to the Leased Land by Lessee, as herein provided.

23.6 RESTORATION ON TERMINATION. Upon the termination of the Agreement for any reason, Lessee will restore the Leased Land to its original condition, normal wear and tear excepted, at Lessee's sole cost and expense. Any fixtures including, without limitation, the Antenna, goods or other property of Lessee not removed within ten (10) days after any quitting, vacating or abandonment of the Leased Land, or upon Lessee's eviction therefrom, shall be considered abandoned, and Lessor shall have the right, without notice to Lessee, to sell or otherwise dispose of same without having to account to Lessee for any part of the proceeds of sale.

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23.7 NOTICES. All notices, demands, and requests required or permitted to be given hereunder shall be in writing and sent certified mail, return receipt requested.

To Lessee: Salem Media of Texas, Inc
KSLR
9601 McAllister Freeway #1200
San Antonio, TX 78216

To Lessor Atsinger Family Trust/Epperson Family Limited Partnership
c/o Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, CA 93012
Facsimile No: (805) 987-6072
Attn: Brian J. Council, Esq.

Either party hereto may change the place for notice to it by sending like written notice to the other party hereto.

23.8 SUBORDINATION. Unless a Lender, as hereinafter defined, shall otherwise elect as provided herein, Lessee's rights under this Agreement shall be subject and subordinate to the operation and effect of any existing or future Lien, as hereinafter defined, affecting Lessor's Land and to any extensions, modifications or amendments of any such mortgage. Lessee's acknowledgment and agreement of subordination provided for in this Section is self-operative and no further instrument of subordination shall be required. However, within ten (10) working days after request, Lessee shall execute a subordination, non-disturbance and attornment agreement in form satisfactory to Lessor. If a Lender shall so elect by notice to Lessee or by the recording of a unilateral declaration of subordination, then this Agreement and Lessee's rights hereunder shall be superior and prior in right to the Lien of which such Lender has the benefit, with the same force and effect as if this Agreement had been executed, delivered and recorded prior to the execution, delivery and recording of such Lien, as the case may be, subject, nevertheless, to such conditions as may be set forth in any such notice of declaration. The term "Lien" means any mortgage, deed of trust or other security instrument constituting a lien upon all or any portion of the Lessor's Land. The term "Lender" means a party having the benefit of the Lien, whether as mortgagee, trustee, note holder or otherwise. Lessor shall make a reasonable effort to obtain from any Lender an agreement that the Lender shall not disturb Lessee's quiet possession in the event of foreclosure. If any proceedings are brought for foreclosure, or in the event the exercise of the power of sale under any mortgage or deed of trust made by the Lessor encumbering the Leased Land, Lessee shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Lessor under this Agreement.

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23.9 BINDING EFFECT. The provisions of this Agreement shall apply to, bind and inure to the benefit of Lessor and Lessee, their respective successors, legal representatives or assigns.

23.10 ENTIRE AGREEMENT/MODIFICATIONS. This Agreement contains the entire understanding and agreement between the parties. No representative, agent or employee of Lessor has been authorized to make any representations or promises with reference to the within agreement or to vary, alter or modify the terms hereof. No additions, changes or modifications shall be binding unless reduced to writing and signed by the parties.

23.11 RESOLUTION OF CLAIMS AND DISPUTES. Regardless of the place of execution, this Agreement shall be deemed to be a contract made in San Antonio, Texas and shall be interpreted as a contract to be performed wholly in the State of Texas. The law of the State of Texas shall be applied without regard to the

principles of conflicts of laws. Lessee expressly waives any presumption or rule, if any, which requires this Agreement to be construed against Lessor. Any claims or disputes arising out of this Agreement shall be resolved only by mediation or, if mediation does not resolve the claim or dispute within ten (10) days of notice demanding mediation, by arbitration in accordance with the Rules for Commercial Arbitration of the American Arbitration Association and any award therefrom shall be rendered by the arbitrators as a judgment in any trial court having jurisdiction in the City of San Antonio, Texas, or of any other court having competent jurisdiction.

23.12 WAIVER. Failure of any party to complain of any act or omission on the part of any other party in breach or default of this Agreement, no matter how long the same may continue, shall not be deemed to be a waiver by said party of any of its rights hereunder. No waiver by any party at any time, express or implied, of any breach of any provision of this Agreement shall be deemed a waiver of a breach of any other provision of this Agreement or a consent to any subsequent breach of the same or other provisions.

23.13 ESTOPPEL. Either party shall at any time, upon ten (10) days' prior written request from the other party, execute, acknowledge and deliver to the requesting party a statement in writing (a) certifying this Agreement to be unmodified and in full force and effect (or, if modified, stating the nature of such modification), and the date to which the rent and other charges have been paid in advance, if any uncured defaults hereunder on the part of the requesting party, or specifying such defaults if they are claimed.

23.14 REASONABLENESS. Except as specifically set forth herein to the contrary, any approval, consent or permission required to be given hereunder by any party shall not be unreasonably withheld, delayed or conditioned.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

LESSOR:

ATSINGER FAMILY TRUST

LESSEE:

SALEM MEDIA OF TEXAS, INC. KSLR

By: _____
- _____

By: _____
- _____

EPPERSON FAMILY LIMITED PARTNERSHIP

By: _____
- _____

LAND LEASE AGREEMENT

This agreement is entered into on this 1st day of January, 2000 between, SALEM MEDIA OF COLORADO, INC. (KRKS) ("Lessee"), and ATSINGER FAMILY TRUST/EPPERSON FAMILY LIMITED PARTNERSHIP ("Lessor").

ARTICLE I

DEFINITIONS

The terms listed below when spelled with initial capital letters have the following meanings in this agreement:

1.1 ADJUSTMENT DATE shall mean the first day of January following the first anniversary of the Commencement Date and each subsequent first day of January this Agreement remains in effect.

1.2 AGREEMENT means this Land Lease Agreement, including the schedules and any other executed attachments and/or addenda all of which are made part of this Agreement.

1.3 ANTENNA means the structure, supporting structures including foundations and guy wires, cabling, ground systems and all other equipment related to the tower system as set forth in Section 5.1 hereof.

1.4 ARTICLE or ARTICLES means one or more of the articles of this Agreement.

1.5 COMMENCEMENT DATE means 12:01 AM on the date specified in this Agreement as the Commencement Date of the Initial Term, as hereinafter defined.

1.6 EQUIPMENT BUILDING means the structure or area provided for the Transmitters and associated broadcast transmission equipment as designated in Schedule 5.2 for the limited purpose of constructing, installation, maintenance, operation, repair or removal of the equipment. Notwithstanding anything in this Agreement to the contrary, any item to be constructed or installed in the Equipment Building pursuant to this Agreement shall be paid for, constructed and maintained by Lessee.

1.7 EXPIRATION DATE means 11:59 PM on the date specified in this Agreement as the date on which the Initial Term or any extended term of this Agreement expires.

1.8 FACILITIES and FACILITY refer collectively or individually to any and all Equipment, Cabling, Antenna and/or buildings or other structures required to be constructed pursuant to Section 5.2 hereof, as the context may indicate.

1.9 INITIAL TERM means the period from the Commencement Date to the date set forth in Section 3.2.

1.10 LEASED LAND/LESSOR'S PROPERTY means one quarter of section 11, Township 3 South, Range 68 West of the 6th PM City of Commerce City, County of Adams, State of Colorado (see Exhibit 1).

1.11 MONTHLY RENT shall have the meaning as defined in Section 4.2(c) hereof.

1.12 RENT means the consideration paid by Lessor to Lessee pursuant to this Agreement.

1.13 SCHEDULE or SCHEDULES means one or more schedules attached to this Agreement.

1.14 SECTION or SECTIONS means one or more of the sections of this Agreement.

1.15 TOWER means within this document the same as Antenna.

ARTICLE II

SCOPE OF THE AGREEMENT

2.1 LEASE. This Agreement sets forth the terms and conditions under which Lessor agrees to lease land to the Lessee. Lessee agrees to use the Leased Land and related rights only in accordance with the terms and conditions of this Agreement; to comply with all applicable governmental regulations and requirements of law pertaining to Lessee's activities in or around Lessor's

Property; to pay all fees, charges, costs and expenses in accordance with this Agreement promptly when due; to keep the Facilities properly maintained; and to comply in all respects with each of the obligations, duties, rules, conditions, and requirements applicable to Lessee under this Agreement.

2.2 NO OTHER USE. Lessee will use the Leased Land solely for operating the Antenna for its Commercial Broadcast Transmitter site, only for the purpose and benefit of Salem Media of Colorado, Inc. and lessee will not make any other use of the Leased Land related rights provided under this Agreement. Lessee shall not use Lessor's Property or any portion thereof, including the Equipment Building, for purpose of maintaining the studios, offices or storage of Lessee.

2.3 NO OTHER RIGHTS. Only the Leased Land and related rights described in this Agreement are provided under this Agreement. Lessor does not provide any service or product under this Agreement.

ARTICLE III

TERM OF THE AGREEMENT; TERMINATION; RENEWALS

3.1 COMMENCEMENT DATE. The Commencement Date shall be the date when Lessee begins construction or when Lessee commences with any part of the installation on Lessor's property.

3.2 EXPIRATION DATE. The Expiration Date of this Agreement shall be the day preceding the Tenth (10th) year anniversary of the Commencement Date, except that if such date is not the last day of a calendar month, the Expiration Date of this Agreement shall be the last day of the month in which the Tenth (10th) anniversary of the Commencement Date falls. If the term has been extended, the Expiration Date shall be the last day of the term as so extended.

3.3 TERMINATION BY LAW. Lessor shall have the right to terminate this Agreement, upon notice to Lessee, and shut down and/or remove Lessee's Antenna, if:

(a) This Agreement is required to be terminated by ruling or regulation of the Federal Communications Commission ("FCC") or the Federal Aviation Administration ("FAA") or by any violation of the Communications Act of 1934, as amended, arising out of Lessee's use of Leased Land; or

(b) A final determination, not subject to appeal, of any local, state or federal governmental body that Lessee's Facilities or the placement and/or operation of Lessee's Facilities is in violation of any laws, rules or regulations of any local state or federal agencies including, without limitation, any land use provisions and/or any zoning and/or planning code; or

(c) A final determination, not subject to appeal, that Lessee's Facilities fail to meet in any material respect the requirements imposed by law or the rules and regulations of local, state and federal agencies and Lessee shall have failed to cure said matters within ten (10) days of such final determination and written notice thereof.

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ARTICLE IV

FEES AND CHARGES; BILLING

4.1 PAYMENT OF RENT. Lessee agrees to pay rent to Lessor, without notice or demand, from the Commencement Date through the Expiration Date provided herein, at:

Atsinger Family Trust/Epperson Family Limited Partnership
c/o Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, California 93012
Attention: Accounting (805-987-0400)

or to such other person or place as Lessor may designate from time to time by notice to Lessee.

4.2 RENT.

(a) Beginning with the Commencement Date, and continuing to the first Adjustment Date, the base rent shall be the sum of \$60,000.00 per annum, payable in equal monthly installments of \$5000.00 in advance of the first day of each month (and thereafter on each and every Adjustment Date the monthly rent shall be computed according to Section 4.2(b); provided, however, that the installment of the base rent payable for the first full month of the term shall be due and payable on the full execution and delivery of this Agreement. If the

Commencement Date and/or Expiration Date occur on a day other than the first day of a calendar month, rent shall be prorated for the month in which the Commencement Date and/or Expiration Date occurs.

(b) During the one (1) year period beginning with each Adjustment Date, the monthly rent payable by Lessee shall reflect an adjustment, as herein provided, for the change, if any, from the year in which the Commencement Date falls, in the Consumer Price Index for All Urban Consumers [Base Year 1982-84=100] ("CPI") as measured in February and published by the United States Department of Labor, Bureau of Labor Statistics; i.e., during the one (1) year period beginning with the Adjustment Date, the monthly rent shall be the product obtained by multiplying the Base Rent times a fraction, the numerator of which shall be the CPI for February of the year such Adjustment Date falls and the denominator of which shall be the CPI for February of the year in which the Commencement Date falls. Notwithstanding the results of the foregoing calculation, the annual base rent payable by Lessee hereunder shall not in any event be less than 105% of the annual base rent payable during the immediately preceding one (1) year period. In the event that the Bureau of Labor Statistics shall change the base period for the CPI, the new index number shall be substituted for the old index number in making the above computation. In the event the Bureau of Labor Statistics ceases publishing the CPI, or materially changes the method of its computation, Lessor and Lessee shall accept comparable statistics on the purchasing power of the consumer dollar as published at the time of said discontinuation or change by a responsible financial periodical of recognized authority to be chosen by Lessor subject to reasonable consent of Lessee.

(c) As used herein, "Monthly Rent" shall refer to the rent paid by Lessee pursuant to this Section 4.2.

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4.3 ADDITIONAL RENT. Lessee shall pay or reimburse Lessor within ten (10) days after receipt of a statement from Lessor for all taxes, including without limitation, real estate taxes, personal property taxes, ad valorem taxes and special assessments, levied against Lessor which are attributable to Lessee, or its assigns, as a result of the Facilities, buildings or structures placed or operated on Lessor's Property by Lessee or services offered by Lessee on Lessor's Property (but excluding any taxes attributable to Lessor's Property), which statement shall include, at the request of Lessee, such documentation as is reasonably necessary to substantiate said amounts. In addition, Lessee shall pay or reimburse Lessor within ten (10) days after receipt of a statement for any state or local tax of any kind (except income taxes) arising from or attributable to this Agreement.

4.4 NO NOTICE. From and after the Commencement Date, Lessee will pay to Lessor the Monthly Rent. Said installments are due and payable in advance, without notice or demand. Although Lessor may, for its own convenience, issue bills to Lessee, any failure of Lessor to issue a timely bill will not relieve Lessee of its obligation to pay Monthly Rent without notice or demand.

4.5 NO SET-OFF. Except as otherwise provided in this Agreement, Lessee will pay all Rent, fees, costs, and expenses without deduction or set-off of any kind.

ARTICLE V

GRANT OF LAND LEASE USES

5.1 ANTENNA. Lessor, in consideration of the rents to be paid and the covenants contained herein, hereby leases to Lessee the right to erect and maintain a two-tower Antenna Array (hereafter referred to as Antenna) as generally depicted on Exhibit 1 for the limited purpose of installing, maintaining, operating, or repairing the Antenna in accordance with this Agreement, and to pass through portions of the Lessor's Property designated by Lessor for ingress to and egress from the Antenna Location. All site work for the use on the Antenna shall be performed by Lessee and at the expense of Lessee.

5.2 EQUIPMENT BUILDING. Lessor, in further consideration of the rents to be paid and covenants contained herein, hereby grants to Lessee the rights to build and/or use an Equipment Building as reasonably determined by Lessor, for the limited purpose of installing, maintaining, operating, repairing, or removing all necessary and required Equipment in accordance with this Agreement; and to pass through portions of the Lessor's Property designated by Lessor for ingress to and egress from the Equipment Building. All site work for the use of the Equipment Building shall be performed by Lessee and at the expense of Lessee. Notwithstanding anything in this Agreement to the contrary, in the event Lessee is required by Lessor to construct a permanent building or other permanent structure on Lessor's Property, at the expiration of the term of this Agreement, the permanent building and other permanent structures shall, at the sole election of Lessor, become the property of Lessor.

ARTICLE VI

INSTALLATIONS OF FACILITIES

6.1 SPECIFICATIONS. Lessee shall prepare specifications for Lessee's Facilities to be constructed and maintained on Lessor's property. All such specifications shall be based upon information contained in the Schedules hereto and engineering data furnished by Lessee and may include the requirement of Lessee to provide, at Lessee's expense, the purchase and installation of such equipment for protecting Lessor's property.

6.2 PRIOR APPROVAL. Prior to the initiation by Lessee of the delivery, installation, replacement, modification or removal of Facilities, Lessee must obtain the prior written approval of Lessor to Lessee's proposed scheduling of work and Lessee's choice of vendors and contractors. Lessor, at its sole discretion and election, may condition said approval on obtaining additional information and/or requiring schedule changes and substitution of vendors and contractors. Lessor's approval of any act or action of Lessee or Lessee's Authorized Personnel pursuant to this Agreement shall not be considered an endorsement, representation, or warranty regarding the viability of said scheduling, and/or the ability of said vendor or contractor to perform the work intended by Lessee. Lessee shall deliver, construct and install the Facilities in strict conformity with the specifications, schedules, and choice of vendors and contractors approved by Lessor.

6.3 DELIVERY & INSTALLATION OF FACILITIES. Lessee shall furnish, construct and install all Facilities. Physical delivery of the Facilities to Lessor's property and all installation work performed by Lessee shall be performed in accordance with the specifications and approvals furnished pursuant to this Article.

6.4 LESSEE'S RESPONSIBILITIES. Notwithstanding anything in this Agreement to the contrary, Lessee has the sole responsibility for any product liability claims, product warranty claims, delays and service outages of Lessee that may result from defective Facilities, improper scheduling, improper installation, or any other matter, irrespective of the cause.

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ARTICLE VII

USE OF LEASED SPACE

7.1 FACILITIES. Lessee may bring the Facilities onto the Leased Land at Lessee's own risk and expense. Equipment shall be confined to the Equipment Building and the Antenna shall be confined to the Antenna Location as defined in Section 5.1.

7.2 OTHER MATERIALS. In addition to the Facilities, Lessee may bring onto the Leased Land, at Lessee's own risk and expense (a) any materials and apparatus specially identified in written engineering specifications approved in writing by Lessor, and (b) small tools and portable test equipment as needed to perform Lessee's obligations under this Agreement. Lessee's rights under this Section 7.2 are subject to the conditions that all such materials, apparatus, tools, and test equipment will remain at all times in the care, custody, and control of Lessee's Employees.

7.3 NEGATIVE COVENANTS. Lessee may not bring onto the Leased Land any material, apparatus, facilities, tools, or equipment other than those identified in this Agreement unless Lessee first obtains written permission from Lessor. Without limiting the foregoing, Lessee is specifically informed that the following are not permitted within the Leased Land: wet cell batteries, explosives, flammable liquids or gases, alcohol, controlled substances, weapons, toxic materials, hazardous waste, pollutants, contaminants, asbestos and asbestos related products, polychlorinated biphenyl's (PCB's), petroleum, crude oil or any fraction or distillate thereof, and any similar equipment and/or materials. Lessee shall not use or permit Lessor's Property to be used by any dangerous, toxic, noxious, offensive, or unlawful purposes.

ARTICLE VIII

RIGHT OF ENTRY

8.1 ACCESS. Lessee shall have reasonable access to the Leased Land; provided access to the Leased Land shall be regulated pursuant to the rules and regulations described in Section 23.5 and access to Antenna and Equipment Building may be limited based upon the reasonable discretion of Lessor.

8.2 AUTHORIZED PERSONNEL. All persons, contractors and/or engineers installing, maintaining, repairing, removing or otherwise working on the Facilities shall be approved in advance by Lessor, which approval shall not be unreasonably withheld. A list ("Authorized Entry List") of those persons, contractors and/or engineers approved by Lessor shall be maintained by Lessor. Prior to the Commencement Date, Lessee will submit to Lessor a proposed

"Authorized Entry List". Lessor may request additional information from Lessee before granting its approval, which approval may not be unreasonably withheld. Lessee will promptly give notice to Lessor, both orally and in writing, of the name of any person who ceases to be one of Lessee's employees or agents or whom Lessee wishes to remove from the "Authorized Entry List".

8.3 QUALIFIED PERSONNEL. Lessee represents and warrants that on the date hereof and each and every date prior to the last act to be performed by Lessee pursuant to this Agreement, including Section 9.2 hereof, Lessee's Employees and any other person(s) installing, maintaining, repairing, removing or otherwise working on the Facilities or otherwise on Lessor's Property at the request or direction of Lessee shall be a technician qualified to perform said duties and have been trained in compliance with then current OSHA, FCC and ANSI standards, including such standards relating to radio frequency radiation.

ARTICLE IX

PROTECTION OF SERVICE AND PROPERTY

9.1 CONTINUITY OF USE. The continuity of the use of the land by Lessor is of paramount importance. Lessee and Lessee's Employees will at all times exercise the highest degree of care to prevent damages to the Lessor's Property and to all other real and personal property of Lessor, its customers and other tenants of Lessor's Property. Lessee and Lessee's Employees will perform any work and use the Facilities in a manner that will protect all other persons, structures, equipment, utilities, and/or work areas of any kind against injury, damage or interruption of service. Lessee and Lessee's Employees will not use any Facilities, equipment, tools or methods which, in the sole judgment of Lessor, might endanger or interfere with the services of Lessor.

9.2 QUIET ENJOYMENT. Except as otherwise set forth in this Agreement, Lessor shall not alter, make adjustments to, relocate or otherwise modify or tamper with Lessee's Facilities.

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ARTICLE X

INSPECTION

10.1 WORK IN PROGRESS. Lessor, its employees and agents may inspect and observe any work while in progress or after completion to ascertain whether the work is in accordance with the specifications and requirements of this Agreement. Lessor may require Lessee to correct any faulty work. However, inspection or observation by Lessor or by its agents of work performed by Lessee or Lessee's Employees will not relieve Lessee of full responsibility for the proper performance of the work.

10.2 TIME. Lessor, its agent and its designees (including without limitation building inspectors, fire marshals, and other officials) may inspect the Leased Land and the Facilities at any time. At Lessee's request, Lessee's Employees on the Authorized Entry List may accompany Lessor during such inspections except when, in the sole judgment of Lessor, safety or service considerations require otherwise.

ARTICLE XI

UTILITIES

11.1 LESSEE RESPONSIBILITY. Lessee shall be responsible, at Lessee's sole cost, for obtaining, using and paying for all utility services to the Leased Land for Lessee's use including, without limitation, electricity, electricity for proper antenna operations including required FAA obstruction lighting, elevator, platform tenants, electricity for the building common areas both inside and outside, including general lighting and receptacles air conditioning, heat, water, sewer, telephone, waste disposal and gas (collectively referred to herein as "Utilities").

11.2 INTERRUPTION. Under no circumstances shall Lessor be liable for any interruption or failure in the supply of any Utilities to the Leased Land, nor shall Lessee have any right to an abatement in rent or offset to rent in the event of any interruption or failure in the supply of any Utilities to the Leased Land.

ARTICLE XII

OWNERSHIP OF FACILITIES

12.1 RISK OF LOSS. Except as otherwise provided in this Agreement, all Facilities shall be owned by Lessee, and Lessee shall bear all risk of loss and/or damage to the Facilities.

12.2 OWNERSHIP. Any and all Facilities on Lessor's Land, except utility service and any building or structure installed by Lessee (which, at the

expiration of the term of this Agreement, shall, at the sole election and discretion of Lessor, be the property of Lessor), shall remain the personal property of Lessee notwithstanding the fact that it may be affixed or attached to the realty or Lessor's Property, and shall, subject to all terms and conditions of this Agreement, during the Agreement, any extension thereof or upon the termination thereof belong to and be removable by Lessee. All other machinery, equipment, buildings, structures and trade fixtures attached to Lessor's Property, shall, upon termination of this agreement, be deemed fixtures and, at the sole election of Lessor, become the property of Lessor.

ARTICLE XIII

MAINTENANCE AND REPAIR

13.1 FACILITIES. Lessee will, at its own risk and expense, maintain and repair, including replacement if necessary (collectively referred to as "Maintenance"), the Antenna, buildings, structures and any other items or things placed on Lessor's Property by Lessee pursuant to this Agreement. All Maintenance shall be performed in a manner suitable to Lessor so as not to conflict with the use of Lessor's Property by Lessor, or any other tenant of Lessor. All Maintenance shall be provided by qualified technicians, authorized to enter Lessor's Property pursuant to Section 8.2.

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ARTICLE XIV

NO ALTERATIONS

14.1 Except as specifically set forth in this Agreement, Lessee may not make any alterations, additions and/or improvements to any part of the Lessor's Property, the Leased Land, the Antenna and Equipment without the prior written consent of the Lessor, which consent shall be given in Lessor's sole discretion.

ARTICLE XV

REPRESENTATIONS, WARRANTIES AND OTHER OBLIGATIONS

15.1 LESSOR'S REPRESENTATIONS AND WARRANTIES. Lessor represents and warrants that:

(a) The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary actions on the part of Lessor and shall not constitute a breach or violation under any agreement to which Lessor is a party.

(b) To the best of Lessor's knowledge, there are no violations of any federal, state, county or municipal law, ordinance, order, regulations or requirement with respect to the Leased Land, and as of the date of this Agreement, no notice of any kind relating thereto (which would adversely affect the transactions contemplated by this Agreement) has been issued by public authorities having jurisdiction over the Leased Land.

(c) There is no action, suit or proceeding pending or, to Lessor's knowledge, threatened against or affecting the Leased Land or any portion thereof and Lessor has not received notice, written or otherwise, of any litigation affecting or concerning the Leased Land relating to or arising out of its ownership, management, use or operation.

(d) Lessor's Property is and will remain in material compliance at all times during the Term of this agreement with all federal, state, county, municipal, local, administrative and other governmental laws, statutes, ordinances, codes, rules, regulations and orders pertaining thereto, including, without limitation, to the extent applicable, all zoning laws and building codes, all environmental laws and all regulations of the FAA and the FCC.

15.2 LESSEE'S REPRESENTATIONS AND WARRANTIES. Lessee represents and warrants that:

(a) The Facilities and the operation thereof do not and will not result in exposure of workers or the general public to levels of radio frequency radiation in excess of the "Radio Frequency Protection Guides" recommended in "American National Standard Safety Levels With Respect to Human Exposure to Radio Frequency Electromagnetic Fields, 300 KHz to 100 GHz," issued by the American National Standards Institute ("Acceptable Radio Frequency Radiation Standards").

(b) The execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary actions on the part of Lessee and shall not constitute a breach or violation under any agreement to which Lessee is a party. This Agreement constitutes a valid and binding agreement and obligation of Lessee, enforceable in accordance with its terms.

(c) Lessee will conduct its activities on Lessor's Property in compliance with all applicable laws, including, without limitation, all OSHA, FCC, and FAA rules and regulations, environmental laws, and any rule or law applicable to the construction or operation of Lessee's Facilities.

(d) The Leased Land is and will remain in material compliance at all times during the Term and any Extension Term with all federal, state, county, municipal, local, administrative and other governmental laws, statutes, ordinances, codes, rules, regulations and orders pertaining thereto, including, without limitation, to the extent applicable, all zoning laws and building codes and all regulations of the FAA and the FCC.

(e) No agent, broker or other person, entity or firm acting on behalf of or under the authority of Lessee or any affiliate of Lessee is or will be entitled to any broker's or finder's fee or any other commission or similar fee, directly or indirectly, in connection with the transactions contemplated by this Agreement.

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ARTICLE XVI

EVENTS OF DEFAULT

16.1 DEFAULT OF LESSEE. Any of the following events shall constitute an "event of default" on the part of Lessee:

(a) The failure of Lessee to pay any amount due hereunder, and continuation of such failure for more than five (5) days after Lessee's receipt of written notice thereof from Lessor; provided however that Lessor shall not be required to provide such written notice to Lessee more than twice in any twelve (12) month period prior to declaring such failure to pay an event of default;

(b) The failure of Lessee to comply with the provisions of Article IX hereof; or

(c) The failure of Lessee to fulfill any other obligation hereunder or the inaccuracy of any representation or warranty and the continuation of such failure or inaccuracy for more than ten (10) days after notice by Lessor, provided, however, that if the nature of Lessee's failure is such that more than ten (10) days is required for its cure, then Lessee shall not be deemed to be in default if Lessee has commenced such cure within the ten (10) day period, demonstrates to Lessor's reasonable satisfaction that such default is curable and thereafter diligently prosecutes such cure to completion.

16.2 TERMINATION BY DEFAULT OF LESSEE. If an event of default on the part of Lessee shall occur at any time, Lessor, at its election, may give Lessee a notice of termination specifying a day not less than thirty (30) days thereafter on which the term of this Agreement shall end. If such notice is given, the Agreement shall expire on the day so specified as fully and completely as if that day were the day herein originally fixed for such expiration, and Lessee shall then quit and surrender the Leased Land to Lessor. If the Agreement is terminated pursuant to this Section, Lessee shall remain liable to Lessor for the payment of rent for the remainder of the lease term and without prejudice to any other right or remedy which Lessor may have hereunder or by law and which shall, at the sole election and discretion of Lessor, become immediately due and payable. Notwithstanding the foregoing, Lessor shall attempt to mitigate any damages it may suffer as a result of the default of this Agreement by Lessee. Notwithstanding any waiver of any prior breach or event of default hereunder, Lessor may re-enter the Leased Land either by reasonable force or otherwise, or dispossess Lessee, any legal representative of Lessee or other occupant of the Leased land by appropriate suit, action or proceeding and remove its effects and hold the Leased Land as if this Agreement had not been made. Notwithstanding anything in this Agreement to the contrary, and in addition to any other remedies Lessor may have, if an event of default shall occur, Lessor, at its election, may stop providing Utilities to Lessee's Facilities and/or the Leased Land and Lessee specifically waives any and all claims for damages against Lessor arising from a loss Utilities to the Leased Land.

ARTICLE XVII

INSURANCE

17.1 LESSEE'S INSURANCE. Lessee shall, at its sole expense, maintain commercial public liability insurance against claims for personal injury, bodily injury, wrongful death and property damage occurring on, in or about Lessor's Property under policies and with companies reasonably acceptable to Lessor, affording insurance protection to limits of not less than One Million Dollars (\$1,000,000.00) for combined single limit with respect to any one occurrence and Three Million Dollars (\$3,000,000.00) in the aggregate for all occurrences within each policy year. Lessee shall also maintain "all risk" or special form policies of property insurance covering the Facilities and any improvements of Lessee located on the Lessor's Property for the full replacement cost. Lessor, its managing agent, all mortgagees, and such other parties as Lessor may reasonably designate shall be named as additional insureds on each such policy pertaining to Lessor's Property and shall be furnished with a certificate thereof. Each such policy of insurance shall, to the extent obtainable at no extra premium, provide: (a) that any claim shall be payable notwithstanding any act, whether of commission or omission, negligent or otherwise, of Lessor, of Lessee, of any other tenant or of any agent, employee, representative, visitor or guest of any of them, which act might otherwise result in the forfeiture of the insurance afforded by such policy, and (b) that Lessor shall not be liable to the insurer by reason of any payment by the insurer to Lessor, or any such other tenant. In addition, each such policy shall provide an agreement by the insurer that the policy will not be canceled or modified to reduce coverage as to risk, amount or named insured without at least fifteen (15) days' prior written notice to Lessee, Lessor, mortgagees, and all other named insureds.

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17.2 WAIVER. Neither Lessor, nor their representatives, agents, or employees shall be liable to Lessee or to anyone claiming through Lessee or to any insurance company (by way of subrogation or otherwise) insuring Lessee for any business interruption or for any loss or damage to any building, structure or other tangible property, or injury to or death of persons occurring on or about Lessor's Property, or in any manner growing out of or connected with Lessee's use or occupation of the Lessor's Property, or the use or occupation of the Lessor's Property by Lessee's agents, employees, representatives, visitors or guests even though such business interruption, loss, damage, injury or death might have been occasioned by the negligence of Lessor or their agents or employees, to the extent that such business interruption, loss, damage, injury or death is or could be covered by an "all risk" or special form policy of property insurance, regardless of whether such insurance policies are actually carried. Each insurance policy carried by Lessee hereto shall contain a clause incorporating such waiver of subrogation and a clause to the effect that the foregoing waiver shall not affect the right of the insured party to recover under such policy.

17.3 LESSEE'S OBLIGATION TO REIMBURSE. Should Lessee store or maintain any materials or equipment, or do any acts which result in an increase in the rate or premium of any insurance coverage required to be provided by Lessor pursuant to this Agreement, Lessee shall immediately reimburse Lessor for the full amount of any such increase or shall remove them if Lessor so requires.

ARTICLE XVIII

INDEMNIFICATION

18.1 INDEMNIFICATION BY LESSEE. Lessee shall indemnify Lessor and its agents, officers and employees and hold Lessor and its agents, officers and employees harmless from and against all claims, actions, losses, damages, liabilities and expense (including reasonable attorneys' fees) incurred by or asserted against Lessor whether during or after the term of this Agreement, including by reason of personal injury, loss of life, or damage to property, caused by or resulting from, in whole or any material part: (i) any breach of this Agreement by Lessee; (ii) Lessee's breach of any warranty contained in this Agreement; (iii) any negligent or intentional act or omission of Lessee, Lessee's Employees, agents, invitees or contractors, whether in, on, about or with respect to the Leased Land or Lessor's Property; (iv) the use by Lessee of any part of the Leased Land or Lessor's Property; (v) any work undertaken by or at the request of Lessee on or about the Leased Land; (vi) any inspection, observation or any action undertaken by Lessor pursuant to Article IX hereof; (vii) the claim, existence or discovery of any hazardous substance on Lessor's Property arising from Lessee's activities; (viii) any other activity undertaken by or at the request of Lessee pursuant to or in connection with this Agreement; or (ix) the presence of any individuals on the Leased Space or Lessor's Property as a result of Lessee's request or this Agreement.

18.2 DEFENSE BY LESSEE. If Lessor so elects by notice to Lessee, Lessee shall have the obligation of defending, at its sole cost and expense, by counsel selected by Lessee and approved by Lessor (such approval not to be unreasonably withheld), against any claim to which the foregoing indemnity may apply. Lessor may assume, or require that such defense be assumed, by Lessor and counsel selected by Lessor, at the cost and expense of Lessee if Lessor is for any

reason dissatisfied with the defense by Lessee, or believes that its interests would be better served thereby. In any case where Lessee is defending any such claim, Lessor may participate in the defense thereof by counsel selected by it, but at Lessor's expense. Lessee shall not enter into any settlement of any claim without the consent of Lessor, which consent shall not be unreasonably withheld.

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ARTICLE XIX

RECONSTRUCTION OF DAMAGED PREMISES

19.1 REPAIR. Except as otherwise provided in this Agreement, if Lessee's Property, or any portion thereof, is partially or totally destroyed by fire or other casualty so as to become partially or totally unusable, Lessee may repair or reconstruct the damage on Lessor's Property to the extent and in the manner required to meet the then current needs of Lessee.

19.2 RENT ABATEMENT. This Agreement will remain in full force and effect pending repair or replacement of the damaged or destroyed premises, and the obligation of Lessee to pay the Monthly Rent will not be abated during any period due to damage to or destruction of the Lessee's Facilities (other than fault of Lessor).

19.3 ELECTION NOT TO REPAIR. Notwithstanding anything to the contrary in Sections 19.1 and 19.2 Lessee may, at its sole and absolute discretion, elect not to repair or rebuild its Facilities, or any portion thereof. Lessee will promptly notify Lessor within forty-five (45) days of the event causing the damage or destruction, if such option is elected.

ARTICLE XX

FORCE MAJEURE

20.1 FORCE MAJEURE. Except for Lessee's obligation to pay Rent, and except as set forth in Article XIX above, neither party shall be held liable for any delay or failure in performance of any part of this Agreement from any cause beyond its control and without its fault or negligence, such as acts of God, acts of civil or military authority, government regulations, strikes, labor disputes, embargoes, epidemics, war, terrorist acts, riots, insurrections, fire, explosions, earthquakes, nuclear accidents, floods, power blackouts or brownouts or surges, volcanic action, other major environmental disturbances, unusually severe weather conditions, inability to secure products or services of other persons or transportation facilities, or act or omissions of transportation common carriers (collectively referred to as "Force Majeure Conditions").

20.2 TERMINATION BY FORCE MAJEURE. If any such Force Majeure Condition occurs and is the proximate cause of a delay or failure in performance of any part of a party's obligations under this Agreement for more than ninety (90) days, the other party may, by written notice given to the party whose performance was delayed or who failed to perform, terminate this Agreement or that part of this Agreement that is affected by such delay or failure to perform

ARTICLE XXI

SAFETY

21.1 FACILITIES. Lessee is responsible for the safety of all Facilities, buildings, structures and other materials brought by Lessee onto Lessor's Land, and for the safety of all work performed by Lessee's Employees in the delivery, provision, installation, operation, maintenance, repair and removal of the Facilities, buildings, structures and any other material brought by Lessee onto Lessor's Property. In discharging this responsibility, Lessee shall comply (and shall cause Lessee's Employees to comply) with the requirements of the Occupational Safety and Health Act of 1970, as amended; and with any other federal, state, or local act or other requirements of law affecting safety and health.

21.2 VIOLATIONS. Lessee shall be responsible for any violation by Lessee or Lessee's Employees of any safety or health standard under this Agreement. If any material furnished or any work performed by Lessee or Lessee's Employees gives rise to a safety or health violation, Lessee will immediately remedy such condition and will indemnify, defend, and hold Lessor its employees, agents, officers, representatives, affiliates, parent, subsidiaries and their affiliated companies, and their employees, agents, officers and representatives) harmless from any penalty, fine, or liability in connection with such a violation.

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ARTICLE XXII

PERMITS, LICENSES, APPROVALS

22.1 FCC PERMITS. Lessee will apply for and obtain, at its sole cost and expense, FCC construction permits applicable to the installation of the Facilities, and will meet all FCC license and other requirements and restrictions. The FCC construction permit(s) must be approved before any construction or installation activity begins. A completed copy of Lessee's FCC application and License will be supplied to Lessor along with the executed agreement.

22.2 FAA APPROVAL. Lessee will notify the FAA of any Tower modifications and Antenna installations, that may be required by Lessee, and will use reasonable efforts to obtain any FAA-required permits, license, or approvals associated with Lessee's Facilities. Lessee will pay for all costs and expenses it incurs in obtaining or attempting to obtain any permits, license, or approvals.

22.3 OTHER PERMITS OR LICENSE. Lessee shall apply for and obtain, at its sole cost and expense, any and all License, permits, variances or other governmental approvals required to install, operate and maintain its Facilities in the Leased Land; provided that Lessee shall not submit any such applications without the prior written consent of Lessor, which consent shall not be unreasonably withheld.

ARTICLE XXIII

MISCELLANEOUS PROVISIONS

23.1 SEVERABILITY. If any one or more of the provisions contained in this Agreement is, for any reason, held to be unenforceable in any respect under applicable state law or laws of the United States of America, such unenforceability will not affect any other provision of this Agreement, but this Agreement will then be construed in such a way as will achieve the intent of such unenforceable provision or provisions to the extent permitted by law.

23.2 ASSIGNMENT BY LESSOR. Notwithstanding any of the provisions of this Agreement, Lessor may assign, in whole or in part, Lessor's interest in this Agreement. In the event Lessor assigns this Agreement to a successor owner of the Leased Land, Lessor shall be and is hereby relieved of all liability arising after the consummation of such assignment under any and all covenants and obligations contained in or derived from this Agreement or arising out of any act, occurrence or omission relating to the Leased Land occurring after the consummation of such assignment, but only upon the condition that, as part of such Assignment, Lessor will cause the Assignee to agree, in writing, to carry out any and all of the covenants and obligations of Lessor under this Agreement occurring after the consummation of Lessor's assignment of its interest in and to this Agreement. In the event of an assignment of Lessor's interest in this Agreement to a Lender, as hereinafter defined, or a designee of a Lender, (i) the assignee shall have no obligation to Lessee hereunder other than, provided Lessee is not in default hereof, the obligation of quiet enjoyment, (ii) all amounts required to be paid to Lessor hereunder from Lessee shall be paid to the assignee, and (iii) Lessee shall not assert against such assignee any claims, defenses, setoffs or counterclaims that it might have had against Lessor.

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23.3 ASSIGNMENT BY LESSEE. Lessee may not assign this Agreement without the prior written consent of Lessor which consent shall not unreasonably be withheld. Lessee may not sublet this Agreement, the Leased Land, or any portion thereof without the prior written consent of Lessor, which consent shall be given or withheld in Lessor's sole and absolute discretion. Under no circumstance shall this Agreement be assigned by Lessee to any party which does not agree in writing to be bound by all terms and conditions contained herein and, notwithstanding Lessee's assignment of this Agreement, Lessee shall remain liable for all obligations of Lessee pursuant to this Agreement until such time as this Agreement is terminated.

23.4 CONDEMNATION. In the event Lessor's Property or any portion thereof is taken pursuant to a condemnation proceeding or by eminent domain, such that Lessor, or Lessee can no longer operate telecommunications equipment on Lessor's property, this Agreement shall, at Lessor's sole and absolute discretion, terminate without liability to either party and Lessee shall not be entitled to any portion of any award arising out of such proceedings.

23.5 RULES AND REGULATIONS. From time to time, Lessor shall be entitled to create and enforce rules and regulations governing the use of Lessor's Property. Lessee agrees Lessee and Lessee's employees shall abide by said rules and regulations. Lessor agrees that it shall not create or enforce any unreasonable rules or regulations which would unduly prejudice Lessee's use of the Leased Land, or which would prevent reasonable access to the Leased Land by Lessee, as herein provided.

23.6 RESTORATION ON TERMINATION. Upon the termination of the Agreement

for any reason, Lessee will restore the Leased Land to its original condition, normal wear and tear excepted, at Lessee's sole cost and expense. Any fixtures including, without limitation, all Antenna, Cabling and Equipment, goods or other property of Lessee not removed within ten (10) days after any quitting, vacating or abandonment of the Leased Land, or upon Lessee's eviction therefrom, shall be considered abandoned, and Lessor shall have the right, without notice to Lessee, to sell or otherwise dispose of same without having to account to Lessee for any part of the proceeds of sale.

23.7 NOTICES. All notices, demands, and requests required or permitted to be given hereunder shall be in writing and sent certified mail, return receipt requested.

To Lessee: Salem Media of Colorado, Inc.
KRKS
3131 Sp/ Vaughn Way #601
Aurora CO, 80014

To Lessor Atsinger Family Trust/Epperson Family Limited Partnership
c/o Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, CA 93012
Facsimile No: (805) 987-6072
Attn: Brian J. Counsil, Esq.

Either party hereto may change the place for notice to it by sending like written notice to the other party hereto.

23.8 SUBORDINATION. Unless a Lender, as hereinafter defined, shall otherwise elect as provided herein, Lessee's rights under this Agreement shall be subject and subordinate to the operation and effect of any existing or future Lien, as hereinafter defined, affecting Lessor's Land and to any extensions, modifications or amendments of any such mortgage. Lessee's acknowledgment and agreement of subordination provided for in this Section is self-operative and no further instrument of subordination shall be required. However, within ten (10) working days after request, Lessee shall execute a subordination, non-disturbance and attornment agreement in form satisfactory to Lessor. If a Lender shall so elect by notice to Lessee or by the recording of a unilateral declaration of subordination, then this Agreement and Lessee's rights hereunder shall be superior and prior in right to the Lien of which such Lender has the benefit, with the same force and effect as if this Agreement had been executed, delivered

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and recorded prior to the execution, delivery and recording of such Lien, as the case may be, subject, nevertheless, to such conditions as may be set forth in any such notice of declaration. The term "Lien" means any mortgage, deed of trust or other security instrument constituting a lien upon all or any portion of the Lessor's Land. The term "Lender" means a party having the benefit of the Lien, whether as mortgagee, trustee, note holder or otherwise. Lessor shall make a reasonable effort to obtain from any Lender an agreement that the Lender shall not disturb Lessee's quiet possession in the event of foreclosure. If any proceedings are brought for foreclosure, or in the event the exercise of the power of sale under any mortgage or deed of trust made by the Lessor encumbering the Leased Land, Lessee shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Lessor under this Agreement.

23.9 BINDING EFFECT. The provisions of this Agreement shall apply to, bind and inure to the benefit of Lessor and Lessee, their respective successors, legal representatives or assigns.

23.10 ENTIRE AGREEMENT/MODIFICATIONS. This Agreement contains the entire understanding and agreement between the parties. No representative, agent or employee of Lessor has been authorized to make any representations or promises with reference to the within agreement or to vary, alter or modify the terms hereof. No additions, changes or modifications shall be binding unless reduced to writing and signed by the parties.

23.11 RESOLUTION OF CLAIMS AND DISPUTES. Regardless of the place of execution, this Agreement shall be deemed to be a contract made in Aurora, Colorado and shall be interpreted as a contract to be performed wholly in the State of Colorado. The law of the State of Colorado shall be applied without regard to the principles of conflicts of laws. Lessee expressly waives any presumption or rule, if any, which requires this Agreement to be construed against Lessor. Any claims or disputes arising out of this Agreement shall be resolved only by mediation or, if mediation does not resolve the claim or dispute within ten (10) days of notice demanding mediation, by arbitration in accordance with the Rules for Commercial Arbitration of the American Arbitration Association and any award therefrom shall be rendered by the arbitrators as a judgment in any trial court having jurisdiction in the City of Aurora, Colorado, or of any other court having competent jurisdiction.

23.12 WAIVER. Failure of any party to complain of any act or omission on the part of any other party in breach or default of this Agreement, no matter how long the same may continue, shall not be deemed to be a waiver by said party of any of its rights hereunder. No waiver by any party at any time, express or implied, of any breach of any provision of this Agreement shall be deemed a waiver of a breach of any other provision of this Agreement or a consent to any subsequent breach of the same or other provisions.

23.13 ESTOPPEL. Either party shall at any time, upon ten (10) days' prior written request from the other party, execute, acknowledge and deliver to the requesting party a statement in writing (a) certifying this Agreement to be unmodified and in full force and effect (or, if modified, stating the nature of such modification), and the date to which the rent and other charges have been paid in advance, if any uncured defaults hereunder on the part of the requesting party, or specifying such defaults if they are claimed.

23.14 REASONABLENESS. Except as specifically set forth herein to the contrary, any approval, consent or permission required to be given hereunder by any party shall not be unreasonably withheld, delayed or conditioned.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

LESSOR:
ATSINGER FAMILY TRUST

LESSEE:
SALEM MEDIA OF COLORADO, INC. KRKS

By: _____
- _____

By: _____
- _____

EPPERSON FAMILY LIMITED PARTNERSHIP

By: _____
- _____

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LOCAL PROGRAMMING AND MARKETING AGREEMENT
WITH
OPTION TO PURCHASE STATION

This Local Programming and Marketing Agreement with Option to Purchase Station (the "Agreement"), dated as of August 13, 1999, is entered into by and between CONCORD MEDIA GROUP, INC. ("Licensee"), and RADIO 1210, INC. ("Programmer").

WHEREAS, Licensee is the owner of certain assets relating to radio station KCBQ (AM), San Diego, California (the "Station") and holds all of the licenses and authorizations issued by the FCC for the operation of the Station;

WHEREAS, the Station's transmission facilities are located on real property (the "Current Site") leased to Licensee pursuant to a lease agreement expiring approximately on _____, 200__, and Licensee has been informed that the Station will not be able continue to use the Current Site following the expiration of the lease;

WHEREAS, Programmer desires to purchase substantially all of the assets of the Station, including, without limitation, the licenses and authorizations issued by the FCC for the operation of the Station, and Seller is willing to convey such assets to Buyer;

WHEREAS, Programmer does not want enter into any agreement to purchase the Station unless and until it has secured an interest in real property ("New Site") which can serve as an adequate replacement for the Current Site, including any federal, state and local government approvals required for the New Site,

WHEREAS, in accordance with procedures and policies approved by FCC, the Programmer desires to avail itself of Station's broadcast time for the presentation of a programming service, including the sale of program and advertising time in contemplation of the potential sale of the Station to Programmer;

WHEREAS, in accordance with procedures and policies approved by the FCC, Licensee desires to provide to Programmer the Station's broadcast time for the presentation of a programming service, including the sale of program and advertising time in contemplation of the potential sale of the Station to Programmer;

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained, the parties hereto have agreed and do agree as follows:

1. PURCHASE OF AIR TIME AND BROADCAST OF THE PROGRAMMING. Subject to the provisions of Section 4 hereof, Licensee agrees to make the broadcasting transmission facilities of the Station available to the Programmer and to broadcast on the Station, or cause to be broadcast, the Programmer's programs (the "Programming") for up to 24 hours a day, seven days a week, except for the broadcast of Licensee's public service programming as provided in Section 10.1 of

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this Agreement ("Licensee Programming"). The facilities and the transmitting equipment of Licensee relating to the Station, including any equipment owned by Licensee not currently in service, reasonably shall be made available to the Programmer for its use during the term of this Agreement.

2. CONSIDERATION. The terms and conditions of payment ("Consideration") to Licensee for the broadcasting of the Programming during the term of this Agreement shall be as set forth in Schedule 2.

3. TERM.

3.1 COMMENCEMENT/TERMINATION DATE.

3.1.1. This Agreement shall commence and be effective at 12:01 a.m. Pacific time on SEPTEMBER 1, 1999 (the "Commencement Date").

3.1.2. Except as otherwise provided in this Agreement, the term of this Agreement shall end at 11:59 p.m. Pacific time on the date ("Original Termination Date") being later to occur of:

(a) The earlier to occur of (i) nine (9) months from the Commencement Date or (ii) sixty (60) days after Licensee's receipt of written notice from Programmer; or

(b) In the event the Option Right, as set forth in Section 21 hereof, is exercised, then the termination or consummation of the transactions contemplated by the Asset Purchase Agreement described in Section 21 hereof.

3.1.3. Programmer shall have the right to extend the term of this Agreement (including the provisions of Section 21 hereof) to a date ("Extended Termination Date") being six (6) months from its receipt of written notice from Licensee if, prior to the Original Termination Date, Programmer shall have (i) entered into an agreement to acquire a suitable New Site, (ii) filed applications for approvals of any required federal, state and local governmental authorities having jurisdiction over the New Site as may be necessary for the New Site to serve as a transmitter site for the Station, and (iii) taken all commercially reasonable steps necessary to prosecute such filings with diligence to the end that such approvals may be obtained as soon as practicable. As used in this Agreement, the term "Termination Date" shall mean and refer to the later to occur of the Original Termination Date and the Extended Termination Date.

3.2 TERMINATION BY FCC. In the event that either party receives formal or constructive notice from the FCC that this Agreement or any of its terms are contrary to the public interest or violative of any FCC statute, regulation, rule or policy, either party shall have the right to terminate this Agreement (except to the extent the provisions of Section 21 shall survive as provided therein) immediately by written notice to the other party.

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4. THE PROGRAMMING. The Programmer shall furnish programming to Licensee for up to 24 hours a day, seven days a week, except for the broadcast of Licensee's Programming. The nature of the program service to be provided by the Programmer will be determined by Programmer subject to applicable FCC rules and regulations and subject further to the requirement that Programming will serve the public interest. Throughout the term of this Agreement Programmer shall provide sufficient programming at least to meet the minimum operational requirements for AM broadcast Stations as provided by Section 73.1740 of the FCC's Rules and Regulations. 47 C.F.R. ss. 73.1740. At the date of this Agreement, that minimum requires at least eight (8) hours of programming between the hours of 6:00 a.m. and 6:00 p.m., local time; and at least four (4) hours of programming between the hours of 6:00 p.m. and midnight.

4.1. LICENSEE'S PROGRAMMING. Licensee shall be entitled to provide and broadcast four (4) hours per week of programming on the Station, including public affairs programming to address the issues and problems of San Diego, California, and the surrounding service area. Any programming broadcast by Licensee pursuant to this Section, including public affairs programming, shall be broadcast between 2:00 a.m. and 4:00 a.m. on Sunday, or between 12:00 a.m. and 4:00 a.m. on Monday. Nothing herein shall be interpreted or construed to restrict to the hours set forth in this subsection the Licensee's general authority over programming under this Agreement. In all such cases, Licensee will use its best commercially reasonable efforts to give Programmer reasonable advance notice of its intention to broadcast pursuant to this section and, in the event of such broadcasts, Programmer shall receive a payment credit for any programming which would have been supplied by it during the time of such broadcasts by Licensee.

5. STATION FACILITIES.

5.1 OPERATION OF STATION. Throughout the term of this Agreement, Licensee shall make the Station available to the Programmer as provided in this Agreement, except for Licensee's Programming and downtime occasioned by routine maintenance which will be performed between the hours of 12 midnight and 6:00 a.m. Except for maintenance work and other improvements to the Station or the Station's equipment performed by or at the direction of Programmer, any maintenance work affecting the operation of the Station at full power, except such emergency maintenance as is required to maintain compliance with the Station's license or FCC regulations, rules or policies, shall be scheduled upon at least 48 hours prior notice with the agreement of the Programmer, which agreement shall not be unreasonably delayed or withheld.

5.2 INTERRUPTION OF NORMAL OPERATIONS. Except for maintenance work and other improvements to the Station or the Station's equipment performed by or at the direction of Programmer, if the Station suffers loss or damage of any nature to its transmission facilities which results in the interruption of service or the inability of the Station to operate with its maximum authorized

facilities, Programmer shall immediately notify Licensee, and Licensee shall undertake such repairs as reasonably necessary to restore the fulltime operation of the Station with its maximum authorized facilities (i.e. as set forth on its license) as quickly as reasonably practicable. Except as may be the direct result of any act, omission or action of Programmer, if the Station is

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incapable of operating with its maximum authorized facilities, Licensee shall pay Programmer a prorated share of the Consideration proportionate to the amount of time the Station was so impaired as follows: (a) if the effective radiated power ("ERP") of the Station is 50% or less of the maximum ERP as set forth on the Station's license, the Consideration will be abated (i) 100% for each daytime daypart, or (ii) 50% for each nighttime daypart, or any portion thereof; the Station so operates; and, (b) if the ERP of the Station is 90% to 51% of the maximum ERP as set forth on the Station's license, the Consideration will be abated (i) in proportion to the percentage loss in ERP, for each daytime daypart, or (ii) one half of the percentage loss in ERP for each nighttime daypart, or any portion thereof, the Station so operates; and, (c) if the ERP of the Station is 91% or more of the maximum ERP as set forth on the Station's license, the Consideration will not be abated. For the purposes of this provision, the term "daytime daypart" shall mean between 7:00 AM and 7:00 PM, local time, and the term "nighttime daypart" shall mean all other hours. If the required repairs necessary to return the Station to operation with its full authorized maximum facilities are not made within seven (7) days, the Programmer may terminate this Agreement (except to the extent the obligation of Section 21 shall survive as provided therein) upon 10 days notice to Licensee, any other provision of this Agreement notwithstanding; provided, however, in the event (x) the required repairs cannot reasonably be completed with seven (7) days, (y) Licensee has commenced the required repairs within seven (7) days, and (z) Licensee is diligently proceeding to effectuate said required repairs, Programmer may not terminate this Agreement pursuant to this Section 5.

6. HANDLING OF MAIL. The Programmer shall provide to Licensee the original or a copy of any correspondence which it receives from a member of the public relating to the Programming to enable Licensee to comply with FCC rules and policies, including those regarding the maintenance of the public inspection file (which shall at all times remain the responsibility of Licensee).

7. PROGRAMMING AND OPERATIONS STANDARDS. All programs supplied by the Programmer shall be in good taste and shall meet in all material respects all requirements of the Communications Act of 1934 and all applicable rules, regulations and policies of the FCC and the policies of the Station described in Schedule 7. All advertising spots and promotional material or announcements shall comply with all applicable federal, state and local regulations and Station policies. If, in the reasonable judgment of Licensee or the Station's General Manager, any portion of the Programming presented by the Programmer does not meet such standards, Licensee may suspend or cancel any such portion of the Programming.

8. RESPONSIBILITY FOR EMPLOYEES AND RELATED EXPENSES.

8.1 PROGRAMMER EMPLOYEES. The Programmer shall furnish (or cause to be furnished) the personnel and material for the production of the Programming to be provided by this Agreement. The Programmer shall employ and be responsible for the salaries, taxes, insurance and related costs and benefits for all personnel used in the production of Programming (including sales people, traffic personnel and programming staff). The Programmer shall not pay or reimburse the

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salaries or other costs associated with any employees of Station that Licensee may be required to employ or may elect to employ on or after the date of commencement of this Agreement.

8.2 LICENSEE EMPLOYEES. Licensee will provide and have responsibility for the Station personnel necessary for compliance with the requirements of Licensee as set forth by the FCC, and will be responsible for the salaries, taxes, insurance and related costs for all such Station personnel. The parties agree and acknowledge that Licensee's continued control of the Station is an essential element of the continuing validity and legality of this Agreement. Accordingly, the Manager of the Station shall be employed and paid by Licensee, report solely to, and be accountable solely to, Licensee and shall direct, subject to Licensee's exclusive oversight and control, the day-to-day operations of the Station. Licensee shall employ and pay such other full-time personnel, or equivalent thereof (not less than one), as Licensee determines may be necessary to fulfill its obligations as a licensee under the Communications

Act and the rules and regulations of the FCC.

8.3 EMPLOYEE OVERSIGHT. Whenever on the Station's premises, all personnel shall be subject to the supervision and the direction of the Station's General Manager and/or the Station's Chief Operator.

9. ADVERTISING AND PROGRAMMING REVENUES. During the Programming it delivers to the Station, the Programmer shall have full authority to sell for its own account commercial spot advertising and block programming time on the Station and to retain all revenues from the sale of such advertising and programming. The parties agree that the Programmer shall have complete discretion, reasonably exercised, to deal as it deems reasonably appropriate with all advertising and programming accounts relating to advertising and programming sold by it; provided, however, the Programmer shall deal with political candidate and supporter advertising as required by law and provide Licensee with requisite documentation for the Station's public file. Programmer shall prepare and supply to Licensee a Political Advertising Disclosure Statement setting forth the manner in which Programmer sells program and spot time and informing political advertisers of their rights and obligations. The Political Advertising Disclosure Statement shall be subject to the approval of Licensee, which approval shall not unreasonably be withheld.

10. OPERATION OF THE STATION.

10.1 VERIFICATION OF LICENSEE'S CONTROL AND RIGHTS OF LICENSEE. Notwithstanding anything to the contrary in this Agreement, Licensee shall have full authority and power over the operation of the Station during the period of this Agreement. Licensee shall provide and pay for Licensee's employees, who shall report and be accountable solely to Licensee, shall be responsible for the direction of the day-to-day operation of the Station, and shall oversee the Station's studio and transmission equipment and facilities, including the tower, antenna, transmitter and transmission line, and Station's studio transmitter link. Licensee shall retain control over the policies, programming and operations of the Station, including, without limitation, the right to decide whether to reasonably accept or reject any programming or advertisements which Licensee deems unsuitable or contrary to the public interest; the right to preempt any programs in order to broadcast

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a program deemed by Licensee to be of greater national, regional, or local interest; and the right to take any other actions necessary for compliance with the laws of the United States, the State of California, the rules, regulations, and policies of the FCC (including the prohibition on unauthorized transfers of control), and the rules, regulations and policies of other federal governmental authorities, including the Federal Trade Commission and the Department of Justice. Licensee agrees that it shall carry its own public service programming at such times as the parties may agree based on the reasonable programming needs of the Programmer. With respect to the operation of the Station, Licensee shall at all times be solely responsible for meeting all of the FCC's requirements with respect to the broadcast and nature of any public service programming, for maintaining the political and public inspection files and the Station log, and for the preparation of all programs/issues lists. Licensee verifies that it shall maintain the ultimate control over the Station's facilities, including control over the finances with respect to its operation of the Station, over the personnel operating the Station, and over the programming to be broadcast by the Station.

10.2. VERIFICATION BY PROGRAMMER AND OBLIGATIONS OF PROGRAMMER. The Programmer will, during the term of this Agreement, provide local news and public affairs programming relevant to the Station's community to assist Licensee in satisfying its obligations to respond to the needs of its community. Programmer will also forward to Licensee within twenty-four (24) hours of receipt by Programmer, any correspondence from the FCC regarding the Station or letter from a member of the general public addressing Station programming or documentation which comes into its custody which is required to be included in the Station's public file or which is reasonably requested by Licensee. The Programmer shall furnish within the Programming on behalf of Licensee all station identification announcements required by the FCC rules, and shall, upon request by Licensee, provide monthly documentation with respect to such of the Programmer's programs which are responsive to the public needs and interests of the area served by the Station in order to assist Licensee in the preparation of any required programming reports. Programmer also will provide upon request other information to enable Licensee to prepare other records, reports and logs required by the FCC or other local, state or federal governmental agencies. Programmer shall cause the Station to transmit any required tests or announcements of the Emergency Alert System at such times as are required by FCC rule. Programmer shall maintain and deliver to Licensee copies of all operating and programming information, including without limitation EBS or EAS announcements and station operating logs, as necessary to maintain the records required to be kept by the FCC's rules or policies.

11. STATION CALL LETTERS.

11.1. CALL SIGNS. So long as it is the licensee of the Station, Licensee will retain all rights to the call letters KCBQ(AM) (the "Call Letters"). Programmer is specifically authorized to use the Call Letters in Programmer's Programming and, subject to the conditions and provisions of Section 7.2, in any promotional material in any media used in connection with the Programming. Licensee will not seek or acquiesce in a change of call letters for the Station without Programmer's consent. Programmer shall submit to Licensee any promotional material which will identify the Station by call letters or frequency for approval by Licensee at least two (2)

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days prior to use of such promotional material by Programmer. Licensee shall have the right to approve or reject such promotional material, such approval to not be unreasonably withheld or delayed. All documentary materials used by Programmer containing the call letters of the Station, including stationery, bills, rate cards, etc., shall contain a notation that Licensee holds the license for operation of the Station. Moreover, to avoid the potential for public confusion regarding the ownership of the Station, the telephones at the Station will be answered with the Station's call letters, rather than the name of either Programmer or Licensee.

11.2. CALL SIGN PROMOTION AND/OR CHANGE. The call letters for the Station shall not be changed without the prior written consent of Licensee. Licensee will use its best efforts to assist Programmer in the promotion and use of the call letters chosen by Programmer in connection with the broadcast of the Programming on the Station. Except as provided in Section 21 hereof, during the life of this Agreement, Programmer shall have no property right or interest in the Call Letters. Should Licensee consent to a change of the call sign for the Station, then Licensee shall have no property right or interest in such new call letters and will release to Programmer any such call letters upon termination of this Agreement. Licensee will provide to Programmer such reasonable assistance as Programmer may request (at no cost or penalty to Licensee) to protect Programmer's rights in such "new" call letters, and Licensee will not then replace the call letters with any that are similar to any "new" call sign chosen by Programmer. Subject to Licensee's prior consent to a call sign change, Licensee, in good faith, will reasonably assist and cooperate with Programmer to allow and effectuate (i) one or more changes of the call sign for the Station requested by Programmer, or (ii) the filing of any application with the FCC and/or the Federal Aviation Administration to modify or improve the authorized facilities for the Station. During the term of this Agreement, Programmer shall reimburse Licensee for any reasonable costs and expenses incurred by Licensee in connection with any call sign change or facilities modification application that is requested by Programmer. Programmer shall pay all costs and filing fees associated with any change in Station call letters requested by Programmer.

12. SPECIAL EVENTS. Licensee shall have the right, in its reasonable discretion, to preempt any of the broadcasts of the Programming referred to herein, and to use part or all of the hours of operation of the Station for the broadcast of events of special importance. In all such cases, Licensee will use its best, commercially reasonable, efforts to give the Programmer reasonable advance notice of its intention to preempt any regularly scheduled programming, and, in the event of such preemption, the Programmer shall receive a payment credit for any programming which would have been supplied by it during the time of such broadcasts by Licensee.

13. RIGHT TO USE THE PROGRAMMING. The right to use the Programming produced by the Programmer and to authorize its use in any manner and in any media whatsoever shall be at all times be vested solely in the Programmer except as authorized by this Agreement.

14. PAYOLA. The Programmer will provide to Licensee in advance of broadcast any information known to the Programmer regarding any money or other consideration which has been paid or accepted, or has been promised to be paid or to be accepted, for the inclusion of any matter as a part of any programming or commercial material to be supplied to Licensee by the

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Programmer for broadcast on the Station, unless the party making or accepting such payment is identified in the program as having paid for or furnished such consideration in accordance with FCC requirements. Should the Station determine that an announcement is required by Section 317 of the Communications Act of 1934 and related FCC rules, the Programmer will insert that announcement in the

Programming. The Programmer will obtain from its employees responsible for the Programming appropriate anti-payola/plugola affidavits. Commercial matters with obvious sponsorship identification will not require disclosure beyond the sponsorship identification contained in the commercial copy. The Programmer will at all times comply, and seek to have its employees comply, in all material respects with the requirements of Sections 317 and 507 of the Communications Act of 1934, as amended, and the related rules and regulations of the FCC.

15. COMPLIANCE WITH LAW. The Programmer will comply in all material respects with all laws and regulations applicable to the broadcast of programming by the Station.

16. INDEMNIFICATION. Each party hereto shall indemnify and hold the other, its officers, directors, stockholders, partners, affiliates and employees harmless from and against any and all claims, damages, liability, forfeitures, costs and expenses, including reasonable attorneys' fees, arising out of: (i) any breach or non-performance by said party of any of its representations, warranties, covenants or agreements set forth in this Agreement; (ii) any libel, slander, illegal competition or trade practice, violation of rights of privacy, and infringement of copyrights or other proprietary rights; and (iii) any violations of the Communications Act of 1934 or FCC rules resulting from said party's operation of the Station or its programming broadcast thereon.

17. EVENTS OF DEFAULT; CURE PERIODS AND REMEDIES.

17.1 EVENTS OF DEFAULT. The following shall constitute Events of Default under this Agreement:

17.1.1 NON-PAYMENT. The Programmer's failure to pay the Consideration within ten (10) days after written notice of a failure to pay said amount when due.

17.1.2 DEFAULT IN COVENANTS OR ADVERSE LEGAL ACTION. The default by either party in the performance of any material covenant, condition or undertaking contained in this Agreement, and such default is not cured within thirty (30) days after receipt of notice of default, or if either party shall make a general assignment for the benefit of creditors, files or has filed against it a petition for bankruptcy, for reorganization, or for the appointment of a receiver, trustee or similar creditors' representative for the property or assets of such party under any federal or state insolvency law, which, if filed against such party, has not been dismissed or discharged within 30 days thereafter.

17.1.3 BREACH OF REPRESENTATION. If any material representation or warranty made by either party in this Agreement, or in any certificate or document furnished by either party to the other pursuant to the provisions of this Agreement, shall prove to have been false or misleading in any material respect as of the time made or furnished, and such misrepresentation

or breach of warranty is not cured within thirty (30) days after receipt of notice of misrepresentation or breach.

17.2 TERMINATION UPON DEFAULT. Upon the occurrence of an Event of Default, the non-defaulting party may terminate this Agreement (except to the extent the provisions of Section 21 shall survive as provided therein), provided that it is not also in material default under this Agreement. If the Programmer has defaulted in the performance of its obligations, all amounts accrued or payable to Licensee up to the date of termination which have not been paid, less any payment credits outstanding in favor of the Programmer, shall immediately become due and payable, and Licensee shall be under no further obligation to make available to the Programmer any broadcast time or broadcast transmission facilities and Licensee shall not be required to return any portion of the Consideration, provided that Licensee agrees, for a period of time not to exceed ninety (90) days, to cooperate reasonably with the Programmer to discharge any remaining obligations of the Programmer in the form of air time following the effective date of termination. Licensee shall retain all revenue for programming, spots, announcements, or features broadcast on the Station after the termination of this Agreement pursuant to this Section 17.2. If Licensee has defaulted in the performance of its obligations, Programmer shall be entitled to cure the default of Licensee, at Licensee's sole cost for actual, reasonable costs and expenses incurred by Programmer relating to the cure of Licensee's default, and shall be entitled to deduct the cost of said cure from any Consideration which is or may become due; provided, however, that in the event Programmer shall elect to terminate this Agreement, all Consideration paid to Licensee which relates to periods after termination shall immediately become due and payable by Licensee to Programmer.

17.3 LIABILITIES UPON TERMINATION. The Programmer shall be

responsible for all of its liabilities, debts and obligations accrued from the purchase of broadcast time and transmission facilities of the Station, including, without limitation, indemnification pursuant to Section 16 hereof, accounts payable, barter agreements and unaired advertisements, but not for Licensee's federal, state, and local tax liabilities associated with Programmer's payments to Licensee as provided for herein, or for any other obligations or liabilities of Licensee or the Station unless specifically assumed by the Programmer under this Agreement. Upon termination, the Programmer shall return to Licensee any equipment or property of the Station used by the Programmer, its employees or agents, in substantially the same condition as such equipment existed on the date of this Agreement, ordinary wear and tear excepted, provided that the Programmer shall have no liability to Licensee for any property of Licensee which through ordinary use became obsolete or unusable, and any equipment purchased by the Programmer, whether or not in replacement of any obsolete or unusable equipment of Licensee, shall remain the property of the Programmer. Provided Programmer is not in default hereof, in the event this Agreement shall terminate as set forth in Section 3.2, Licensee shall pay Programmer a prorated share of the Consideration that is paid in advance to Licensee by Programmer.

18. OPTION TO TERMINATE. The Programmer shall have the right, at its option, to terminate this Agreement (except to the extent the provisions of Section 21 shall survive as provided therein) at any time if Licensee preempts or substitutes other programming for that supplied by the Programmer during ten percent or more of the total hours of operation of the

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Station in any seven consecutive days. The Programmer shall give Licensee five (5) days advance written notice of such termination. Each party shall have the right, at its option, to terminate this Agreement upon termination of the Asset Purchase Agreement described in Section 21.

19. TERMINATION UPON ORDER OF JUDICIAL OR GOVERNMENTAL AUTHORITY.

19.1 CONDUCT OF THE PARTIES. If any court of competent jurisdiction or any federal, state or local governmental authority designates a hearing with respect to the continuation or renewal of any license or authorization held by Licensee for the operation of the Station, advises any party to this Agreement of its intention to investigate or to issue a challenge to or a complaint concerning the activities permitted by this Agreement, or orders the termination of this Agreement and/or the curtailment in any manner material to the relationship between the parties to this Agreement of the provision of programming by Programmer, each party shall have the option to seek administrative or judicial appeal of or relief from such order(s) (in which event the other party reasonably shall cooperate with the party seeking relief from such order and each party shall be responsible for legal fees it has incurred in such proceedings). Notwithstanding the foregoing:

19.1.1 OF LICENSEE. Subject to Section 16, Licensee is responsible for all costs of defending the license of the Station to the extent any court of competent jurisdiction or any federal, state or local governmental authority designates a hearing with respect to the continuation or renewal of any license or authorization held by Licensee for the operation of the Station, advises any party to this Agreement of its intention to investigate or to issue a challenge to or a complaint concerning the activities permitted by this Agreement, or orders the termination of this Agreement and/or the curtailment in any manner material to the relationship between the parties to this Agreement of the provision of programming by Programmer, as a result of the conduct or programming of Licensee, or its employees or agents (excluding Programmer).

19.1.1 OF PROGRAMMER. Subject to Section 16, Programmer is responsible for all costs of defending the license of the Station to the extent any court of competent jurisdiction or any federal, state or local governmental authority designates a hearing with respect to the continuation or renewal of any license or authorization held by Licensee for the operation of the Station, advises any party to this Agreement of its intention to investigate or to issue a challenge to or a complaint concerning the activities permitted by this Agreement, or orders the termination of this Agreement and/or the curtailment in any manner material to the relationship between the parties to this Agreement of the provision of programming by Programmer, as a result of the conduct or programming of Programmer or its employees or agents (excluding Licensee).

19.2 EXISTENCE OF THE LMA. If the FCC designates the renewal application of the Station for a hearing as a consequence of the existence of this Agreement per se or for any reason other than as a result of the conduct or programming of Programmer, Licensee, subject to Section 16, shall be responsible for its expenses incurred as a consequence of the FCC proceeding; provided, however, that the Programmer shall cooperate and comply with any reasonable

request of Licensee to assemble and provide to the FCC information relating to the Programmer's performance under this Agreement. Upon termination following such governmental order(s),

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Licensee shall reasonably cooperate with the Programmer to the extent permitted to enable the Programmer to fulfill advertising or other programming contracts then outstanding. Licensee shall retain all revenue for programming, spots, announcements, or features broadcast on the Station after the termination of this Agreement pursuant to such governmental order(s).

20. REPRESENTATIONS AND WARRANTIES.

20.1 MUTUAL REPRESENTATIONS AND WARRANTIES. Each of Licensee and the Programmer represents to the other that (a) it is, or as of the Commencement Date will be, an entity legally qualified and in good standing in all applicable jurisdictions and is or, as of the Commencement Date will be, qualified to do business and in good standing with the State of California (b) it is fully qualified, empowered, and able to enter into this Agreement, (c) this Agreement has been approved by all necessary corporate and partnership action and that this Agreement constitutes the valid and binding obligation of such party, enforceable in accordance with the terms of this Agreement subject only to applicable bankruptcy, reorganization, insolvency or similar laws affecting creditors' rights generally; (d) the execution, delivery and performance hereof does not constitute a breach or violation of any agreement, contract or other obligation to which such party is subject or by which it is bound, or does not constitute a default under or result in the creation of any lien, charge or encumbrance upon any property or assets of Programmer or Licensee, or violate any law, regulation, judgment or order binding upon Programmer or Licensee; (e) no consent of any other party, and no consent, license, approval or authorization of, or exemption by, or filing, restriction or declaration with, any governmental authority, bureau, agency or regulatory authority is required in connection with the execution, delivery, validity or enforceability of this Agreement; and (f) No proceeding is pending against Programmer or Licensee, or, to the knowledge of Programmer or Licensee, threatened before any court or governmental agency to restrain or prohibit, or to obtain damages, or other relief in connection with this Agreement or the consummation of the transactions contemplated hereby. Programmer represents that except for Gary Stevens & Co., it has not engaged a media broker in connection with this Agreement; Licensee represents that it has not engaged a media broker in connection with this Agreement and Programmer and Licensee each agrees to indemnify the other and hold the other harmless against any claim any media broker or finder based upon any agreement, arrangement, or understanding alleged to have been made by Programmer or by Licensee, as the case may be.

20.2 REPRESENTATIONS, WARRANTIES AND COVENANTS OF LICENSEE.

Licensee makes the following additional representations, warranties and covenants:

20.2.1 AUTHORIZATIONS. Licensee owns and holds all licenses and other permits and authorizations necessary for the operation of the Station as presently conducted (including licenses, permits and authorizations issued by the FCC), and such licenses, permits and authorizations will be in full force and effect for the entire term, unimpaired by any acts or omissions of Licensee, its principals, employees or agents. There is not now pending or, to Licensee's best knowledge, threatened, any action by the FCC or other party to revoke, cancel, suspend, refuse to renew or modify adversely any of such licenses, permits or authorizations, and,

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to Licensee's best knowledge, no event has occurred that allows or, after notice or lapse of time or both, would allow, the revocation or termination of such license, permits or authorizations or the imposition of any restriction thereon of such a nature that may limit the operation of the Station as presently conducted. Licensee has no reason to believe that any such license, permit or authorization will not be renewed during the term of this Agreement in its ordinary course. Licensee is not in violation of any statute, ordinance, rule, regulation, order or decree of any federal, state, local or foreign governmental agency, court or authority having jurisdiction over it or over any part of its operations or assets, which default or violation would have an adverse effect on Licensee or its assets or on its ability to perform this Agreement.

20.2.2 FILINGS. All material reports and applications required to be filed with the FCC or any other governmental agency, department or body in respect of the Station have been, and in the future will be, filed in

a timely manner and are and will be true and complete and accurately present the information contained therein. All such reports and documents, to the extent required to be kept in the public inspection files of the Station, are and will be kept in such files. Upon request by Licensee, Programmer shall provide in a timely manner any such information or documents in its possession which will enable Licensee to prepare, file or maintain the records and reports required by the FCC.

20.2.3 FACILITIES. Subject to the terms hereof, the Station's facilities will be maintained at the expense of Licensee and will comply and be operated, in all material respects, in accordance with the maximum facilities permitted by the FCC authorizations for the Station and with good engineering standards necessary to deliver a high quality technical signal to the area served by the Station, and with all applicable laws and regulations (including the requirements of the Communications Act of 1934 and the rules, regulations, policies and procedures of the FCC promulgated thereunder). All capital expenditures reasonably required to maintain the quality of the Station's signal shall be made promptly at the expense of Licensee, subject to prompt reimbursement by Programmer of such expenditures if they are undertaken in furtherance of the improved or continued delivery of Programmer's Programming over the Station and Programmer has consented to such reimbursement in advance, which consent shall not be unreasonably withheld or delayed.

20.2.4 TITLE TO PROPERTIES. Licensee has, and will throughout the term hereof maintain, good and marketable title to all of the assets and properties including, without limitation, real property, used in the operation of the Station, free and clear of any liens, claims or security interests that would affect adversely Licensee's performance hereunder or the business and operations of Programmer permitted hereby. Except in the ordinary course of business of the Station consistent with past practices, Licensee will not dispose of, transfer, assign or pledge any such asset, except with the prior written consent of Programmer, if such action would affect adversely Licensee's performance hereunder or the business and operations of Programmer permitted hereby.

20.2.5 PAYMENT OF OBLIGATIONS. Licensee shall pay in a timely fashion all of its debts, assessments and obligations, including without limitation tax liabilities and payments

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attributable to the operations of the Station, as they come due from and after the effective date of this Agreement, to the extent failure to do so will affect Programmer's rights under this Agreement.

20.2.6 INSURANCE. Licensee will maintain in full force and effect throughout the term of this Agreement insurance with responsible and reputable insurance companies fire and extended coverage and liability insurance and such other insurance as may be required by law or consistent with past practice of the Station. Except as otherwise permitted by the Purchase Agreement, any insurance proceeds received by Licensee in respect of damaged property will be used to repair or replace such property so that the operations of the Station conform with this Agreement.

20.3. PROGRAMMER'S REPRESENTATIONS, WARRANTIES AND COVENANTS.

20.3.1 COMPLIANCE WITH 47 C.F.R. SEC.

73.3555(A)(2)(II). Programmer hereby verifies that this Agreement complies with the FCC's restrictions on local and national multiple station ownership set out in Section 73.3555(a)(1) and (e)(1) of the FCC Rules.

20.3.2 COMPLIANCE WITH APPLICABLE LAW. Programmer's performance of its obligations under the Agreement and its furnishing of Programming will be in compliance with, and will not violate, any applicable laws or any applicable rules, regulations, or orders of the FCC or any other governmental agency.

20.3.3 FCC QUALIFICATIONS. Programmer has no knowledge after due inquiry of any facts concerning Programmer or any other person with an attributable interest in Programmer (as such term is defined under the Rules and Regulations of the FCC) which, under present law (including the Communications Act of 1934, as amended ("the Act")) and the Rules and Regulations of the FCC, would disqualify Programmer from being the holder of the FCC Licenses, the owner of the Sale Assets or the operator of the Station upon consummation of the transactions contemplated by this Agreement; or raise a substantial and material question of fact (within the meaning of Section 309(e) of the Act) respecting Programmer's qualifications.

20.3.4 COMPLIANCE WITH COPYRIGHT ACT. Programmer represents and warrants that Programmer has full authority to broadcast its programming on the Station and the Programmer shall not broadcast any material

in violation of any law, rule, regulation or the Copyright Act. Programmer acknowledges that it is solely responsible for payment of any public performance music license fees or royalties for music contained in the Programming, spots, announcements, features or any other programming of Programmer including, without limitation, fees payable to ASCAP, BMI and/or SESAC.

21. OPTION RIGHT FOR THE STATION.

21.1 OPTION RIGHT. At any time prior to the Termination Date, and provided Programmer is not in default under this Agreement, Programmer shall have the right (the "Option

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Right") to purchase the Station pursuant to the Asset Purchase Agreement attached hereto as Exhibit "A" (the "Asset Purchase Agreement").

21.2 EXERCISE OF OPTION RIGHT. The Option Right may only be exercised by the Programmer's delivery to the Licensee prior to the Termination Date of written notice of exercise of the Option Right (in either case, the "Exercise Notice"). The Exercise Notice shall state that the Option Right is exercised without condition or qualification other than (i) the receipt of any required approval of the FCC for the assignment of the Station's FCC licenses pursuant hereto, and (ii) the satisfaction of all conditions set forth in the Asset Purchase Agreement. Within five (5) business days following delivery of the Exercise Notice, Licensee shall deliver the Asset Purchase Agreement duly executed by Licensee to Programmer.

21.3 SURVIVAL OF OPTION RIGHT UPON TERMINATION OF PROGRAMMING ARRANGEMENT. In the event Programmer's right to program the Station under this Agreement is terminated for any reason other than the fault or default of Programmer, Programmer may, within thirty (30) days following such termination, give notice, pursuant to Section 21.2 hereof, of its intention to purchase the assets of the Station on the terms and conditions set forth in the Asset Purchase Agreement. In the event Programmer does not give such notice within such thirty (30) day period, the Option Right shall terminate.

21.4 LICENSEE'S WARRANTIES. Licensee warrants and represents to Programmer that:

(a) At Closing (as defined in the Asset Purchase Agreement) Licensee will have, good, marketable and indefeasible title to and full power of disposition over the Sale Assets (as defined in the Asset Purchase Agreement), and the full right to sell and transfer to Programmer all of the Sale Assets without the requirement of obtaining the consent or approval of any other person, entity, agency or authority except the FCC.

(b) Except for any liens created by the recording of this Agreement, the Sale Assets will be free of all liens, claims, debts or other encumbrances at Closing.

21.5 LICENSEE'S COVENANTS. Licensee covenants that, commencing on the Commencement Date hereof and continuing through the Termination Date, the Station shall be operated in accordance with the covenants set forth in Section 5.1 of the Asset Purchase Agreement, which covenants are incorporated herein by reference.

22. MODIFICATION AND WAIVER. No modification or waiver of any provision of this Agreement shall be effective unless made in writing and signed by the party adversely affected, and any such waiver and consent shall be effective only in the specific instance and for the purpose for which such consent was given.

23. NO WAIVER: REMEDIES CUMULATIVE. No failure or delay on the part of Licensee or the Programmer in exercising any right or power under this Agreement shall operate as a waiver

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thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the parties to this Agreement are cumulative and are not exclusive of any right or remedies which either may otherwise have.

24. CONSTRUCTION. This Agreement shall be construed in accordance with

the laws of the State of California. The obligations of the parties to this Agreement are subject to all federal, state or local laws or regulations, including those of the FCC, now or hereafter in force.

25. HEADINGS. The headings contained in this Agreement are included for convenience only and shall not in any way alter the meaning of any provision.

26. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. Neither party may assign any of its rights or obligations under this Agreement without the prior written consent of the other party, except that Programmer may assign its rights and obligations, or any of them, to an entity controlled by or under common control with Programmer without the prior written consent of Licensee.

27. COUNTERPART SIGNATURES. This Agreement may be signed in one or more counterparts, each of which shall be deemed a duplicate original and be binding on the parties to this Agreement.

28. NOTICES. Any notice required hereunder shall be in writing and shall be sufficiently given if delivered by a nationally recognized overnight delivery service or sent by registered or certified mail, first class postage prepaid, or by telegram, facsimile or similar means of communication, addressed as follows:

If to Licensee, to:

Concord Media Group, Inc.
11521 Infields Drive
Odessa, FL 33556
Attn: Mark Jorgensen
Telephone: (813) 926-9260
Facsimile: (813) 926-9001

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Copy to:

Mr. Lee Shubert, Esq.
Rosenman & Colin LLP
805 15th Street, N.W.
9th Floor
Washington, DC 20005-2202
Telephone: 202-216-4695
Facsimile: 202-216-4700

If to the Programmer, to:

c/o Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, California 93012
Telephone: (805) 987-0400
Facsimile No.: (805) 384-4505
Attention: Jonathan L. Block, Esq.
Corporate Counsel

28.1. ALTERNATE ADDRESSEES. Notice, as provided by this Section, may be given to any other person or party, as any party hereto may in the future designate in writing, upon due notice to the other party(ies).

28.2. DATE OF NOTICE, ACTION. The date of delivery by hand, or the postal receipt for deposit with the U.S. Mail or courier service specified herein shall establish the date of such notification or communication. If any notification, communication or action is required or permitted to be given or taken within a certain period of time and the last date for doing so falls on a Saturday, Sunday, a federal legal holiday or legal holiday by law in the State of California, the last day for such notification, communication or action shall be extended to the first date thereafter which is not a Saturday, Sunday or such legal holiday.

29. EXPENSES; ATTORNEY'S FEES. In the event any action is filed with respect to this Agreement, the prevailing party shall be reimbursed by the other party for all its actual costs and expenses incurred in connection with the action, including without limitation reasonable attorney's fees.

30. ENTIRE AGREEMENT. This Agreement embodies the entire agreement between the parties and there are no other agreements, representations, warranties, or understandings, oral or written, between them with respect to the subject matter hereof.

31. SPECIFIC PERFORMANCE. Licensee acknowledges that the Station is of

a special, unique, and extraordinary character, and that any breach of this Agreement by Licensee could not be compensated for by damages. Accordingly, if Licensee shall breach its obligations under this Agreement, Programmer shall be entitled, in addition to any of the remedies that it may have, to

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enforcement of this Agreement (subject to obtaining any required approval of the FCC) by decree of specific performance or injunctive relief requiring Licensee to fulfill its obligations under this Agreement. In any action by Programmer to equitably enforce the provisions of this Agreement, Licensee shall waive the defense that there is an adequate remedy at law or equity and agrees that Programmer shall have the right to obtain specific performance of the terms of this Agreement without being required to prove actual damages, post bond or furnish other security.

32. BROKERAGE FEES. Any and all commissions, fees, costs, and expenses and related amounts due Gary Stevens & Co. and any other broker, agent, finder or other similarly situated party arising out of the transactions set forth in this Agreement and the Asset Purchase Agreement, shall be paid and borne exclusively by Programmer.

33. TIME OF THE ESSENCE. Time is of the essence with respect to all rights and obligations of this Agreement.

34. RESOLUTION OF CLAIMS AND DISPUTES. Regardless of the place of execution, this Agreement shall be deemed to be a contract made in San Diego, California and shall be interpreted as a contract to be performed wholly in the State of California. The law of the State of California shall be applied without regard to the principles of conflicts of laws. Each party expressly waives any presumption or rule, if any, which requires this Agreement and/or any other Agreement to be construed against the drafting party. Any claims or disputes arising out of or relating to this Agreement shall be resolved only by mediation or, if mediation does not resolve the claim or dispute within ten (10) days of notice demanding mediation, by arbitration in accordance with the Rules of Procedure for Commercial Arbitration of the American Arbitration Association and any award therefrom shall be rendered by the arbitrators as a judgment in any trial court having jurisdiction in the city of San Diego, California, or of any other court having competent jurisdiction.

35. NO WAIVER; REMEDIES CUMULATIVE. No failure or delay on the part of Licensee or Programmer in exercising any right or power hereunder shall operate as a waiver thereof, nor any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, shall preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of Licensee and Programmer herein provided are cumulative and are not exclusive of any rights or remedies which they may otherwise have.

36. CONFIDENTIALITY. Subject to the requirements of applicable law, Programmer and Licensee shall each keep confidential all information obtained by it with respect to the other parties hereto in connection with this Agreement and the negotiations preceding this Agreement, and will use such information solely in connection with the transactions contemplated by this Agreement. Notwithstanding the foregoing, no party will be required to keep confidential or return any information which: (i) is known or available through other lawful sources, not known to the disclosing party to be bound by a confidentiality agreement with the disclosing party; (ii) is or becomes publicly known through no fault of the receiving party or its agents; (iii) is

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required to be disclosed pursuant to a valid order of a judicial or governmental authority (provided the disclosing party is given reasonable prior notice of the order or request and the purpose of disclosure); or (iv) is developed by the receiving party independently of the disclosure by the disclosing party.

37. EXPLICATION. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular and to the singular include the plural, references to any gender include any other gender, the part includes the whole, the term "including" is not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Article, section, subsection, clause, exhibit and schedule references are to this Agreement, unless otherwise specified. Any reference in or to this Agreement or any of the ancillary agreements includes any and all permitted alterations, amendments, changes,

extensions, modifications, renewals, or supplements thereto or thereof, as applicable.

38. NO JOINT VENTURE. The parties agree that nothing herein shall constitute a joint venture between them. The parties acknowledge that call letters, trademarks and other intellectual property shall at all times remain the property of the respective parties and, except as provided in Section 21, that neither party shall obtain any ownership interest in the other party's intellectual property by virtue of this Agreement.

39. COOPERATION. Each party will cooperate with the other with respect to establishing and attaining the strategic and operational goals of the Station.

40. DISPUTES; FINAL TERMINATION. In the event Programmer or Licensee in good faith contests any basis for termination exercised pursuant to this Agreement, the termination shall not become effective until the dispute is arbitrated as provided herein. In the event the Licensee terminates the Agreement for any reason other than non-payment of the Monthly Fee, the Agreement shall continue in effect until the dispute is arbitrated, as provided herein, only so long as Programmer continues to make payments as provided by SECTION 1 of this Agreement. Any dispute concerning termination pursuant to this Agreement shall be resolved by binding arbitration pursuant to the rules of the American Arbitration Association. The prevailing party shall be entitled to reimbursement from the non-prevailing party of all reasonable expenses actually incurred to comply with this arbitration provision. The prevailing party shall mean the party that is successful in obtaining substantially all the relief sought. In the event of a dispute under this Agreement, Programmer shall satisfy its payment obligations under SECTION 2 if payments during the dispute are made by Programmer to a Dispute Escrow Agent who shall act as fiduciary to the Programmer and Licensee. Unless otherwise hereafter provided, the Dispute Escrow Agent shall be GARY STEVENS & CO. Should the Programmer be the party seeking termination of this Agreement, and in the event the Programmer is declared to be the prevailing party, then any payments made by Programmer, under SECTION 2 of this Agreement, during the term the dispute is being arbitrated shall be refunded by Licensee to Programmer by not later than the tenth (10th) day after the decision of the arbitrator(s) is issued.

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41. CONSTRUCTION OF AGREEMENT. This Agreement is the product of negotiation and preparation by, between and among Programmer and Licensee and their respective attorneys. Accordingly, the parties hereto acknowledge and agree that this Agreement shall not be deemed prepared or drafted by one party or another, and shall be construed accordingly.

42. FURTHER ASSURANCES. After the Commencement Date, each of the parties, upon the reasonable request of the other, will take such reasonable actions or deliver or execute such further documents, materials, signatures, or information as may be reasonably necessary to assure compliance with, or effectuation of, the terms and conditions to this Agreement and the bona fide good faith intentions of the parties hereto.

43. SCHEDULES AND EXHIBITS. All schedules, exhibits and riders attached to this Agreement shall be deemed part of this Agreement and incorporated herein, where applicable, as if full set forth herein.

44. ACCOUNTING PERIODS; ADJUSTMENTS AND PRORATIONS. For the purposes of this Agreement, and except as otherwise provided herein, the allocation of accounts receivable and accounts payable for the time preceding the Commencement Date shall be made effective as of 12:01 AM, Pacific Time, on the Commencement Date; to wit: all accounts payable and accounts receivable for the period prior to the Commencement Date, shall be the responsibility of, and belong to Licensee, and all accounts payable and accounts receivable for the period on or after Commencement Date, through and including the Termination Date, shall be the responsibility of Programmer. All taxes, accrued, rents, deposits, power and utility charges, obligations under agreements, prepaid items and expenses and similar items applicable to the Station shall be allocated among Programmer and Licensee effective as of 12:01 AM on the Commencement Date and the Termination Date. As of 12:01 AM Pacific Time on the Commencement Date, the expenses shall be prorated in accordance with generally accepted accounting principles and shall include, but not be limited to, the following: (i) If Licensee shall not have paid through the Commencement Date, all utility charges such as telephone, electricity and gas, Programmer shall be entitled to a credit therefor based upon the last paid bills for similar charges; (ii) Licensee shall be entitled to a credit for the unearned portion of insurance premiums on policies which Programmer may elect to assume; (iii) Licensee shall prorate with Programmer for accrued personal property, real estate and any other taxes based upon the last ascertainable tax bill; and (iv) Programmer shall be allowed credit as to any prepayment received by Licensee for services to be rendered by Programmer on or after the Commencement Date. Licensee shall be allowed credit for services

rendered by it for which payment will be received by Programmer on or after the Commencement Date. The Licensee's accountants and the Programmer's accountants shall attempt in good faith to resolve any disputes to such adjustments. In the event such accountants are unable to resolve any such disputes within thirty (30) days after the realization by the parties of the existence of a dispute, then such dispute shall be resolved by a third party accounting firm to be selected, within ten (10) days of the realization of the dispute, by the respective accountants for Programmer and Licensee (the fees of such third party accounting firm shall be paid equally by the disputing parties), and any such determination of the third party accounting firm shall be binding and conclusive on the disputing parties.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

"LICENSEE"

"PROGRAMMER "

CONCORD MEDIA GROUP, INC.

RADIO 1210, INC.

By: /s/ Mark Jorgenson

By: /s/ Eric H. Halvorson

Name: Mark Jorgenson
Title: President

Eric H. Halvorson
Executive Vice President

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ASSET PURCHASE AGREEMENT

WNIV - FM, ATLANTA, GEORGIA
WLTA - FM, ALPHARETTA, GEORGIA

This AGREEMENT (the "Agreement") is dated as of August 18, 1999, by and between SALEM MEDIA OF GEORGIA, INC. ("Buyer") and GENESIS COMMUNICATIONS, INC. ("Seller").

RECITALS:

1. Seller owns and operates radio stations WNIV-FM, Atlanta, Georgia ("WNIV"), and WLTA-FM, Alpharetta, Georgia ("WLTA" and with WNIV, the "Stations"), and holds the licenses and authorizations issued by the FCC for the operation of the Stations.

2. Seller is willing to convey the Sale Assets to Buyer, and Buyer is willing to acquire the Sale Assets.

3. The acquisition of the Stations is subject to prior approval of the FCC.

NOW THEREFORE, in consideration of the mutual covenants contained herein, Seller and Buyer hereby agree as follows:

ARTICLE 1

TERMINOLOGY

1.1 ACT. The Communications Act of 1934, as amended.

1.2 ADJUSTMENT AMOUNT. As provided in Section 2.7(b), the amount by which Buyer's account is to be credited or charged, as reflected on the Adjustment List.

1.3 ADJUSTMENT LIST. As provided in Section 2.7(b), an itemized list of all sums to be credited or charged against the account of Buyer, with a brief explanation in reasonable detail of the credits or charges.

1.4 ASSUMED OBLIGATIONS. Such term shall have the meaning defined in Section 2.3.

1.5 BUSINESS DAY. Any calendar day, excluding Saturdays and Sundays, on which federally chartered banks in the city of Atlanta, Georgia, are regularly open for business.

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1.6 BUYER'S THRESHOLD LIMITATION. As provided in Section 9.3(b), the threshold dollar amount for the aggregate of claims, liabilities, damages, losses, costs and expenses that must be incurred by Buyer before Seller shall be obligated to indemnify Buyer. The Buyer's Threshold Limitation shall be Ten Thousand Dollars (\$10,000).

1.7 CASUALTY TERMINATION PERIOD. Such term shall have the meaning defined in Article XII.

1.8 CLOSING. The closing with respect to the transactions contemplated by this Agreement.

1.9 CLOSING DATE. The date determined as the Closing Date as provided in Section 8.1.

1.10 DOCUMENTS. This Agreement and all Exhibits and Schedules hereto, and each other agreement, certificate, or instrument delivered pursuant to or in connection with this Agreement, including amendments thereto that are expressly permitted under the terms of this Agreement.

1.11 EARNEST MONEY. The amount of Four Hundred Thousand Dollars (\$400,000).

1.12 ENVIRONMENTAL ASSESSMENT. Such term shall have the meaning defined in Section 5.10.

1.13 ENVIRONMENTAL LAWS. The Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Clean Air Act and the Toxic Substances Control Act, each as

amended, and any other applicable federal, state and local laws, statutes, rules or regulations concerning the treating, producing, handling, storing, releasing, spilling, leaking, pumping, pouring, emitting or dumping of Hazardous Materials (as defined below).

1.14 ESCROW AGENT. Jorgenson Broadcast Brokerage.

1.15 ESCROW AGREEMENT. The Escrow Agreement in the form attached as Exhibit A which Seller, Buyer and the Escrow Agent have entered into concurrently with the execution of this Agreement relating to the deposit, holding, investment and disbursement of the Earnest Money.

1.16 EXCLUDED ASSETS. Such term shall have the meaning defined in Section 2.2.

1.17 FCC. Federal Communications Commission.

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1.18 FCC LICENSES. The licenses, permits and authorizations of the FCC for the operation of the Stations as listed on Schedule 3.8.

1.19 FCC ORDER. An order or decisions of the FCC granting its consent to the assignments of the FCC Licenses to Buyer.

1.20 FINAL ACTION. An action of the FCC that has not been reversed, stayed, enjoined, set aside, annulled or suspended; with respect to which no timely petition for reconsideration or administrative or judicial appeal or sua sponte action of the FCC with comparable effect is pending and as to which the time for filing any such petition or appeal (administrative or judicial) or for the taking of any such sua sponte action of the FCC has expired.

1.21 HAZARDOUS MATERIALS. Toxic materials, hazardous wastes, hazardous substances, pollutants or contaminants, asbestos or asbestos-related products, PCB's, petroleum, crude oil or any fraction or distillate thereof (as such terms are defined in any applicable federal, state or local laws, ordinances, rules and regulations, and including any other terms which are or maybe used in any applicable environmental laws to define prohibited or regulated substances).

1.22 INDEMNIFIED PARTY. Any party described in Section 9.3(a) or 9.4(a) against which any claim or liability may be asserted by a third party which would give rise to a claim for indemnification under the provisions of this Agreement by such party.

1.23 INDEMNIFYING PARTY. The party to the Agreement (not the Indemnified Party) that, in the event of a claim or liability asserted by a third party against the Indemnified Party which would give rise to a claim for indemnification under the provisions of this Agreement, may at its own expense, and upon written notice to the Indemnified Party, compromise or defend such claim.

1.24 KNOWLEDGE. Means: (i) as to Buyer, the knowledge, after due inquiry in their respective areas of responsibility of Edward G. Atsinger III, President, and Eric H. Halvorson, Executive Vice President; and (ii) as to Seller, the knowledge, after due inquiry in their respective areas of responsibility, of Bruce Maduri, President of Genesis Communications, Inc. and _____, General Manager of the Stations.

1.25 LIEN. Any mortgage, deed of trust, pledge, hypothecation, security interest, encumbrance, lien, lease or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, affecting any assets or property, including any written or oral agreement to give or grant any of the foregoing, any conditional sale or other title retention agreement, and the filing of or agreement to give any financing statement with respect to any assets or property under the Uniform Commercial Code or comparable law of any jurisdiction.

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1.26 MATERIAL ADVERSE CONDITION OR MATERIAL ADVERSE EFFECT. A condition which would materially restrict, limit, increase the cost or burden of or otherwise adversely affect or impair the right of Buyer to the ownership, use, control, enjoyment or operation of the Sale Assets or the Stations or the proceeds therefrom; provided, however, that any condition which requires that the Stations be operated in accordance with a condition similar to those contained in the present FCC licenses issued for operation of the Stations shall not be deemed a Material Adverse Condition.

1.27 OSHA LAWS. The Occupational Safety and Health Act of 1970, as

amended, and all other federal, state or local laws or ordinances, including orders, rules and regulations thereunder, regulating or otherwise affecting health and safety of the workplace.

1.28 PERMITTED LIEN. Any statutory lien which secures a payment not yet due that arises, and is customarily discharged, in the ordinary course of Seller's business; any easement, right-of-way, encroachment or similar imperfection in the Seller's title to its assets or properties that, individually and in the aggregate, are not material in character or amount and do not and are not reasonably expected to materially impair the value or materially interfere with the use of any asset or property of the Seller material to the operation of its business as it has been and is now conducted; provided said term shall not include any such lien which is discharged at or before closing.

1.29 PURCHASE PRICE. The consideration to be paid by Buyer to Seller for purchase of the Sale Assets in an amount equal to Eight Million Dollars (\$8,000,000).

1.30 REAL PROPERTY. Such term shall have the meaning defined in Section 3.7.

1.31 RULES AND REGULATIONS. The rules of the FCC as set forth in Volume 47 of the Code of Federal Regulations, as well as such other written policies of the Commission, whether contained in the Code of Federal Regulations, or not, that apply to the Stations.

1.32 SALE ASSETS. All of the tangible and intangible assets to be transferred by Seller to Buyer as set forth in Section 2.1.

1.33 SELLER'S THRESHOLD LIMITATION. As provided in Section 9.4(b), the threshold dollar amount for the aggregate of claims, liabilities, damages, losses, costs and expenses that must be incurred by Seller before Buyer shall be obligated to indemnify Seller. The Seller's Threshold Limitation shall be Ten Thousand Dollars (\$10,000).

1.34 SUBSTANTIAL CASUALTY. Such term shall have the meaning defined in Article XI.

1.35 STATION AGREEMENTS. The agreements, commitments, contracts, leases and other items described in Section 2.1(d) which relate to the operation of the Stations.

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1.36 SURVIVAL PERIOD. Such term shall have the meaning defined in Section 9.1.

1.37 TANGIBLE PERSONAL PROPERTY. The personal property described in Section 2.1(a).

ARTICLE II

PURCHASE AND SALE

2.1 SALE ASSETS. On the Closing Date, Seller will sell, transfer, assign and convey to Buyer, and Buyer will purchase from Seller, free and clear of all Liens, except Permitted Liens and other Liens expressly accepted by Buyer, all of Seller's right, title and interest, legal and equitable, in and to all tangible and intangible assets (except Excluded Assets) used and/or useful in the operation of the Stations as they are or have been and/or are now being operated, including, without limitation, the following:

(a) TANGIBLE PERSONAL PROPERTY. All equipment, parts, supplies, furniture, fixtures and other tangible personal property used and/or useful in the operation of the stations as they have been and/or are now being operated, including, without limitation, those items listed on Schedule 3.6, together with such modifications, replacements, improvements and additional items, and subject to such deletions therefrom, made or acquired between the date hereof and the Closing Date in accordance with the terms and provisions of this Agreement.

(b) REAL PROPERTY. All right, title and interest in and to the Real Property and any other real estate or interests therein acquired by Seller solely in connection with the Stations between the date hereof and the Closing Date in accordance with the terms and provisions of this Agreement.

(c) LICENSES AND PERMITS. The FCC Licenses and all other assignable or transferable governmental permits, licenses and authorizations (and any renewals, extensions, amendments or modifications thereof) now held by Seller or hereafter obtained by Seller between the date hereof and the Closing Date, to the extent such other permits, licenses and authorizations pertain to or are used in the operation of the Stations.

(d) STATION AGREEMENTS. All agreements which Seller is a party to or bound by which are listed on Schedule 3.9 as agreements which Buyer is electing to assume; any renewals, extensions, amendments or modifications of those agreements being assumed which are made in the ordinary course of Seller's operation of the Stations and in accordance with the terms and provisions of this Agreement; and any additional such agreements, contracts, leases, commitments or orders (and any renewals, extensions, amendments or modifications thereof) made or entered into between the date hereof and

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the Closing Date in accordance with the terms and provisions of this Agreement and which Buyer elects to assume in writing.

(e) RECORDS. True and complete copies of all of the books, records, accounts, files, logs, ledgers, reports of engineers and other consultants or independent contractors, pertaining to or used in the operation of the Stations (other than corporate records), including, without limitation, the public inspection files of the Stations.

(f) MISCELLANEOUS ASSETS. Any intangible assets, properties or rights described on any schedule hereto or on Schedule 2.1(f), including the call letters and any goodwill of the Stations.

2.2 EXCLUDED ASSETS. Notwithstanding any provision of this Agreement to the contrary, Seller shall not transfer, convey or assign to Buyer, but shall retain all of its right, title and interest in and to, the following assets owned or held by it on the Closing Date ("Excluded Assets"):

(a) Any and all cash, cash equivalents, cash deposits to secure contract obligations (except to the extent Seller receives a credit therefor under Section 2.7, in which event the deposit shall be included as part of the Sale Assets), all inter-company receivables from any affiliate of Seller and all other accounts receivable, bank deposits and securities held by Seller in respect of the Stations at the Closing Date.

(b) Any and all claims of Seller with respect to transactions prior to the Closing including, without limitation, claims for tax refunds and refunds of fees paid to the FCC.

(c) All prepaid expenses (except to the extent Seller receives a credit therefor under Section 2.7, in which event the prepaid expense shall be included as part of the Sale Assets).

(d) All contracts of insurance and claims against insurers.

(e) All employee benefit plans and the assets thereof and all employment contracts.

(f) All contracts that are terminated in accordance with the terms and provisions of this Agreement or have expired prior to the Closing Date in the ordinary course of business; and all loans and loan agreements.

(g) All tangible personal property disposed of or consumed between the date hereof and the Closing Date in accordance with the terms and provisions of this Agreement.

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(h) Seller's corporate records except to the extent such records pertain to or are used in the operation of the Stations, in which case Seller shall deliver accurate copies thereof to Buyer.

(i) All commitments, contracts and agreements not specifically assumed by Buyer pursuant to Section 2.1(d), above.

(j) All property, real or personal, tangible or intangible, disclosed on Schedule 3.5.

2.3 ASSUMPTION OF LIABILITIES.

(a) At the Closing, Buyer shall assume and agree to perform the following liabilities and obligations of Seller (the "Assumed Obligations"):

(i) Current liabilities of Seller for which Buyer receives a credit pursuant to Section 2.7, but not in excess of the amount of such credit.

(ii) Liabilities and obligations arising under the Station

Agreements, if any, assumed by and transferred to Buyer in accordance with this Agreement, but only to the extent such liabilities and obligations relate to any period of time after the Closing Date.

(b) Except for the Assumed Obligations, Buyer shall not assume or in any manner be liable for any duties, responsibilities, obligations or liabilities of Seller of any kind or nature, whether express or implied, known or unknown, contingent or absolute, including, without limitation, any liabilities to or in connection with Seller's employees whether arising in connection with the transaction contemplated hereunder or otherwise.

2.4 EARNEST MONEY.

(a) Concurrently with the execution of this Agreement, Buyer has deposited with Escrow Agent under the Escrow Agreement, in immediately available funds, the Earnest Money. The Escrow Agent shall hold the Earnest Money under the terms of the Escrow Agreement in trust for the benefit of the parties hereto. Interest and other earnings on the Earnest Money shall be distributed by the Escrow Agent to Buyer from time to time upon the request of Buyer.

(b) If Closing does not occur, the Earnest Money shall be delivered to Seller or returned to Buyer in accordance with Section 10.2, and if Closing does occur, the Earnest Money shall be applied to payment of the Purchase Price at Closing as provided in Section 2.5.

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2.5 PAYMENT OF PURCHASE PRICE.

(a) The Purchase Price shall be paid by Buyer as follows:

(i) At the Closing, the Earnest Money shall, subject to execution and delivery by Seller of the closing documents described in Section 8.2, become the property of Seller and shall, pursuant to the Escrow Agreement, be disbursed to Seller by cashier's check or wire transfer of immediately available funds.

(ii) The Purchase Price, less the amount of the Earnest Money disbursed to Seller, shall be paid to Seller, at Closing by wire transfer of immediately available funds.

(b) Buyer shall pay to Seller, or Seller shall pay to Buyer, the Adjustment Amount in accordance with Section 2.7.

2.6 ALLOCATION OF THE PURCHASE PRICE. Prior to Closing, Buyer and Seller shall use their reasonable best efforts to agree on an allocation of the Purchase Price. Buyer and Seller shall use such allocation for all reporting purposes in connection with federal, state and local income and, to the extent permitted under applicable law, franchise taxes. Buyer and Seller agree to report such allocation to the Internal Revenue Service in the form required by Treasury Regulation Section 1.1060-1T.

2.7 ADJUSTMENT OF PURCHASE PRICE.

(a) All operating income and operating expenses of the Stations shall be adjusted and allocated between Seller and Buyer, and an adjustment in the Purchase Price shall be made as provided in this Section, to the extent necessary to reflect the principle that all such income and expenses attributable to the operation of the Stations on or before the Closing Date shall be for the account of Seller, and all income and expenses attributable to the operation of the Stations after the closing Date shall be for the account of Buyer.

(b) To the extent not inconsistent with the express provisions of this Agreement, the allocations made pursuant to this Section 2.7 shall be made in accordance with generally accepted accounting principles.

(c) For purposes of making the adjustments pursuant to this Section, Buyer shall prepare and deliver the Adjustment List to Seller within thirty (30) days following the Closing Date, or such earlier or later date as shall be mutually agreed to by Seller and Buyer. The Adjustment List shall set forth the Adjustment Amount. If the Adjustment Amount is a credit to the account of Buyer, unless disputed, Seller shall pay such amount to Buyer, and if the Adjustment Amount is a charge to the account of Buyer, Buyer shall pay such amount to Seller. In the event Seller disagrees with the Adjustment Amount determined by Buyer or with any other matter arising out of this subsection, and Buyer

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and Seller cannot within sixty (60) days resolve the disagreement themselves, the parties will refer the disagreement to a firm of independent certified public accountants, mutually acceptable to Seller and Buyer, whose decision shall be final and whose fees and expenses shall be allocated between and paid by Seller and Buyer, respectively, to the extent that such party does not prevail on the disputed matters decided by the accountants.

2.8 ACCOUNTS RECEIVABLE For a period of time (the "Collection Period") from the Closing Date to a date being ninety (90) days from the Closing Date, Buyer shall collect all of the accounts receivable of Seller ("Accounts Receivable") relating to the Stations and existing as of the Closing Date. During such period neither Seller nor its agents shall make any solicitation for collection purposes nor institute litigation for the collection of any amounts due thereunder, except for such Accounts Receivable which Buyer has consented to Seller's collection thereof prior to the expiration of the Collection Period. Any payment received by Buyer during the Collection Period from an account debtor shall be applied to such specific outstanding invoices or in such other manner as may be designated by such account debtor. In the absence of any such designation, all payments received by Buyer shall be applied to the outstanding amounts due from any such account debtor (including amounts arising from Seller's operation of the Business prior to the Closing) in chronological order, beginning with the oldest outstanding amounts based on the dates of the original underlying invoices. Buyer shall use commercially reasonable efforts to collect the Accounts Receivable during the Collection Period. After the expiration of the Collection Period, Buyer shall have no right or obligation with respect to such Accounts Receivable. Buyer agrees to remit to Seller any payment on any Account Receivable which Buyer has received; provided, however, that nothing contained in this Section 2.8 shall be construed to grant Seller any right with respect to any accounts receivable accrued in connection with Buyer's operation of the Stations on or after the Closing Date. Following the Collection Period, Buyer shall make available to Seller, upon the reasonable request of Seller, copies of all of its records relating to any uncollected Accounts Receivable.

2.9 EMPLOYEES. Buyer shall be free to hire such persons, whether or not employees of Seller or the Stations, on such terms and conditions of employment as Buyer shall determine in the exercise of its sole discretion, and nothing in this Agreement shall establish any obligation or commitment on the part of Buyer for any right or claim (legal or equitable) of any person other than the parties hereto, including, without limitation, any employee of Seller or Buyer or any beneficiary of such employee. Any claim, including any claim for benefits, asserted by or on behalf of any person with respect to such person's employment by Buyer shall be governed solely by applicable employment policies and employee benefit plans. Seller has delivered to Buyer a true and complete list (including names, titles, job descriptions, compensation, date of hire, and full vs. part-time status) of all employees of the Stations as of the date such list is delivered. In addition, Seller shall be liable for, and shall pay, all wages, salaries, payroll taxes and employee benefits, including without limitation, vacation pay or benefits, due, owing or accrued for all employees of the Stations through the Closing. All claims

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incurred or liabilities asserted under Seller's employee benefit plans (including any such claims resulting from Seller's termination of any employee benefit plan) shall be the responsibility of Seller, and Buyer shall not have any liability with respect to such claims or liabilities.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows:

3.1 ORGANIZATION AND GOOD STANDING. Genesis Communications, Inc. is a corporation duly organized and validly existing under the laws of the state of Georgia. Seller is authorized and in good standing in Georgia and each and every other jurisdiction where Seller operates, owns property or conducts business. Seller has all requisite power to own, convey, operate and lease its properties and carry on its business as it is now being conducted and as the same will be conducted until the Closing.

3.2 AUTHORIZATION AND BINDING EFFECT OF DOCUMENTS. The execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents by Seller, and the consummation by Seller of the transactions contemplated hereby and thereby, have been duly authorized and approved by all necessary action on the part of Seller. Seller has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and each of the other Documents and to consummate the transactions hereby and thereby contemplated. This Agreement and each of the other Documents have been, or at or prior to the Closing will be, duly executed by Seller. This Agreement constitutes (and each of the other Documents, when so executed and delivered, will constitute) legal and valid obligations of Seller enforceable

against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights or remedies generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

3.3 ABSENCE OF CONFLICTS. Assuming all the consents described in Section 3.4 are obtained, the execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents by Seller, and the consummation by Seller of the transactions contemplated hereby and thereby:

(a) do not in any respect (with or without the giving of notice or the passage of time or both) violate (or result in the creation of any Lien other than a Permitted Lien on any of the Sale Assets under), any provision of law, rule or regulation or any order, judgment, injunction, decree or ruling applicable to Seller in any manner which would constitute a Material Adverse Condition.

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(b) do not (with or without the giving of notice or the passage of time or both) conflict with or result in a breach or termination of, or constitute a default or give rise to a right of termination or acceleration, where such conflict, breach, termination, default or right would have a material adverse effect on the Sale Assets or the operation of the Stations, under corporate organizational documents of Seller or pursuant to any lease, agreement, commitment or other instrument which Seller is a party to, or bound by, or by which any of the Sale Assets may be bound, or result in the creation of any Lien, other than a Permitted Lien, upon any of the Sale Assets.

3.4 GOVERNMENTAL CONSENTS AND CONSENTS OF THIRD PARTIES. Except for the required consent of the FCC or as set forth on Schedule 3.8 or Schedule 3.9, the execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents by Seller, and the consummation by Seller of the transactions contemplated hereby and thereby, do not require the consent, waiver, approval, permit, license, clearance or authorization of, or any declaration of filing with, any court or public agency or other authority, or the consent of any person under any agreement, arrangement or commitment of a nature which Seller is a party to or bound or by which the Sale Assets are bound by or subject to, the failure of which to obtain would have a material adverse effect on the Sale Assets or the operation of the Stations.

3.5 SALE ASSETS. Except as set forth on Schedule 3.5, the Sale Assets include all assets, properties and rights of every type and description, real, personal and mixed, tangible and intangible, as are used and/or useful by Seller in the business of owning and operating the Stations, with the exception of the Excluded Assets.

3.6 TANGIBLE PERSONAL PROPERTY. Except for supplies and other incidental items which in the aggregate are not of material value, the list of Tangible Personal Property set forth on Schedule 3.6 is a complete and correct list of all of the items of tangible personal property (other than Excluded Assets) used and/or useful to a material extent in the operation of the Stations in the manner in which they have been and are now operated. Except as set forth on Schedule 3.6:

(a) Seller has good, marketable and valid title to all of the items of Tangible Personal Property free and clear of all Liens except Permitted Liens, and including the right to transfer same.

(b) The Tangible Personal Property has in all material respects been maintained in accordance with industry practices and is in good condition subject to ordinary wear and tear.

(c) The Tangible Personal Property complies in all material respects with all applicable rules and regulations of the FCC and the terms of the FCC Licenses.

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(d) Seller has no Knowledge of any defect or defects in the condition or operation of any item of Tangible Personal Property which is reasonably likely to have a material adverse effect on the operation of the Stations.

3.7 REAL PROPERTY.

(a) The real property described on Schedule 3.7 constitutes a

complete and correct summary description in all material respects of all of the interests in real estate (including any real property leased by Seller pursuant to a lease described in Schedule 3.9) used to any extent in the operation of the Stations in the manner in which they have been and are now operated. Said real property, together with all improvements affixed thereto, is herein defined as the "Real Property."

(b) Seller does not owe any money to any architect, contractor, subcontractor or material man for labor or materials performed, rendered or supplied to or in connection with the Real Property within the past four (4) months which shall not be paid in full on or before Closing. Except as set forth on Schedule 3.7, there is no work being done at or materials being supplied to the Real Property as of the date hereof other than routine maintenance projects having an aggregate cost through completion thereof of no more than Five Thousand Dollars (\$5,000).

(c) The present use of the Real Property is in compliance in all material respects with all applicable zoning codes in effect as of the date hereof, and Seller has not received any notices of uncorrected violations of the applicable housing, building, safety or fire ordinances. The Real Property has been maintained in accordance with industry practices and is in good condition, subject to ordinary wear and tear. The Real Property has full and free access to public roadways and is served by electricity and water in capacities adequate for the present use of the Real Property and improvements thereon.

(d) Seller has good, marketable and valid title to all of the Real Property free and clear of all Liens except Permitted Liens, and including the right to transfer same. Seller has not made any agreement for the sale of, or given any person an option to purchase, or a right of first refusal to purchase, all or any part of the Real Property, and Seller has not subjected the Real Property to any Liens (other than Permitted Liens), easements, rights, duties, obligations, covenants, conditions, restrictions, limitations or agreements. Except as provided in Schedule 3.7, Seller has not made any agreements to lease all or any part of the Real Property or any improvements thereon.

(e) No portion of the Real Property or improvements thereon is the subject of any condemnation or eminent domain proceeding presently instituted or, to Seller's knowledge, pending, and Seller has not received notice from any condemning authority that such proceedings are threatened.

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3.8 FCC LICENSES. Seller is the holder of the FCC Licenses listed on Schedule 3.8, and except as set forth on such Schedule, the FCC Licenses (i) are valid, in good standing and in full force and effect and constitute all of the licenses, permits and authorizations required for, or used in, the operation of the Stations as now operated, and (ii) constitute all the licenses and authorizations issued to Seller for or in connection with the current operation of the Stations. Seller has no Knowledge of any condition imposed by the FCC as part of any FCC License which is neither set forth on the face thereof as issued by the FCC nor contained in the Rules and Regulations applicable generally to stations of the type, nature, class or location of the Stations. Except as disclosed on Schedule 3.8, the Stations are being operated at full authorized power, in accordance with the terms and conditions of the FCC Licenses applicable to it and in accordance with the Rules and Regulations. Except as set forth on Schedule 3.8, no proceedings are pending or, to the Knowledge of the Seller, are threatened which may result in the revocation, modification, non-renewal or suspension of any of the FCC Licenses, the denial of any pending applications, the issuance of any cease and desist order or the imposition of any fines, forfeitures or other administrative actions by the FCC with respect to the Stations or their operation, other than proceedings affecting the radio broadcasting industry in general. Seller has complied in all material respects with all requirements to file reports, applications and other documents with the FCC with respect to the Stations, and all such reports, applications and documents are complete and correct in all material respects. Seller has no Knowledge of any matters (i) which could reasonably be expected to result in the suspension or revocation of or the refusal to renew any of the FCC Licenses or the imposition of any fines or forfeitures by the FCC, or (ii) against Seller which could reasonably be expected to result in the FCC's refusal to grant approval of the assignment to Buyer of the FCC Licenses or the imposition of any Material Adverse Condition in connection with approval of such assignment. There are not any unsatisfied or otherwise outstanding citations issued by the FCC with respect to the Stations or their operation. Complete and accurate copies of all FCC Licenses are attached as a part of Schedule 3.8. The "Public Inspection Files" of the Stations are in substantial and material compliance with Section 73.3526 of the Rules and Regulations.

3.9 STATION AGREEMENTS.

(a) Schedule 3.9 sets forth an accurate and complete list of all material agreements, contracts, arrangements or commitments in effect as of the date hereof, including all amendments, modifications and supplements thereto

which the Stations or their assets or properties are bound by, except (A) employee benefit plans and employment contracts, (B) contracts for the sale of time on the Stations, and (C) contracts which are cancelable by Seller or its assignee without breach or penalty on not more than thirty (30) days' notice. Complete and correct copies of all such agreements, contracts, arrangements or commitments that are in writing, including all amendments, modifications and supplements thereto, have been delivered to Buyer.

(b) Except as set forth in the Schedules, and with respect to all Station Agreements being assumed by Buyer, (i) all Station Agreements are legal, valid and

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enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity regardless of whether enforcement is sought in any proceeding at law or in equity; (ii) neither Seller nor, to the Knowledge of Seller, any other party thereto, is in material breach of or in material default under any material Station Agreements; (iii) to the Knowledge of Seller, there has not occurred any event which, after the giving of notice or the lapse of time or both, would constitute a material default under, or result in the material breach of, any Station Agreements which are, individually or in the aggregate, material to the operation of the Stations; and (iv) Seller holds the right to enforce and receive the benefits under all of the Station Agreements, free and clear of all Liens (other than Permitted Liens) but subject to the terms and provision of each such agreement.

(c) Schedule 3.9 indicates, for each Station Agreement listed thereon which is being assumed by Buyer, whether consent or approval by any party thereto is required thereunder for consummation of the transactions contemplated hereby.

3.10 LITIGATION. There are no claims, investigations or administrative, arbitration or other proceedings (collectively referred to herein as "Litigation") pending or, to the Knowledge of Seller, threatened against Seller which would, individually or in the aggregate if adversely determined, have a material adverse effect on the Sale Assets or the operation of the Stations (excluding any Litigation affecting the radio broadcasting industry generally), or which would give any third party the right to enjoin the transactions contemplated by this Agreement. To the Knowledge of Seller, there is no basis for any such claim, investigation, action, suit or proceeding which would, individually or in the aggregate if adversely determined, have a material adverse effect on the Sale Assets or operation of the Stations (excluding any Litigation affecting the radio broadcasting industry generally). There are no existing or, to the Knowledge of Seller, pending orders, judgments or decrees of any court or governmental agency affecting the Stations or any of the Sale Assets (excluding any orders, judgments or decrees of any court or government agency that affect the radio broadcasting industry generally). Notwithstanding the disclosure of any Litigation of Seller to Buyer pursuant to this Section, Buyer shall not assume any liability, damages, cost or expense of Seller relating to or arising out of any Litigation.

3.11 LABOR MATTERS.

(a) Seller is not a party to any collective bargaining agreement, and there is no collective bargaining agreement that determines the terms and conditions of employment of any employees of Seller.

(b) With respect to Seller and the Stations:

(i) There is no labor strike, dispute, slow-down or stoppage pending or, to the Knowledge of Seller, threatened against the Stations;

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(ii) There are neither pending nor, to the Knowledge of Seller threatened, any suits, actions, administrative proceedings, union organizing activities, arbitrations, grievances or other proceedings between Seller and any employees of the Stations or any union representing such employees; and there are no existing labor or employment or other controversies or grievances involving employees of the Stations which have had or are reasonably likely to have a material adverse effect on the operation of the Stations;

(iii) (A) Seller is in compliance in all material respects with all laws, rules and regulations relating to the employment of labor and all employment contractual obligations, including those relating to wages, hours, collective bargaining, affirmative action, discrimination, sexual harassment,

wrongful discharge and the withholding and payment of taxes and contributions; (B) Seller has withheld all amounts required by law or agreement to be withheld from the wages or salaries of its employees; and (C) Seller is not liable to any present or former employees or any governmental authority for damages, arrears of wages or any tax or penalty for failure to comply with the foregoing;

(iv) Buyer's consummation of the transactions contemplated by this Agreement in accordance with the terms hereof shall not, as a result of or in connection with the transactions contemplated hereby, impose upon Buyer the obligation to pay any severance or termination pay under any agreement, plan or arrangement binding upon Seller.

3.12 EMPLOYEE BENEFIT PLANS. Buyer's consummation of the transactions contemplated by this Agreement in accordance with the terms hereof shall not, as a result of or in connection with the transactions contemplated hereby, impose upon Buyer any obligation under any benefit plan, contract or arrangement (regardless of whether they are written or unwritten and funded or unfunded) covering employees or former employees of Seller in connection with their employment by Seller. For purposes of the Agreement, "benefit plans" shall include without limitation employee benefit plans within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, vacation benefits, employment and severance contracts, stock option plans, bonus programs and plans of deferred compensation.

3.13 COMPLIANCE WITH LAW. The operation of the Stations complies in all material respects with the applicable rules and regulations of the FCC.

3.14 ENVIRONMENTAL MATTERS; OSHA.

(a) Seller has obtained all environmental, health and safety permits, the failure of which to obtain would have a material adverse effect on either the operation of the Stations or the ownership of the Sale Assets and all such permits are in full force and effect and Seller is in material compliance with all terms and conditions of such permits.

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(b) There is no proceeding pending or threatened which may result in the reversal, rescission, termination, modification or suspension of any environmental or health or safety permits necessary for the operation of the Stations or the ownership of the Sale Assets.

(c) With respect to the Stations and the Sale Assets, Seller is in compliance in all material respects with the provisions of all Environmental Laws.

(d) With respect to the Sale Assets, Seller has not, and to Seller's Knowledge no other person or entity has, caused or permitted materials to be generated, released, stored, treated, recycled, disposed of on, under, at or in the Sale Assets or the Real Property, which materials, if known to be present, would require clean up, removal or other remedial or responsive action under Environmental Laws (other than normal office, cleaning and maintenance supplies in reasonable quantities used and /or stored appropriately in buildings or improvements). Seller has not caused the migration of any materials from the Real Property onto or under any property adjacent to the Real Property which materials, if known to be present, would require cleanup, removal or other remedial or responsive action under Environmental Laws. To Seller's Knowledge, there are no underground storage tanks and no polychlorinated biphenyls ("PCB") or friable asbestos on, in or under the Sale Assets.

(e) To Seller's Knowledge, Seller is not subject to any judgment, decree, order or citation with respect to the Stations or the Sale Assets related to or arising out of Environmental Laws, and Seller has not received notice that it has been named or listed as a potentially responsible party by any person or governmental body or agency in any matter arising under Environmental Laws, which matter reasonably relates to the Stations or the Sale Assets.

(f) Seller has not discharged or disposed of any petroleum product or solid waste on the Real Property or on the property adjacent to the Sale Assets owned by third parties, which may form the basis for any present or future claim based upon the Environmental Laws or any demand or action seeking clean-up of any site, location, body of water, surface or subsurface, under any Environmental Laws or otherwise, or which may subject the owner of the Sale Assets to claims by third parties (except to the extent third party liability can be established) for damages.

(g) No portion of the Sale Assets has ever been used by Seller, nor any previous occupant of the Real Property, in material violation of Environmental Laws or as a landfill, dump site or any other use which involves the disposal or storage of Hazardous Materials on-site or in any manner which may adversely affect the value of the Sale Assets.

(h) With respect to the Sale Assets, no pesticides, herbicides, fertilizers or other materials have been used, applied or disposed of by Seller in violation of any Environmental Laws (other than normal office, cleaning and maintenance supplies in reasonable quantities used and/or stored appropriately in the buildings or improvements).

(i) With respect to the Stations or the Sale Assets, Seller has disposed of all waste in material compliance with all Environmental Laws and there is no existing condition that may form the basis of any present or future material claim, demand or action seeking clean up of any facility, site, location or body of water, surface or subsurface, for which the Buyer could be liable or responsible solely as a result of the disposal of waste at such site by a prior owner of the Sale Assets.

(j) Seller and the Sale Assets are in material compliance with all OSHA Laws.

3.15 FILING OF TAX RETURNS. To the extent the failure to file or pay would result in a Lien on the Sale Assets or have a material adverse effect on Buyer or the Sale Assets, Seller has filed all Federal, State and local tax returns which are required to be filed and has paid all taxes and all assessments to the extent that such taxes and assessments have become due.

3.16 ABSENCE OF INSOLVENCY. No insolvency proceedings of any character including without limitation, bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary, affecting the Seller or any of the Sale Assets, are pending or, to the best Knowledge of Seller, threatened, and Seller has made no assignment for the benefit of creditors, nor taken any action with a view to, or which would constitute the basis for the institution of, any such insolvency proceedings.

3.17 BROKER'S OR FINDER'S FEES. Except as set forth in Schedule 3.17, no agent, broker, investment banker or other person or firm acting on behalf of or under the authority of Seller or any affiliate of Seller is or will be entitled to any broker's or finder's fee or any other commission or similar fee, directly or indirectly, in connection with the transactions contemplated by this Agreement.

3.18 INSURANCE. There is now in full force and effect with reputable insurance companies fire and extended coverage insurance with respect to all material tangible Sale Assets and public liability insurance, all in commercially reasonable amounts.

3.19 TOWER COORDINATES. The current vertical elevation and geographical coordinates of the Stations' towers ("the Tower Coordinates") have been registered with the FAA and FCC, if required by law. The registration numbers, if any, are set forth on Schedule 3.19 hereto. Seller further represents and warrants that the Tower Coordinates comply with and correspond to the current vertical elevation and geographical coordinates

authorized by the FAA, FCC and any other governmental authority, including any federal, state or local authority having jurisdiction over the Stations or said towers.

3.20 FINANCIAL STATEMENTS.

(a) Attached hereto as SCHEDULE 3.20 are copies of the financial statements of Seller (collectively the "Financial Statements") including (i) Audited financial statements for the Stations as of _____; and (ii) Unaudited monthly income statements for the Stations from _____ to _____.

(b) The Financial Statements have been prepared by management of Seller in accordance with Seller's historical accounting practices during the periods covered thereby and, in all material respects, present fairly and accurately the financial condition of the Stations at the dates of said statements and the results of operations of the Stations for the periods covered thereby in conformity with GAAP. Except as set forth on SCHEDULE 3.20, as of _____ (the "Base Balance Sheet Date"), Seller had no material liabilities or obligations of any kind with respect to the Stations, whether accrued, contingent or otherwise, that are not disclosed and adequately reserved for on the Base Balance Sheet, other than immaterial liabilities incurred in the ordinary course of business which would not be reflected in the Base Balance Sheet under GAAP, applied consistently.

3.21 BUSINESS SINCE THE BASE BALANCE SHEET DATE. Since the Base Balance Sheet Date and except as set forth on SCHEDULE 3.21:

(a) There has been no (i) material adverse change in the Stations or in the Sale Assets, operations or financial condition of the Stations and (ii) event, circumstance or combination thereof, whether arising prior to or after the Base Balance Sheet Date, that might reasonably be expected to result in a Material Adverse Condition;

(b) The Stations have, in all material respects, been operated in the ordinary course and in substantially the same manner as they were operated before the date of the Base Balance Sheet Date;

(c) There has not been any material obligation or liability (contingent or other) incurred by Seller with respect to the Stations, outside the ordinary course;

(d) There has not been any change in the collection, payment and accounting policies used by Seller at the Stations;

(e) Seller has not granted or agreed to grant any change in the compensation of any employee of the Stations (including any increase pursuant to any bonus, pension, profit-sharing or other plan or commitment) or any change in the compensation payable or to become payable to any employee of the Stations, except for those granted in the ordinary course of business consistent with past practice.

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3.22 DISCLOSURES. No representation or warranty by Seller contained in this Agreement nor any statement or certificate furnished or to be furnished by or on behalf of Seller to Buyer contains or will contain any untrue statement of material fact, or omits or will omit to state any material fact required to make the statements contained herein and therein not misleading. There is no fact (other than matters of a general economic nature which do not affect the Stations uniquely) known to Seller that has not been disclosed by Seller to Buyer that might reasonably be expected to be a Material Adverse Condition.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

4.1 ORGANIZATION AND GOOD STANDING. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Buyer has all requisite corporate power to own, operate and lease its properties and carry on its business as it is now being conducted and as the same will be conducted following the Closing.

4.2 AUTHORIZATION AND BINDING EFFECT OF DOCUMENTS. Buyer's execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents, and the consummation by Buyer of the transactions contemplated hereby and thereby, have been duly authorized and approved by all necessary corporate action on the part of Buyer. Buyer has the corporate power and authority to execute, deliver and perform its obligations under this Agreement and each of the other Documents and to consummate the transactions hereby and thereby contemplated. This Agreement and each of the other Documents to be executed by Buyer have been, or at or prior to the Closing will be, duly executed by Buyer. The Documents, when executed and delivered by the parties hereto, will constitute the valid and legally binding agreement of Buyer, enforceable against Buyer in accordance with their terms, except as may be limited by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights generally, and except as may be limited by general principles of equity (regardless of whether such enforceability is sought in a proceeding in equity or at law).

4.3 ABSENCE OF CONFLICTS. Buyer's execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents and the consummation by Buyer of the transaction contemplated hereby and thereby:

(a) Do not in any material respect (with or without the giving of notice or the passage of time or both) violate (or result in the creation of any claim, lien, charge or encumbrance on any of the assets or properties of Buyer under) any provision of law, rule or regulation or any order, judgment, injunction, decree or ruling applicable to Buyer

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in any manner which would have a material adverse effect on the assets, business, operation or financial condition or results of operations of Buyer;

(b) Do not (with or without the giving of notice or the passage of time or both) conflict with or result in a breach or termination of, or constitute a default or give rise to a right of termination or acceleration under, the articles of incorporation or bylaws of Buyer or any lease, agreement, commitment, or other instrument which Buyer is a party to, bound by, or by which any of its assets or properties may be bound.

4.4 GOVERNMENTAL CONSENTS AND CONSENTS OF THIRD PARTIES. Except for the required consent of the FCC, Buyer's execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents and the consummation by Buyer of the transactions contemplated hereby and thereby, do not require the consent, waiver, approval, permit, license, clearance or authorization of, or any declaration or filing with, any court or public agency or other authority, or the consent of any person under any agreement, arrangement or commitment of any nature which Buyer is a party to or bound by, the failure of which to obtain would have a material adverse effect on the assets, business, operation or financial condition or results of operations of Buyer.

4.5 QUALIFICATION.

(a) Buyer has no Knowledge after due inquiry of any facts concerning Buyer or any other person with an attributable interest in Buyer (as such term is defined under the Rules and Regulations) which, under present law (including the Act) and the Rules and Regulations, would (i) disqualify Buyer from being the holder of the FCC Licenses, the owner of the Sale Assets or the operator of the Stations upon consummation of the transactions contemplated by this Agreement, or (ii) raise a substantial and material question of fact (within the meaning of Section 309(e) of the Act) respecting Buyer's qualifications.

(b) Without limiting the foregoing Subsection (a), Buyer shall make the affirmative certifications provided in Section III of FCC Form 314 at the time of filing of such form with the FCC as contemplated by Section 5.2.

(c) Buyer will have available on the Closing Date sufficient funds to enable it to consummate the transactions contemplated by this Agreement, and Buyer acknowledges that the receipt of adequate financing by Buyer is not a condition precedent to performance by Buyer of its obligations under this Agreement.

4.6 BROKER'S OR FINDER'S FEES. Except as set forth in Schedule 3.17, no agent, broker, investment banker, or other person or firm acting on behalf of or under the authority or Buyer or any affiliate of Buyer is or will be entitled to any broker's or finder's fee or any other commission or similar fee, directly or indirectly, in connection with transactions contemplated by this Agreement.

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4.7 LITIGATION. There is no Litigation pending or, to the Knowledge of Buyer, threatened against Buyer that would give any third party the right to enjoin the transactions contemplated by this Agreement.

ARTICLE V

TRANSACTIONS PRIOR TO THE CLOSING DATE

5.1 CONDUCT OF THE STATIONS' BUSINESS PRIOR TO THE CLOSING DATE. Seller covenants and agrees with Buyer that between the date hereof and the Closing Date, unless the Buyer otherwise agrees in writing (which agreement shall not be unreasonably withheld), Seller shall:

(a) Use reasonable efforts to operate the Stations in substantially the same manner in which they are currently being operated;

(b) Use commercially reasonable efforts to maintain insurance upon all of the tangible Sale Assets in such amounts and of such kind comparable to that in effect on the date hereof with respect to such Sale Assets and with respect to the operation of the Stations, with insurers of substantially the same or better financial condition;

(c) Operate the Stations and otherwise conduct their business in accordance with the terms or conditions of their FCC Licenses, the Rules and Regulations, the Act and use reasonable efforts to conduct their business in accordance with all other rules and regulations, statutes, ordinances and orders of all governmental authorities having jurisdiction over any aspect of the operation of the Stations, except where the failure to so operate the Stations

would not have a material adverse effect on the Sale Assets or the operation of the Stations or on the ability of Seller to consummate the transactions contemplated hereby;

(d) Maintain the books and records of the Stations in Seller's customary manner on a basis consistent with prior years;

(e) Comply in all material respects with all Station Agreements now or hereafter existing which are material, individually or in the aggregate, to the operation of the Stations;

(f) Promptly notify Buyer of any material default by, or claim of default against, any party under any Station Agreements which are material, individually or in the aggregate, to the operation of the Stations, and any event or condition which, with notice or lapse of time or both, would constitute a material default under such Station Agreements;

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(g) Not mortgage, pledge or subject to any Lien (except in the ordinary course of business) any of the Sale Assets;

(h) Not sell, lease or otherwise dispose of, nor agree to sell, lease or otherwise dispose of, any of the Sale Assets, except for dispositions in the ordinary course of business;

(i) Not amend or terminate any license, or any Station Agreement, other than in the ordinary course of business;

(j) Not introduce any material change with respect to the operation of the Stations including, without limitation, any material changes in the broadcast hours of the Stations or any other material change in the Stations' programming policies, except such changes as in the sole discretion of Seller, exercised in good faith after consultation with Buyer, are required by the public interest;

(k) Notify Buyer of any material litigation pending or threatened against the Stations or Seller or any material damage to or destruction of any assets included or to be included in the Sale Assets;

5.2 GOVERNMENTAL CONSENTS. Seller and Buyer shall file with the FCC, within ten (10) business days after the execution of this Agreement, such applications and other documents in the name of Seller or Buyer, as appropriate, as may be necessary or advisable to obtain the FCC Order. Seller and Buyer shall take all commercially reasonable steps necessary to prosecute such filings with diligence and shall diligently oppose any objections to, appeals from or petitions to reconsider such approval of the FCC, to the end that the FCC Order and a Final Action with respect thereto may be obtained as soon as practicable. Buyer shall not knowingly take, and Seller covenants that Seller shall not knowingly take, any action that party knows or has reason to know would materially and adversely affect or materially delay issuance of the FCC Order or materially and adversely affect or materially delay its becoming a Final Action without a Material Adverse Condition, unless such action is requested or required by the FCC, its staff or the Rules and Regulations. Should Buyer or Seller become aware of any facts which could reasonably be expected to materially and adversely affect or materially delay issuance of the FCC Order without a Material Adverse Condition (including but not limited to, in the case of Buyer, any facts which would reasonably be expected to disqualify Buyer from controlling the Stations), such party shall promptly notify the other party thereof in writing and both parties shall cooperate to take all steps necessary or desirable to resolve the matter expeditiously and to obtain the FCC's approval of matters pending before it.

5.3 OTHER CONSENTS. Seller shall use commercially reasonable efforts to obtain the consent or waivers to the transactions contemplated by this Agreement required under any assumed Station Agreements; provided that Seller shall not be required to pay or grant any material consideration in order to obtain any such consent or waiver.

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5.4 TAX RETURNS AND PAYMENTS. To the extent the failure to file any return, estimate, or report or pay any taxes would result in a Lien on the Sale Assets or have a material adverse effect on Buyer or the Sale Assets:

(a) All tax returns, estimates, and reports required to be filed by Seller prior to the Closing Date or relating to periods prior to the Closing Date will be timely filed with the appropriate governmental agencies unless valid extensions therefor shall have been obtained.

(b) All taxes pertaining to ownership of the Sale Assets or operation of the Stations prior to the Closing Date will be timely paid; provided that Seller shall not be required to pay any such tax so long as the validity thereof shall be contested in good faith by appropriate proceedings and Seller shall have set aside adequate reserves with respect to any such tax.

5.5 ACCESS PRIOR TO THE CLOSING DATE. Prior to the Closing, Buyer and its representatives may make such reasonable investigation of the assets and business of the Stations as it may desire; and Seller shall give to Buyer, its engineers, counsel, accountants and other representatives reasonable access during normal business hours throughout the period prior to the Closing to personnel and all of the assets, books, records and files of or pertaining to the Stations, provided that (i) Buyer shall give Seller reasonable advance notice of each date on which Buyer or any such other person or entity desires such access, (ii) each person (other than an officer of Buyer) shall, if requested by Seller, be accompanied by an officer or their representative of Buyer approved by Seller, which approval shall not be unreasonably withheld, (iii) the investigations at the offices of Seller shall be reasonable in number and frequency, and (iv) all investigations shall be conducted in such a manner as not to physically damage any property or constitute a disruption of the operation of the Stations or Seller. Seller shall furnish to Buyer during such period all documents and copies of documents and information concerning the business and affairs of the Stations as Buyer may reasonably request.

5.6 CONFIDENTIALITY; PRESS RELEASE. All information, data and materials furnished or to be furnished to either party with respect to the other party in connection with this transaction or pursuant to this Agreement are confidential. Each party agrees that prior to Closing (a) it shall not disclose or otherwise make available, at any time, any such information, data or material to any person who does not have a confidential relationship with such party; (b) it shall protect such information, data and material with a high degree of care to prevent the disclosure thereof; and (c) if, for any reason, this transaction is not consummated, all information, data or material concerning the other party obtained by such party, and all copies thereof, will be returned to the other party. After Closing, neither party will disclose or otherwise make available to any person any of such information, data or material concerning the other party, except as may be

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necessary or appropriate in connection with the operation of the Stations by Buyer. Each party shall use its reasonable efforts to prevent the violation of any of the foregoing confidentiality provisions by its respective representatives. Notwithstanding the foregoing, nothing contained herein shall prohibit Buyer or Seller from:

(i) using such information, data and materials in connection with any action or proceeding brought or any claim asserted by Buyer or Seller in respect of any breach by the other of any representation, warranty or covenant made in or pursuant to this Agreement;

(ii) supplying or filing such information, data or materials to or with the FCC or any other valid governmental or court authority to the extent reasonably necessary to obtain any consent, waiver, amendment, modification, approval, authorization, permit or license which may be necessary to effectuate this Agreement, and to consummate the transaction contemplated herein; or

(iii) disclosing any information to the SEC, FCC, FAA or any other governmental authority provided that the disclosing party reasonably believes such disclosure to be required.

In the event that either party determines in good faith that a press release or other public announcement is desirable under any circumstances or required by law, the parties shall consult with each other to determine the appropriate timing, form and content of such release or announcement and thereafter may make such release or announcement.

5.7 REASONABLE BEST EFFORTS. Subject to the terms and conditions of this Agreement, each of the parties hereto will use its reasonable best efforts to take all action and to do all things necessary, proper or advisable to satisfy any condition to the parties' obligations hereunder in its power to satisfy and to consummate and make effective as soon as practicable the transactions contemplated by this Agreement.

5.8 FCC REPORTS. Seller shall continue to file, on a current basis until the Closing Date, all reports and documents required to be filed with the FCC with respect to the Stations. Seller shall provide Buyer with copies of all such filings within five business days of the filing with the FCC.

5.9 CONVEYANCE FREE AND CLEAR OF LIENS. At or prior to the Closing, Seller shall obtain executed releases or payoff letters, in suitable form for

filing and otherwise in form and substance reasonably satisfactory to Buyer, of any security interests granted in the Sale Assets and properties as security for payment of loans and other obligations or judgments and of any other Liens on the Sale Assets. At the closing, Seller shall transfer and convey to Buyer all of the Sale Assets free and clear of all Liens except Permitted Liens.

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5.10 ENVIRONMENTAL ASSESSMENT. Within ten (10) business days after the execution of this Agreement, Seller shall provide Buyer with the originals or readable copies of any environmental assessments in Seller's possession or control. Prior to Closing, Buyer shall obtain an assessment of the Real Property by an environmental engineer selected by Buyer (the "Environmental Assessment"). Buyer shall commission and pay the cost of such Environmental Assessment and shall provide a copy to Seller within ten (10) days of its receipt by Buyer. The Environmental Assessment shall be subject to the confidentiality provisions of Section 5.6. If, after appropriate inquiry into the previous ownership of and uses of the Real Property consistent with good commercial or customary practice, the engineer concludes, as set forth in the Environmental Assessment, that environmental conditions exist on, under or affecting such properties that would constitute a material violation or breach of Seller's representations and warranties contained in Section 3.14 of this Agreement or cause the condition contained in Section 6.9 to not be satisfied, then notwithstanding any other provisions of this Agreement to the contrary, but subject to the following sentence, Seller shall at its sole cost and expense (up to a maximum amount of Fifty Thousand Dollars (\$50,000)) remove, correct or remedy any condition or conditions which constitute a violation or breach of Seller's representations and warranties contained in Section 3.14 prior to the Closing Date and provide to Buyer at Closing a certificate from an environmental abatement firm reasonably acceptable to Buyer that such removal, correction or remedy has been completed so that Seller's representations and warranties contained in Section 3.14 will be true as of the Closing Date and the condition contained in Section 6.9 will be satisfied as of the Closing Date. In the event the cost of removal, correction or remedy of the environmental conditions exceeds Fifty Thousand Dollars (\$50,000), Buyer may elect to proceed with the Closing but shall not be obligated to close under any circumstances which would require Buyer to assume ownership of the Stations under conditions where there exist any uncured violations of warranties, representations or covenants with respect to environmental matters.

5.11 SURVEY. Within ten (10) business days after execution of this Agreement, Seller shall provide Buyer with the originals or readable copies of any surveys of the Real Property in Seller's possession or control. All costs associated with updating such survey or preparing new surveys shall be paid by Buyer.

ARTICLE VI

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF BUYER TO CLOSE

Buyer's obligation to close the transaction contemplated by this Agreement is subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, unless waived by Buyer in writing:

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6.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES; CLOSING CERTIFICATE.

(a) The representations and warranties of Seller contained in this Agreement or in any other Document shall be complete and correct in all material respects on the date hereof and at the Closing Date with same effect as though made at such time except for changes that are not materially adverse, individually or in the aggregate, to the Stations or the Sale Assets taken as a whole.

(b) Seller shall have delivered to Buyer on the Closing Date a certificate that (i) the condition specified in Section 6.1(a) is satisfied as of the Closing Date, and (ii) except as set forth in such certificate (none of which exceptions shall be materially adverse, individually or in the aggregate, to the Stations, the Sale Assets or Seller's ability to consummate the transaction contemplated hereby), the conditions specified in Section 6.2 are satisfied as of the Closing Date.

6.2 PERFORMANCE OF AGREEMENTS. Seller shall have performed in all material respects all of its covenants, agreements and obligations required by this Agreement and each of the other Documents to be performed or complied with by it prior to or upon the Closing Date.

6.3 FCC AND OTHER CONSENTS.

(a) The FCC Order shall have been issued by the FCC and shall have become a Final Action without any Material Adverse Condition.

(b) Conditions which the FCC Order or any order, ruling or decree of any judicial or administrative body relating thereto or in connection therewith specifies and requires to be satisfied prior to transfer of the FCC Licenses to Buyer shall have been satisfied by Seller.

(c) All other material authorizations, consents, approvals and clearances of federal, state or local governmental agencies required to permit the consummation by Buyer of the transactions contemplated by this Agreement shall have been obtained; all statutory and regulatory requirements for such consummation shall have been fulfilled; and no such authorizations, consents, approvals or clearances shall contain any conditions that individually or in the aggregate would have a material adverse effect on the operations of the Stations.

6.4 ADVERSE PROCEEDINGS. Buyer shall not be subject to any ruling, decree, order or injunction restraining, imposing material limitations on or prohibiting (i) the consummation of the transactions contemplated hereby or (ii) its participation in the operation, management, ownership or control of the Stations; and no litigation seeking to obtain any such ruling, decree, order or injunction shall be pending or shall have been threatened in writing and have a reasonable likelihood of success (excluding any such litigation instituted or initiated by Buyer or its affiliates). No governmental authority

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having jurisdiction shall have notified any party to this Agreement that consummation of the transaction contemplated hereby would constitute a violation of the laws of the United States or of any state or political subdivision or that it intends to commence proceedings to restrain such consummation or to force divestiture, unless such governmental authority shall have withdrawn such notice. No governmental authority having jurisdiction shall have commenced any such proceeding.

6.5 OPINION OF SELLER'S FCC COUNSEL. Buyer shall have received from Seller's FCC counsel an opinion, dated the Closing Date, in form and substance reasonably satisfactory to Buyer's FCC counsel, to the effect that:

(a) The FCC Licenses listed on Schedule 3.8 are valid, in good standing and in full force and effect and include all licenses, permits and authorizations which are necessary under the Rules and Regulations for Seller to operate the Stations in the manner in which the Stations are currently being operated.

(b) To counsel's Knowledge, no condition has been imposed by the FCC as part of any FCC License which is not set forth on the face thereof as issued by the FCC or contained in the Rules and Regulations applicable generally to stations of the type, nature, class or location of the Stations.

(c) No proceedings are pending or, to counsel's Knowledge, are threatened which may result in the revocation, modification, non-renewal of, suspension of, or the imposition of a Material Adverse Condition upon, any of the FCC Licenses, the denial of any pending applications, the issuance of any cease and desist order or the imposition of any fines, forfeitures or other administrative actions by the FCC with respect to the Stations or their operation, other than proceedings affecting the radio broadcasting industry in general.

In rendering such opinion, counsel shall be entitled to rely upon Seller's representations and warranties in this Agreement and to limit its inquiry to its files and such FCC files and records as are available to it as of 10:00 o'clock A.M. Eastern time the business day immediately preceding the Closing Date. Counsel may state that, as to any factual matters embodied in, or forming a basis for any legal opinion expressed in, such opinion, counsel's Knowledge is based solely on such inquiry.

6.6 OTHER CONSENTS. Seller shall have obtained in writing and provided to Buyer on or before the Closing Date, without any condition materially adverse to Buyer or the Stations, the consents or waivers to the transactions contemplated by this Agreement required under those Station Agreements which Buyer has elected to assume and identified as material on Schedule 3.9.

6.7 DELIVERY OF CLOSING DOCUMENTS. Seller shall have delivered or caused to be delivered to Buyer on the Closing Date each of the Documents required to be delivered pursuant to Section 8.2.

6.8 NO CESSATION OF BROADCASTING; CASUALTY.

(a) Between the date hereof and the Closing Date, neither Station shall have for a period of more than ten (10) days in the aggregate (i) ceased broadcasting on its authorized frequencies, (ii) lost substantially all of its normal broadcasting capability or (iii) have broadcast at a power level of 50% or less of its FCC authorized level. Seller shall promptly notify Buyer of the occurrence of any one or more of the foregoing events or conditions, and the non-fulfillment of the condition precedent set forth in this Subsection caused by the occurrence of the events specified in Seller's notice shall be deemed waived by Buyer unless, within fifteen (15) days after Buyer's receipt of Seller's written notice, Buyer notifies Seller in writing to the contrary.

(b) In addition, during the five (5) days immediately preceding the Closing Date, the Stations shall have been operating continuously with substantially all of their normal broadcasting capability except for cessation or reductions for insignificant periods of time resulting from occurrences (such as lightning strikes) over which Seller has no control. Seller or Buyer shall have the right to delay Closing for a period not to exceed thirty (30) days if Seller or Buyer reasonably determines that any action to restore the Stations substantially all of their normal broadcasting capability can be completed during such delay period.

(c) If a Substantial Casualty shall have occurred, the Casualty Termination Period shall have expired.

6.9 ENVIRONMENTAL CONDITIONS. The Environmental Assessment obtained by Buyer pursuant to Section 5.10 hereof shall not have disclosed any material violation of any Environmental Law at the Real Property which is not removed or cured by Seller prior to Closing.

6.10 TITLE INSURANCE COMMITMENT. Title to the Real Property shall be in fee simple, good and marketable and insurable at regular rates by a title insurance company reasonably acceptable to Buyer and licensed in the state the real property is located, pursuant to the standard stipulations and conditions of an ALTA policy of owner's title insurance, or its reasonable equivalent, prescribed by the applicable regulatory authorities for the state the real property is located, free and clear of all liens and encumbrances except Permitted Encumbrances, as hereinafter defined. For purposes hereof, "Permitted Encumbrances" shall mean (i) easements, restrictions, and other similar matters which will not adversely affect the use of the Real Property in the ordinary course of business, including the business of operating the Stations; (ii) liens for taxes not due and payable; (iii) mechanics, materialmen's, carriers', warehousemen's, landlords' or other similar liens in the ordinary course of business for sums not yet due; (iv) deposits or pledges to secure the performance of bids, tenders, contracts (other than for borrowed money), leases, statutory obligations, surety or appeal bonds or other deposits or pledges for purposes of a like general nature made or given in the ordinary course of business; and (v) liens or mortgages that will be released at Closing. All costs associated with obtaining the standard ALTA policy of title insurance shall be paid by Seller.

ARTICLE VII

CONDITIONS PRECEDENT OF THE
OBLIGATION OF SELLER TO CLOSE

The obligation of Seller to close the transaction contemplated by this Agreement is subject to the satisfaction, on or prior to the closing Date, of each of the following conditions, unless waived by Seller in writing:

7.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES.

(a) The representations and warranties of Buyer contained in this Agreement shall be complete and correct in all material respects on the date hereof and at the Closing Date with the same effect as though made at such time except for changes that are not materially adverse, individually or in the aggregate, to Seller.

(b) Buyer shall have delivered to Seller on the Closing Date a certificate that (i) the condition specified in Section 7.1(a) is satisfied as of the Closing Date, and (ii) except as set forth in such certificate (none of which exceptions shall be materially adverse, individually or in the aggregate, to Buyer's ability to consummate the transactions contemplated hereby), the conditions specified in Section 7.2 are satisfied as of the Closing Date.

7.2 PERFORMANCE OF AGREEMENTS. Buyer shall have performed in all material respects all of its covenants, agreements and obligations required by this Agreement and each of the other Documents to be performed or complied with by it prior to or upon the Closing Date.

7.3. FCC AND OTHER CONSENTS.

(a) The FCC Order shall have been issued by the FCC and shall have become effective under the rules of the FCC.

(b) Conditions which the FCC Order or any order, ruling or decree of any judicial or administrative body relating thereto or in connection therewith specifies and requires to be satisfied prior to transfer of the FCC Licenses to Buyer shall have been satisfied by Buyer.

(c) All other material authorizations, consents, approvals and clearances of all Federal, state and local governmental agencies required to permit the consummation by Seller of the transactions contemplated by this Agreement shall have been obtained; all statutory and regulatory requirements for such consummation shall

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have been fulfilled; and no such authorizations, consents, approvals or clearances shall contain any conditions that individually or in the aggregate would have any material adverse effect on Seller.

7.4 ADVERSE PROCEEDINGS. Seller shall not be subject to any ruling, decree, order or injunction restraining, imposing material limitations on or prohibiting the consummation of the transactions contemplated hereby; and no litigation seeking to obtain any such ruling, decrees, order or injunction shall be pending or shall have been threatened in writing and have a reasonable likelihood of success (excluding such litigation instituted or initiated by Seller or its affiliates). No governmental authority having jurisdiction shall have notified any party to this Agreement that consummation of the transactions contemplated hereby would constitute a violation of the laws of the United States or of any state or political subdivision or that it intends to commence proceedings to restrain such consummation or to force divestiture, unless such governmental authority shall have withdrawn such notice. No governmental authority having jurisdiction shall have commenced any such proceeding.

7.5 DELIVERY OF CLOSING DOCUMENTS AND PURCHASE PRICE. Buyer shall have delivered or caused to be delivered to Seller on the Closing Date each of the Documents required to be delivered pursuant to Section 8.3, and Seller shall have received payment of the Purchase Price with the form of payment set forth in Section 2.5.

ARTICLE VIII

CLOSING

8.1 TIME AND PLACE. The Closing shall take place at the offices of Buyer's counsel in Atlanta, Georgia, or at such other place as the parties agree, at 10:00 A.M. Eastern Time on the fifth business day following the date (the "Closing Date") which is the later to occur of (i) the date on which of the FCC Order without any Material Adverse condition has become effective, (ii) the date as soon as practicable following satisfaction or waiver of the conditions precedent hereunder and (iii) January 3, 2000.

8.2 DOCUMENTS TO BE DELIVERED TO BUYER BY SELLER. At the Closing, Seller shall deliver or cause to be delivered to Buyer the following:

(a) Certified resolutions of the Board of Directors of Seller and its shareholders approving the execution and delivery of this Agreement and each of the other documents and authorizing the consummation of the transactions contemplated hereby and thereby.

(b) The certificate required by Section 6.1(b).

(c) A bill of sale and other instruments of transfer and conveyance transferring to Buyer the Tangible Personal Property.

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(d) Executed releases, in suitable form for filing and otherwise in form and substance reasonably satisfactory to Buyer, of any security interests granted in the Sale Assets as security for payment of loans and other obligations and of any other Liens (other than Permitted Liens).

(e) General warranty deeds and any other required instruments of transfer and conveyance transferring to Buyer the Real Property, including therewith the policy of title insurance described in Section 6.10 hereof.

(f) Executed mortgage satisfactions and any other documents required by the title insurance company under Section 6.10 as a condition to issuing the title insurance policy in the form required by Section 6.10.

(g) An instrument or instruments assigning to Buyer all right, title and interest of Seller in and to all Station Agreements being assumed by Buyer.

(h) An instrument assigning to Buyer all right, title and interest of Seller in the FCC Licenses, all pending applications relating to the Stations before the FCC, and any remaining Sale Assets not otherwise conveyed.

(i) The items set forth in Section 2.1(e).

(j) An instrument or instruments assigning to Buyer all right, title and interest of Seller in and to the Station Assets described in Section 2.1(f).

(k) The opinion of Seller's FCC counsel, dated the Closing Date, to the effect set forth in Section 6.5.

(l) Such additional instruments, information and materials as Buyer shall have reasonably requested, including without limitation, evidence that all material consents and approvals required as a condition to Buyer's obligation to close hereunder have been obtained.

8.3 DOCUMENTS TO BE DELIVERED TO SELLER BY BUYER. At the Closing, Buyer shall deliver or cause to be delivered to Seller the following:

(a) Certified resolutions of the Board of Directors of Buyer and Salem Communications Corporation approving the execution and delivery of this Agreement and each of the other Documents and authorizing the consummation of the transaction contemplated hereby and thereby.

(b) The Purchase Price as set forth in Section 2.5.

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(c) The agreement of Buyer assuming the obligations under any Station Agreements being assumed by Buyer.

(d) The certificate required under Section 7.1(b).

(e) Such additional instruments, information and materials as Seller shall have reasonably requested.

ARTICLE IX

SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

9.1 SURVIVAL OF REPRESENTATION AND WARRANTIES. All representations, warranties, covenants and agreements contained in this Agreement or in any other Document shall survive the Closing for the Survival Period and the Closing shall not be deemed a waiver by either party of the representations, warranties, covenants or agreements of the other party contained herein or in any other Document. No claim may be brought under this Agreement or any other Document unless written notice describing in reasonable detail the nature and basis of such claim is given on or prior to the last day of the Survival Period. In the event such a notice is so given, the right to indemnification with respect thereto under this Article shall survive the Survival Period until such claim is finally resolved and any obligations with respect thereto are fully satisfied. For purposes of this agreement the "Survival Period" shall be twelve (12) months except as follows:

(a) As to any representation and warranty (collectively "Surviving Warranties") contained in Section 3.1, Section 3.2, Section 3.3, Section 3.4, Section 3.6(a), Section 3.9(b) (iv), Section 3.11(b) (iv), Section 3.12, Section 3.15, Section 4.1, Section 4.2, Section 4.3 and Section 4.4, and any other representation or warranty of Buyer of Seller as to (i) such party's qualification and authority to consummate the transactions contemplated hereby, (ii) title of the parties to any Station Asset or (iii) any tax obligation of Seller, the Survival Period shall be indefinite; and,

(b) As to any representation and warranty relating to any Station Agreement, the Survival Period shall be for the presently existing term of such Station Agreement plus any applicable period of time under any applicable law governing the bringing of claims under such Station Agreement.

9.2 INDEMNIFICATION IN GENERAL. Buyer and Seller agree that the rights to indemnification and to be held harmless set forth in this Agreement shall, as between the parties hereto and their respective successors and assigns, be exclusive of all rights to indemnification and to be held harmless that such party (or its successors or assigns) would otherwise have by statute, common law or otherwise.

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9.3 INDEMNIFICATION BY SELLER.

(a) Subject to the provisions of Subsection (b) below and Section 10.2 below, Seller shall indemnify and hold harmless Buyer and any officer, director, agent, employee and affiliate thereof with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses, including reasonable attorneys' fees, (collectively referred to herein or "Losses") relating to or arising out of:

(i) Any breach or non-performance by Seller of any of its representations, warranties, covenants or agreements set forth in this Agreement or any other Documents; or

(ii) The ownership or operation by Seller of the Stations or the Sale Assets on or prior to the Closing Date; or

(iii) All other liabilities and obligations of Seller other than the Assumed Obligations;

(iv) All liabilities and obligations relating to Hazardous Materials existing on the Real Property as of the Closing; or

(v) Noncompliance by Seller with the provisions of the Bulk Sales Act, if applicable, in connection with the transaction contemplated hereby.

(b) Notwithstanding anything contained herein to the contrary, if Closing occurs, Seller shall not be obligated until the aggregate amount of Losses exceeds Buyer's Threshold Limitation, in which case Buyer shall then be entitled to indemnification of the entire amount in excess of Buyer's Threshold Limitation, provided that any amounts owed by Seller to Buyer under Subsection (a) (iv) above and Section 2.7 shall not be counted in determining whether Buyer's Threshold Limitation is satisfied, and Buyer shall have the right to recover any such payment without regard to such limitation.

9.4 INDEMNIFICATION BY BUYER.

(a) Subject to the provisions of Subsection (b) below and Section 10.2 below, Buyer shall indemnify and hold harmless Seller and any officer, director, agent, employee and affiliate thereof with respect to any and all Losses relating to or arising out of:

(i) Any breach or non-performance by Buyer of any of its representations, warranties, covenants or agreements set forth in this Agreement or any other Document; or

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(ii) The ownership or operation of the Stations after the Closing Date; or

(iii) The Assumed Obligations and all other liabilities or obligations of Buyer.

(b) Notwithstanding anything contained herein to the contrary, if Closing occurs, Buyer shall not be obligated to indemnify Seller pursuant to Subsection (a) above unless and until the aggregate amount of such Losses exceeds Seller's Threshold Limitation, in which case Seller shall then be entitled to indemnification of the entire amount in excess of Seller's Threshold Limitation, provided that any payment owed by Buyer to Seller under Section 2.7 shall not be counted in determining whether Seller's Threshold Limitation is satisfied, and Seller shall have the right to recover any such payment without regard to any such limitation.

9.5 INDEMNIFICATION PROCEDURES. In the event that an Indemnified Party may be entitled to indemnification hereunder with respect to any asserted claim of, or obligation or liability to, any third party, such party shall notify the Indemnifying Party thereof, describing the matters involved in reasonable detail, and the Indemnifying Party shall be entitled to assume the defense

thereof upon written notice to the Indemnified Party with counsel reasonably satisfactory to the Indemnified Party; provided, that once the defense thereof is assumed by the Indemnifying Party, the Indemnifying Party shall keep the Indemnified Party advised of all developments in the defense thereof and any related litigation, and the Indemnified Party shall be entitled at all times to participate in the defense thereof at its own expense. If the Indemnifying Party fails to notify the Indemnified Party of its election to defend or contest its obligation to indemnify under this Article IX, the Indemnified Party may pay, compromise, or defend such a claim without prejudice to any right it may have hereunder.

ARTICLE X

TERMINATION; LIQUIDATED DAMAGES

10.1 TERMINATION. If Closing shall not have previously occurred, this Agreement shall terminate upon the earliest of:

(a) the giving of written notice from Seller to Buyer, or from Buyer to Seller, if:

(i) Seller gives such termination notice and is not at such time in material default hereunder, or Buyer gives such termination notice and Buyer is not at such time in material default hereunder; and

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(ii) Either:

(A) any of the representations or warranties contained herein of Buyer (if such termination notice is given by Seller), or of Seller (if such termination notice is given by Buyer), are inaccurate in any respect and, individually or in the aggregate, materially adverse to the party giving such termination notice unless the inaccuracy has been induced by or is the result of actions or omissions of the party giving such termination notice or unless the accuracy of such representation or warranty is not a condition to closing; or

(B) Any material obligation to be performed by Buyer (if such termination notice is given by Seller) or by Seller (if such termination notice is given by Buyer) is not timely performed unless the lack of timely performance has been induced by or is the result of actions or omissions of the party giving such termination notice; or

(C) Any material condition (other than those referred to in foregoing Clauses (A) and (B)) to the obligation to close the transaction contemplated herein of the party giving such termination notice has not been timely satisfied, unless the failure of said condition to be satisfied was induced by the party giving such termination notice with the intended result of terminating the Agreement pursuant to this Clause (C); and

(iii) any such inaccuracy, failure to perform or non-satisfaction of a condition neither has been cured nor satisfied within twenty (20) days after written notice thereof from the party giving such termination notice nor waived in writing by the party giving such termination notice.

(b) Written notice from Seller to Buyer, or from Buyer to Seller, at any time after twelve (12) months following the date first written above, provided that termination shall not occur (i) upon the giving of such termination notice by Seller if Seller is at such time in material default hereunder or (ii) upon the giving of such termination notice by Buyer if Buyer is at such time in material default hereunder.

(c) Written notice from Seller to Buyer, or from Buyer to Seller, at any time following a determination by the FCC that the application for consent to assignment of the FCC Licenses has been designated for hearing even with diligent efforts; provided, however, only the party whose qualifications are not in issue may terminate this Agreement under this provision and only if such party has given the other sixty (60) days' prior written notice and the requirement for such hearing has not been set aside within that period.

(d) The written election by Buyer under Article XI.

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10.2 OBLIGATIONS UPON TERMINATION.

(a) In the event this Agreement is terminated pursuant to Section 10.1(a) (ii) (A), or Section 10.1(a) (ii) (B) the aggregate liability of Buyer for breach hereunder shall be limited as provided in Subsections (c) and (e), below

and the aggregate liability for Seller for breach hereunder shall be limited as provided in Subsections (d) and (e), below. In the event this Agreement is terminated for any other reason, neither party shall have any liability hereunder.

(b) Upon termination of this Agreement, Buyer shall be entitled to the return of the Earnest Money from the Escrow Agent under the Escrow Agreement (i) if such termination is effected by Buyer's giving of valid written notice to Seller pursuant to Subsections 10.1(a), (b), (c) or (d), or (ii) if such termination is effected by Seller's giving of valid written notice to Buyer pursuant to Subsections 10.1(a)(ii)(C), 10.1(b) or 10.1(c). If Buyer is entitled to the return of the Earnest Money, Seller shall cooperate with Buyer in taking such action as is required under the Escrow Agreement in order to effect such return from the Escrow Agent.

(c) If this Agreement is terminated by Seller's giving of valid written notice to Buyer pursuant to Section 10.1(a)(ii)(A), or Section 10.1(a)(ii)(B), Buyer agrees that Buyer shall release to Seller upon such termination, as liquidated damages and not as penalty, the Earnest Money ("Liquidated Damage Amount"). SELLER'S RECEIPT OF THE LIQUIDATED DAMAGE AMOUNT SHALL CONSTITUTE PAYMENT OF LIQUIDATED DAMAGES HEREUNDER AND NOT A PENALTY, AND SHALL BE SELLER'S SOLE REMEDY AT LAW OR IN EQUITY FOR BUYER'S BREACH HEREUNDER IF CLOSING DOES NOT OCCUR. BUYER AND SELLER EACH ACKNOWLEDGE AND AGREE THAT THE LIQUIDATED DAMAGE AMOUNT IS REASONABLE IN LIGHT OF THE ANTICIPATED HARM WHICH WILL BE CAUSED BY BUYER'S BREACH OF THIS AGREEMENT, THE DIFFICULTY OF PROOF OF LOSS, THE INCONVENIENCE AND NON-FEASIBILITY OF OTHERWISE OBTAINING AN ADEQUATE REMEDY, AND THE VALUE OF THE TRANSACTION TO BE CONSUMMATED HEREUNDER.

(d) Notwithstanding any provision of this Agreement to the contrary, but subject to the provisions of the following sentence, if Seller attempts to terminate this Agreement under circumstances where it is not entitled to do so, or if Seller, by its own action, causes a material breach of warranty or fails to satisfy a material condition (including without limitation a refusal to consummate the transaction after Buyer has satisfied all conditions to Seller's obligation to close and Buyer has demonstrated its willingness and ability to close on the terms set forth in this Agreement and Buyer is not in default hereunder) with the intent of creating a situation whereby Buyer elects to terminate under Section 10.1(a) and Buyer does so elect to terminate, the monetary damages, if any, to which Buyer shall be entitled shall be limited to direct and actual damages (but in no event shall Seller be responsible for such direct and actual damages in an amount over \$250,000). If a circumstance described in the preceding sentence should

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arise and if Buyer establishes that the action of Seller described therein was taken intentionally in order to allow Seller to sell or enter into negotiations to sell the Stations, or any of them, to another party, the damages to which Buyer shall be entitled shall not be limited to direct and actual damages (but in no event shall Seller be responsible for any damages greater than \$1,000,000).

(e) In any dispute between Buyer and Seller as to which party is entitled to all or a portion of the Earnest Money, the prevailing party shall receive, in addition to that portion of the Earnest Money to which it is entitled, an amount equal to interest on that portion at the rate of 10% per annum, calculated from the date the prevailing party's demand for all or a portion of the Earnest Money is received by the Escrow Agent, and its reasonable attorney fees expended to recover said amounts.

10.3 TERMINATION NOTICE. Each notice given by a party pursuant to Section 10.1 to terminate this Agreement shall specify the Subsection (and clause or clauses thereof) of Section 10.1 pursuant to which such notice is given.

ARTICLE XI

CASUALTY

Seller will bear the risk of any loss or damage to the Sale Assets resulting from fire, theft or other casualty (except reasonable wear and tear) at all times prior to the Closing. If any such loss or damage is sufficiently substantial so as to cause the Stations, or either of them, to be off the air for more than seven (7) consecutive days or fifteen (15) total days, whether or not consecutive ("Substantial Casualty"), then Seller will immediately notify Buyer in writing of that fact and Buyer, at any time within 15 business days after receipt of such notice ("Casualty Termination Period"), may elect by written notice to Seller to terminate this Agreement. If Buyer elects to so terminate this Agreement, Buyer and Seller will stand fully released and discharged of any and all obligations under this Agreement (provided Seller shall remain liable for its obligations pursuant to Section 10.2(b)). If Buyer does not elect to so terminate this Agreement within the Casualty Termination

Period, then, without waiving any of its rights hereunder, the Substantial Casualty shall not serve as a basis to terminate this Agreement and there will be no adjustment in the consideration payable to Seller on account of such loss or damage. All insurance proceeds payable as a result of the occurrence of the Substantial Casualty (to the extent not used to replace or restore such lost or damaged property) will be delivered by Seller to Buyer, or the rights to such proceeds will be assigned by Seller to Buyer if not yet paid over to Seller, and Seller will pay to Buyer an amount equal to the difference between the amount of such insurance proceeds and the full replacement cost of the damaged or lost Sale Assets.

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ARTICLE XII

CONTROL OF STATIONS

Between the date of this Agreement and the Closing Date, Buyer shall not control, manage or supervise the operation of the Stations or conduct of their business, all of which shall remain the sole responsibility and under the control of Seller, subject to Seller's compliance with this Agreement.

ARTICLE XIII

MISCELLANEOUS

13.1 FURTHER ACTIONS. From time to time before, at and after the Closing, each party, at its expense and without further consideration, will execute and deliver such documents to the other party as the other party may reasonably request in order more effectively to consummate the transactions contemplated hereby.

13.2 ACCESS AFTER THE CLOSING DATE. After the Closing and for a period of twelve (12) months, Buyer shall provide Seller, Seller's counsel, accountants and other representatives with reasonable access during normal business hours to the books, records, property, personnel, contracts, commitments and documents of the Stations pertaining to transactions occurring prior to the Closing Date when requested by Seller, and Buyer shall retain such books and records for the normal document retention period of Buyer. At the request and expense of Seller, Buyer shall deliver copies of any such books and records to Seller.

13.3 PAYMENT OF EXPENSES.

(a) Any fees assessed by the FCC in connection with the filings contemplated by Section 5.2(a) or consummation of the transactions contemplated hereby shall be shared equally between Seller and Buyer.

(b) All transfer taxes and document stamps payable in connection with consummation of the transactions contemplated hereby shall be paid by Seller; all state or local sales or use taxes payable in connection with the consummation of the transactions contemplated hereby shall be paid by Buyer.

(c) Except as otherwise expressly provided in this Agreement, each of the parties shall bear its own expenses, including the fees of any attorneys and accountants engaged by such party, in connection with this Agreement and the consummation of the transactions contemplated herein.

13.4 SPECIFIC PERFORMANCE. Seller acknowledges that the Stations are of a special, unique, and extraordinary character, and that any breach of this Agreement by

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Seller could not be compensated for by damages. Accordingly, if Seller shall breach its obligations under this Agreement, Buyer shall be entitled, in addition to any of the remedies that it may have, to enforcement of this Agreement (subject to obtaining any required approval of the FCC) by decree of specific performance or injunctive relief requiring Seller to fulfill its obligations under this Agreement. In any action to equitably enforce the provisions of this Agreement, Seller shall waive the defense that there is an adequate remedy at law or equity and agrees that Buyer shall have the right to obtain specific performance of the terms of this Agreement without being required to prove actual damages, post bond or furnish other security.

13.5 NOTICES. All notices, demands or other communications given hereunder shall be in writing and shall be sufficiently given if delivered by courier or sent by registered or certified mail, first class, postage prepaid, or by telex, cable, telegram, facsimile machine or similar written means of communication, addressed as follows:

(a) If to Seller, to:

Genesis Communications, Inc.
2970 Peachtree Road, NW, 8th Floor
Atlanta, GA 30305
Attention: Mr. Bruce Maduri

(b) If to Buyer, to:

c/o Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, California 93012
Attention: Jonathan L. Block, Esq.
Associate General Counsel

or such other address with respect to any party hereto as such party may from time to time notify (as provided above) to the other party hereto. Any such notice, demand or communication shall be deemed to have been given (i) if so mailed, as of the close of the third business day following the date mailed, and (ii) if personally delivered or otherwise sent as provided above, on the date received.

13.6 ENTIRE AGREEMENT. This Agreement, the Schedules and Exhibits hereto, and the other Documents constitute the entire agreement and understanding between the parties hereto and supersede any prior negotiations, agreements, understandings or arrangements between the parties including, without limitation, all letters of intent previously entered into by the parties hereto.

13.7 BINDING EFFECT; BENEFITS. Except as otherwise provided herein, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors or assigns. Except to the extent specified herein, nothing in this

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Agreement, express or implied, shall confer on any person other than the parties hereto and their respective successors or assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

13.8 ASSIGNMENT. This Agreement and any rights hereunder shall not be assignable by either party hereto without the prior written consent of the other party, provided, however, that Buyer may, at its own expense, without Seller's prior written consent, assign its rights and obligations hereunder, or any portion thereof, to any entity controlled by or under common control with Buyer, so long as (i) no delay results in the Closing Date (ii) no extra expense results to Seller, and (iii) Buyer is not relieved of its obligation hereunder.

13.9 GOVERNING LAW. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of Georgia (without giving effect to the choice of law provisions therein), including all matters of construction, validity and performance.

13.10 BULK SALES. Seller shall, in accordance with Article IX, indemnify and hold Buyer harmless from and against any and all claims made against Buyer by reason of the Bulk Sales Act and similar laws of any state or jurisdiction.

13.11 AMENDMENTS AND WAIVERS. No term or provision of this Agreement may be amended, waived, discharged or terminated except by an instrument in writing signed by the party against whom the enforcement of such amendment, waiver, discharge or termination is sought. Any waiver shall be effective only in accordance with its express terms and conditions.

13.12 SEVERABILITY. Any provision of this Agreement which is unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such unenforceability without invalidating the remaining provisions hereof, and any such unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereto hereby waive any provision of law now or hereafter in effect which renders any provision hereof unenforceable in any respect.

13.13 HEADINGS. The captions in this Agreement other than Article 1, are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

13.14 COUNTERPARTS. This Agreement may be executed in any number of counterparts, and by either party on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.15 REFERENCES. All references in this Agreement to Articles and Sections are to Articles and Sections contained in this Agreement unless a different document is expressly specified.

13.16 SCHEDULES AND EXHIBITS. Unless otherwise specified herein, each Schedule and Exhibit referred to in this Agreement is attached hereto, and each such Schedule and Exhibit is hereby incorporated by reference and made a part hereof as if fully set forth herein.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written.

"SELLER"

"BUYER"

GENESIS COMMUNICATIONS, INC.

SALEM MEDIA OF GEORGIA, INC.

By:

By:

Bruce Maduri
President

Eric H. Halvorson
Executive Vice President

ASSET PURCHASE AGREEMENT
(WGKA-AM, ATLANTA, GEORGIA)

This AGREEMENT (this "Agreement") is dated as of November 29, 1999, by and between JW BROADCASTING, INC., a Georgia corporation ("Seller") and SALEM MEDIA OF GEORGIA, INC., a Delaware corporation ("Buyer"), and SALEM COMMUNICATIONS CORPORATION, a Delaware corporation ("Parent").

RECITALS:

1. Seller owns and operates radio station WGKA-AM licensed to Atlanta, Georgia (the "Station"), and holds the licenses and authorizations issued by the FCC for the operation of the Station.

2. Buyer desires to acquire certain assets of the Station, including the FCC Licenses (as hereinafter defined) and Seller is willing to convey such assets to Buyer.

3. The acquisition of the Station is subject to prior approval of the FCC.

4. Parent is willing to guarantee the obligations of Buyer hereunder.

NOW THEREFORE, in consideration of the mutual covenants contained herein, Seller and Buyer hereby agree as follows:

ARTICLE 1

TERMINOLOGY

1.1 ACT. The Communications Act of 1934, as amended.

1.2 ADJUSTMENT AMOUNT. As provided in Section 2.7, the amount by which Buyer's account is to be credited or charged, as reflected on the Adjustment List.

1.3 ADJUSTMENT LIST. As provided in Section 2.7, an itemized list of all sums to be credited or charged against the account of Buyer, with a brief explanation in reasonable detail of the credits or charges.

1.4 ASSUMED OBLIGATIONS. Such term shall have the meaning defined in Section 2.3.

1.5 BUSINESS DAY. Any calendar day, excluding Saturdays and Sundays, on which federally chartered banks in the city of Atlanta, Georgia, are regularly open for business.

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1.6 BUYER'S THRESHOLD LIMITATION. As provided in Section 9.3 (b), the threshold dollar amount for the aggregate of claims, liabilities, damages, losses, costs and expenses that must be incurred by Buyer before Seller shall be obligated to indemnify Buyer. The Buyer's Threshold Limitation shall be One Hundred Thousand Dollars (\$100,000).

1.7 CLOSING. The closing with respect to the transactions contemplated by this Agreement.

1.8 CLOSING DATE. The date upon which the Closing shall occur as provided in Section 8.1.

1.9 DOCUMENTS. This Agreement and all Exhibits and Schedules hereto, and each other agreement, certificate, or instrument delivered pursuant to or in connection with the Closing, including amendments thereto that are expressly permitted under the terms of this Agreement, but excluding, in all cases, documents, materials and things furnished to Buyer in connection with Buyer's investigation of the Sale Assets and business of the Station.

1.10 EARNEST MONEY. The amount of Four Hundred Thousand Dollars (\$400,000).

1.11 ENVIRONMENTAL ASSESSMENT. Such term shall have the meaning set forth in Section 5.10.

1.12 ENVIRONMENTAL LAWS. The Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Clean Air Act and the Toxic Substances Control Act, each as amended, and any other applicable federal, state and local laws, statutes, rules or regulations concerning the treating, producing, handling, storing, releasing,

spilling, leaking, pumping, pouring, emitting or dumping of Hazardous Materials.

1.13 ESCROW AGENT. Sailor & Associates.

1.14 ESCROW AGREEMENT. The Escrow Agreement in the form attached as Exhibit A which Seller, Buyer and the Escrow Agent have entered into concurrently with the execution of this Agreement relating to the deposit, holding, investment and disbursement of the Earnest Money.

1.15 EXCLUDED ASSETS. Such term shall have the meaning defined in Section 2.2.

1.16 FCC. Federal Communications Commission.

1.17 FCC LICENSES. The licenses, permits and authorizations of the FCC for the operation of the Station as listed on Schedule 3.8.

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1.18 FCC ORDER. An action, order or decision of the FCC granting its consent to the assignment of the FCC Licenses to Buyer.

1.19 FINAL ACTION. An action of the FCC that has not been reversed, stayed, enjoined, set aside, annulled or suspended; with respect to which no timely petition for reconsideration or administrative or judicial appeal or sua sponte action of the FCC with comparable effect is pending and as to which the time for filing any such petition or appeal (administrative or judicial) or for the taking of any such sua sponte action of the FCC has expired.

1.20 HAZARDOUS MATERIALS. Toxic materials, hazardous wastes, hazardous substances, pollutants or contaminants, asbestos or asbestos-related products, polychlorinated biphenyls ("PCBs"), petroleum, crude oil or any fraction or distillate thereof in excess of legally-defined permissible limits (as such terms are defined in any applicable federal, state or local laws, ordinances, rules and regulations, and including any other terms which are or may be used in any applicable environmental laws to define prohibited or regulated substances).

1.21 INDEMNIFIED PARTY. Any party described in Section 9.3(a) or Section 9.4(a) against which any claim or liability may be asserted by a third party which would give rise to a claim for indemnification under the provisions of this Agreement by such party.

1.22 INDEMNIFYING PARTY. The party to the Agreement (not the Indemnified Party) that, in the event of a claim or liability asserted by a third party against the Indemnified Party which would give rise to a claim for indemnification under the provisions of this Agreement, may at its own expense, and upon written notice to the Indemnified Party, compromise or defend such claim.

1.23 LIEN. Any mortgage, deed of trust, pledge, hypothecation, security interest, encumbrance, lien, lease or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise, affecting any Sale Assets or property, including any written or oral agreement to give or grant any of the foregoing, any conditional sale or other title retention agreement, and the filing of or agreement to give any financing statement with respect to any assets or property under the Uniform Commercial Code or comparable law of any jurisdiction.

1.24 MATERIAL ADVERSE CONDITION. A condition which would materially restrict, limit, increase the cost or burden of or otherwise materially adversely affect or materially impair the right of Buyer to the ownership, use, control, enjoyment or operation of any of the Sale Assets or the Station, taken as a whole; provided, however, that any condition which requires that the Station be operated in accordance with a condition similar to those contained in the FCC Licenses as of the date hereof shall not be deemed a Material Adverse Condition.

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1.25 OSHA LAWS. The Occupational Safety and Health Act of 1970, as amended, and all other federal, state or local laws or ordinances, including orders, rules and regulations thereunder, regulating or otherwise affecting health and safety of the workplace.

1.26 PARENT GUARANTEE shall mean the guarantee of the obligations of Buyer hereunder by Parent in the form of Exhibit A attached hereto.

1.27 PERMITTED ENCUMBRANCES. For purposes hereof, "Permitted Encumbrances" shall mean (i) easements, restrictions, and other similar matters

which will not materially adversely affect the use of the Real Property in the ordinary course of business; (ii) liens for taxes not due and payable or, that are being contested in good faith by appropriate proceedings; (iii) mechanics, materialmen's, carriers', warehousemen's, landlords' or other similar liens in the ordinary course of business for sums not yet due or which are being contested in good faith by appropriate proceedings; (iv) deposits or pledges to secure the performance of bids, tenders, contracts (other than for borrowed money), leases, statutory obligations, surety or appeal bonds or other deposits or pledges for purposes of a like general nature made or given in the ordinary course of business; and (v) liens or mortgages that will be released at Closing; (vi) zoning ordinances and regulations, including statutes and ordinances relating to the liens of streets and to other municipal improvements, which would not, individually or in the aggregate, result in a Material Adverse Condition.

1.28 PERMITTED LIEN. Any statutory lien which secures a payment not yet due that arises, and is customarily discharged, in the ordinary course of Seller's business; any easement, right-of-way or similar imperfection in the Seller's title to its assets or properties that, individually and in the aggregate, are not material in character or amount and would not, individually or in the aggregate, result in a Material Adverse Condition.

1.29 PURCHASE PRICE. The consideration to be paid by Buyer to Seller for purchase of the Sale Assets in an amount equal to Eight Million Dollars (\$8,000,000), as adjusted pursuant to Section 2.7.

1.30 REAL PROPERTY. Such term shall have the meaning defined in Section 3.7.

1.31 RULES AND REGULATIONS. The rules of the FCC as set forth in Volume 47 of the Code of Federal Regulations, as well as such other policies of the Commission, whether contained in the Code of Federal Regulations, or not, that apply to the Station.

1.32 SALE ASSETS. All of the tangible and intangible assets to be transferred by Seller to Buyer as set forth in Section 2.1.

1.33 SELLER'S THRESHOLD LIMITATION. As provided in Section 9.4(b), the threshold dollar amount for the aggregate of claims, liabilities, damages, losses, costs and expenses that must be incurred by Seller before Buyer shall be obligated to indemnify Seller. The Seller's Threshold Limitation shall be One Hundred Thousand Dollars (\$100,000).

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1.34 STATION AGREEMENTS. The agreements, commitments, contracts, leases and other items described in Section 2.1(d) which relate to operation of the Station.

1.35 SURVIVAL Period. Such term shall have the meaning defined in Section 9.1.

1.36 TANGIBLE PERSONAL PROPERTY. The personal property described in Section 2.1(a).

1.37 TOWER COORDINATES. Such term shall have the meaning defined in Section 3.15 hereof.

ARTICLE II

PURCHASE AND SALE

2.1 SALE ASSETS. On the Closing Date, Seller will sell, transfer, assign and convey to Buyer, and Buyer will purchase from Seller, free and clear of all Liens, except Permitted Liens and Liens that Buyer shall have specifically waived in writing and accepted at Closing, all of Seller's right, title and interest, legal and equitable, in and to the tangible and intangible assets (except Excluded Assets) used or useful in the operation of the Station as specifically set forth in the following:

(a) TANGIBLE PERSONAL PROPERTY. All equipment, parts, supplies, furniture, fixtures and other tangible personal property owned by Seller prior to Closing and used in the operation of the Station (excluding, in all events, the Excluded Assets), including, but not limited to the tangible personal property listed on Schedule 3.6, together with such modifications, replacements, improvements and additional items, and subject to such deletions therefrom, made or acquired between the date hereof and the Closing Date in accordance with the terms and provisions of this Agreement;

(b) REAL PROPERTY AND LEASES. Seller's interests in the Real Property including, without limitation, all right, title and interest of Seller in and to the Station's transmitting facilities;

(c) LICENSES AND PERMITS. The FCC Licenses and all other assignable or transferable governmental permits, licenses and authorizations (and any renewals, extensions, amendments or modifications thereof) now held by Seller or hereafter obtained by Seller between the date hereof and the Closing Date, to the extent such other permits, licenses and authorizations pertain to or are used in the operation of the Station;

(d) STATION AGREEMENTS. All agreements which are listed on Schedule 3.8 and any renewals, extensions, amendments or modifications of such agreements that are made in the ordinary course of Seller's operation of the Station and in accordance with the terms and provisions of this Agreement;

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(e) RECORDS. True and complete copies of all of the books, records, accounts, files, logs, ledgers, reports of engineers and other consultants or independent contractors, pertaining to or used in the operation of the Station (other than corporate records);

(f) MISCELLANEOUS ASSETS. Intangible assets, properties or rights of any kind or nature owned or used by Seller prior to the Closing in the operation of the Station including, but not limited to, goodwill, call letters, slogans and other intellectual property of the Station and listed on Schedule 2.1(f) hereto.

2.2 EXCLUDED ASSETS. Notwithstanding any provision of this Agreement to the contrary, Seller shall not transfer, convey or assign to Buyer, but shall retain all of its right, title and interest in and to, the following assets owned or held by it on the Closing Date ("Excluded Assets"):

(a) Any and all cash, cash equivalents, cash deposits to secure contract obligations (except to the extent Seller receives a credit therefor under Section 2.7, in which event the deposit shall be included as part of the Sale Assets), all inter-company receivables from any affiliate of Seller and all other accounts receivable, bank deposits and securities held by Seller in respect of the Station at the Closing Date.

(b) Any and all claims of Seller with respect to transactions prior to the Closing including, without limitation, claims for tax refunds and refunds of fees paid to the FCC.

(c) All prepaid expenses (except to the extent Seller receives a credit therefor under Section 2.7, in which event the prepaid expense shall be included as part of the Sale Assets).

(d) All contracts of insurance and claims against insurers.

(e) All employee benefit plans and the assets thereof and all employment contracts.

(f) All contracts that are terminated in accordance with the terms and provisions of this Agreement or have expired prior to the Closing Date in the ordinary course of business; and all loans and loan agreements.

(g) All tangible personal property disposed of or consumed between the date hereof and the Closing Date in accordance with the terms and provisions of this Agreement.

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(h) Seller's corporate records except to the extent such records pertain to or are used in the operation of the Station, in which case Seller shall deliver materially accurate copies thereof to Buyer.

(i) All commitments, contracts and agreements not specifically assumed by Buyer pursuant to Section 2.1(d), above.

(j) The list of approximately 5,000 listeners and containing such listeners' names, addresses and other demographic information.

(k) All tangible personal property listed on Schedule 2.2, hereof.

2.3 ASSUMPTION OF LIABILITIES.

(a) At the Closing, Buyer shall assume and agree to perform, without duplication of Seller's performance, the following liabilities and obligations of Seller (the "Assumed Obligations"):

(i) Current liabilities of Seller for which Buyer receives a credit pursuant to Section 2.7, but not in excess of the amount of such credit.

(ii) Liabilities and obligations arising under the Station Agreements, if any, but only to the extent such liabilities and obligations relate to any period of time after the Closing.

(b) Except for the Assumed Obligations, Buyer shall not assume or in any manner be liable for any duties, responsibilities, obligations or liabilities of Seller of any kind or nature, whether express or implied, known or unknown, contingent or absolute, including, without limitation, any liabilities to or in connection with Seller's employees whether arising in connection with the transaction contemplated hereunder or otherwise.

2.4 EARNEST MONEY.

(a) Within five (5) days of the execution of this Agreement, Buyer shall deposit with Escrow Agent under the Escrow Agreement, in immediately available funds, the Earnest Money. The Escrow Agent shall hold the Earnest Money under the terms of the Escrow Agreement in trust for the benefit of the parties hereto. Interest and other earnings on the Earnest Money shall be distributed by the Escrow Agent to Buyer from time to time upon the request of Buyer.

(b) If Closing does not occur, the Earnest Money shall be delivered to Seller or returned to Buyer in accordance with Section 10.2, and if Closing does occur, the Earnest Money shall be applied to payment of the Purchase Price at Closing as provided in Section 2.5.

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2.5 PAYMENTS.

(a) The Purchase Price shall be paid by Buyer as follows:

(i) At the Closing, the Earnest Money shall, subject to execution and delivery of the closing documents described in Section 8.2, become the property of Seller and shall, pursuant to the Escrow Agreement, be disbursed to Seller by cashier's check or wire transfer of immediately available funds.

(ii) At the Closing the Purchase Price, less the amount of the Earnest Money disbursed to Seller, shall be paid to Seller at Closing by wire transfer of immediately available funds.

(b) Buyer shall pay to Seller, or Seller shall pay to Buyer, the Adjustment Amount in accordance with Section 2.7.

2.6 ALLOCATION OF THE PURCHASE PRICE. Schedule 2.6 sets forth an allocation of the Purchase Price. Buyer and Seller shall use, and Parent shall cause Buyer to use, such allocation for all reporting purposes in connection with federal, state and local income and, to the extent permitted under applicable law, franchise taxes. Buyer and Seller agree, and Parent shall cause Buyer to agree, to report such allocation to the Internal Revenue Service in the form required by Treasury Regulation Section 1.1060-1T.

2.7 ADJUSTMENT OF PURCHASE PRICE.

(a) All operating income and operating expenses of the Station shall be adjusted and allocated between Seller and Buyer, and an adjustment in the Purchase Price shall be made as provided herein, to the extent necessary to reflect the principle that all such income and expenses attributable to the operation of the Station on or before the Closing Date shall be for the account of Seller, and all income and expenses attributable to the operation of the Station after the closing Date shall be for the account of Buyer.

(b) To the extent not inconsistent with the express provisions of this Agreement, the allocations made pursuant to this Section 2.7 shall be made in accordance with generally accepted accounting principles.

(c) For purposes of making the adjustments pursuant to this Section 2.7, Buyer shall prepare and deliver the Adjustment List to Seller within thirty (30) days following the Closing Date, or such earlier or later date as shall be mutually agreed to by Seller and Buyer. The Adjustment List shall set forth the Adjustment Amount. If the Adjustment Amount is a credit to the account of Buyer, Seller shall pay such amount to Buyer within five (5) Business Days following presentation of the Adjustment List to Seller, and if the Adjustment Amount is a charge to the account of Buyer, Buyer shall pay such amount to Seller within five (5) Business Days following presentation of the Adjustment List to Seller. In the event Seller disagrees with the Adjustment Amount determined by Buyer or with any other matter arising out of this subsection, and Buyer

and Seller cannot within thirty (30) days resolve the disagreement themselves, the parties will refer the disagreement to a Big Six accounting firm other than one that regularly represents either party, whose decision shall be final and whose fees and expenses shall be allocated between and paid by Seller and Buyer, respectively, to the extent that such party does not prevail on the disputed matters decided by the accountants.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Notwithstanding anything to the contrary in this Agreement, Seller makes no representation or warranty other than as set forth in this Article III. Seller hereby represents and warrants to Buyer as follows:

3.1 ORGANIZATION AND GOOD STANDING. Seller is a corporation, validly existing and in good standing under the laws of the State of Georgia and authorized to conduct business in the State of Georgia. Seller has all requisite power to own, operate and lease its properties and carry on its business as it is now being conducted and as the same will be conducted until the Closing.

3.2 AUTHORIZATION AND BINDING EFFECT OF DOCUMENTS. Seller's execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents, and the consummation by Seller of the transactions contemplated hereby and thereby, have been duly authorized and approved by all necessary corporate action on the part of Seller. Seller has the power and authority to execute, deliver and perform its obligations under this Agreement and each of the other Documents and to consummate the transactions hereby and thereby contemplated. This Agreement and each of the other Documents have been, or at or prior to the Closing will be, duly executed by Seller. The Documents, when executed and delivered by the parties hereto, will constitute legal and valid obligations of Seller enforceable against it in accordance with their terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights or remedies generally, and except as may be limited by general principles of equity (regardless of whether enforceability is sought in a proceeding in equity or at law).

3.3 ABSENCE OF CONFLICTS. Except with respect to the matters listed in Schedule 3.4 hereof, the execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents by Seller, and the consummation of the transactions contemplated hereby and thereby:

(a) do not, to Seller's actual knowledge, in any material respect (with or without the giving of notice or the passage of time or both) violate (or result in the creation of any Lien other than a Permitted Lien on any of the Sale Assets under), any provision of law, rule or regulation or any order, judgment, injunction, decree or ruling applicable to Seller;

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(b) do not (with or without the giving of notice or the passage of time or both) conflict with or result in a breach or termination of, or constitute a default or give rise to a right of termination or acceleration under the Articles of Incorporation or Bylaws of Seller or pursuant to any lease, agreement, commitment or other instrument which Seller is a party to, or bound by, or by which any of the Sale Assets may be bound, or result in the creation of any Lien, other than a Permitted Lien, upon any of the Sale Assets.

3.4 GOVERNMENTAL CONSENTS AND CONSENTS OF THIRD PARTIES. Except for such consents as are required by the FCC and as are disclosed on Schedule 3.4, to Seller's actual knowledge, the execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents by Seller, and the consummation by Seller of the transactions contemplated hereby and thereby, do not require the consent, waiver, approval, permit, license, clearance or authorization of, or any declaration of filing with, any court or public agency or other authority, or the consent of any person under any agreement, arrangement or commitment of a nature to which Seller is a party or by which it is bound or by which the Sale Assets are bound or to which they are subject to, the failure of which to obtain would result in a Material Adverse Condition.

3.5 TANGIBLE PERSONAL PROPERTY. Except for supplies and other incidental items which in the aggregate are not of material value and studio equipment, to Seller's actual knowledge, the list of Tangible Personal Property set forth on Schedule 3.5 is a complete and correct list of all of the items of tangible personal property used to a material extent in the operation of the Station in the manner in which it is now operated, except for the Excluded

Assets.

(a) Seller has good, marketable and valid title to all of the items of Tangible Personal Property free and clear of all Liens except Permitted Liens, and including the right to transfer same.

(b) On the Closing Date, the Tangible Personal Property will be in at least as good a condition as of the date hereof, reasonable wear and tear excepted, and will be in a condition to be operated in accordance with the FCC Licenses in all material respects.

3.6 REAL PROPERTY.

(a) The real property described on Schedule 3.6 constitutes a complete and correct summary description in all material respects of all of the interests including all leases, in real estate, used to any extent in the operation of the Station in the manner in which it has been and is now operated. Said real property, together with all improvements affixed thereto, is herein defined as the "Real Property."

(b) Seller does not owe any money to any architect, contractor, subcontractor or materialman for labor or materials performed, rendered or supplied to or in connection with the Real Property within the past four (4) months which shall not be paid in full on or before Closing.

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(c) To Seller's actual knowledge, Seller has not received any notices of uncorrected violations of the applicable housing, building, safety or fire ordinances. To Seller's actual knowledge, the Real Property is served by electricity and water in capacities adequate for the present use of the Real Property and improvements thereon.

(d) Seller has not made any other agreement for the sale or lease of, or given any other person an option to purchase or lease or a right of first refusal to purchase or lease, all or any part of the Real Property, and Seller has not subjected the Real Property to any liens (other than Permitted Liens), easements, rights, duties, obligations, covenants, conditions, restrictions, limitations or agreements not of record.

3.7 FCC LICENSES. Seller is the holder of the FCC Licenses listed on Schedule 3.7, and except as set forth therein, the FCC Licenses (i) are valid, in good standing and in full force and effect, and (ii) constitute all the current licenses and authorizations issued by the FCC to Seller for or in connection with the current operation of the Station. To Seller's actual knowledge, there is no condition imposed by the FCC as part of any FCC License which is neither set forth on the face thereof as issued by the FCC nor contained in the Rules and Regulations applicable generally to stations of the type, nature, class or location of the Station. No proceedings are pending or, to the knowledge of the Seller, are threatened which may result in the revocation, modification, non-renewal or suspension of any of the FCC Licenses, the denial of any pending applications, the issuance of any cease and desist order or the imposition of any fines, forfeitures or other administrative actions by the FCC with respect to the Station or its operation, other than proceedings affecting the radio broadcasting industry in general. Seller has no actual knowledge of any matters (i) which could reasonably be expected to result in the suspension or revocation of or the refusal to renew any of the FCC Licenses or the imposition of any fines or forfeitures by the FCC, or (ii) against Seller which could reasonably be expected to result in the FCC's refusal to grant approval of the assignment to Buyer of the FCC Licenses or the imposition of any Material Adverse Condition in connection with approval of such assignment.

3.8 STATION AGREEMENTS.

(a) Schedule 3.8 sets forth an accurate and complete list of all material agreements, contracts, arrangements or commitments in effect as of the date hereof, including all amendments, modifications and supplements thereto which the Station or its assets or properties are bound by, except (A) employee benefit plans and employment contracts, (B) contracts for the sale of time on the Station, and (C) contracts which are cancelable by Seller or its assignee without breach or penalty on not more than sixty (60) days' notice.

(b) To the actual knowledge of Seller, except as set forth in the Schedules, (i) the Station Agreements are, in all material respects, valid and enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency,

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reorganization, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity regardless of whether enforcement is sought in any proceeding at law or in equity; (ii) neither Seller nor any party thereto is in material breach of or in material default under any Station Agreements; (iii) there has not occurred any event which, after the giving of notice or the lapse of time or both, would constitute a material default under, or result in the material breach of, any Station Agreements which, individually or in the aggregate, would result in a Material Adverse Condition.

(c) Schedule 3.8 indicates, for each Station Agreement listed thereon which is being assumed by Buyer, whether consent or approval by any party thereto is required thereunder for consummation of the transactions contemplated hereby.

3.9 LITIGATION. There are no claims, investigations or administrative, arbitration or other proceedings pending or, to the actual knowledge of Seller, threatened against Seller which would, individually or in the aggregate if adversely determined, result in a Material Adverse Condition, or which would give any third party the right to enjoin the transactions contemplated by this Agreement and Seller has no actual knowledge of any bases for any such claim or action. There are no existing or pending orders, judgments or decrees of any court or governmental agency affecting Seller, the Station or any of the Sale Assets which would result in a Material Adverse Condition.

3.10 LABOR MATTERS. Seller is not a party to any collective bargaining agreement, and there is no collective bargaining agreement that determines the terms and conditions of employment of any employees of Seller.

3.11 COMPLIANCE WITH LAW. To Seller's actual knowledge, the operation of the Station complies in all material respects with the applicable rules and regulations of the FCC and all federal, state, local or other laws, statutes, ordinances, regulations, and any applicable order, writ, injunction or decree of any court, commission, board, agency or other instrumentality.

3.12 ENVIRONMENTAL MATTERS; OSHA. Except as disclosed on the 1997 Phase I environmental report relating to the Real Property, a true and complete copy of which has previously been provided to Buyer:

(a) Seller has not, and to Seller's actual knowledge, no other person or entity has caused or permitted materials to be generated, released, stored, treated, recycled, disposed of on, under or at such parcels, which materials, if known to be present, would require clean up, removal or other remedial or responsive action under Environmental Laws (other than normal office, cleaning and maintenance supplies in reasonable quantities used and /or stored appropriately in the buildings or improvements on the Real Property). To Seller's actual knowledge, there are no underground storage tanks and no PCBs or friable asbestos in or on the Sale Assets or the Real Property.

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(b) Seller is not subject to any judgment, decree, order or citation with respect to the Sale Assets related to or arising out of Environmental Laws, and Seller has not received notice that it has been named or listed as a potentially responsible party by any person or governmental body or agency in any matter, under Environmental Laws.

3.13 FILING OF TAX RETURNS. Seller has filed all federal, state and local tax returns which are required to be filed, and has paid all taxes and all assessments to the extent that such taxes and assessments have become due, other than such returns, taxes and assessments, the failure to file or pay would not, individually or in the aggregate, have a material adverse effect on Buyer.

3.14 BROKER'S OR FINDER'S FEES. Except for as set forth on Schedule 3.14, no agent, broker, investment banker or other person or firm acting on behalf of or under the authority of Seller or any affiliate of Seller is or will be entitled to any broker's or finder's fee or any other commission or similar fee, directly or indirectly, in connection with the transactions contemplated by this Agreement.

3.15 INSURANCE. There is now in full force and effect with reputable insurance companies fire and extended coverage insurance with respect to all material tangible Sale Assets and public liability insurance, all in commercially reasonable amounts.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer and Parent, jointly and severally, represent and warrant to Seller as follows:

4.1 ORGANIZATION AND GOOD STANDING. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Buyer is authorized to conduct business in the State of Georgia. Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of Parent and Buyer has all requisite corporate power to own, operate and lease its properties and carry on its business as it is now being conducted and as the same will be conducted following the Closing.

4.2 AUTHORIZATION AND BINDING EFFECT OF DOCUMENTS. Each of Parent's and Buyer's execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents, and the consummation by each of Parent and Buyer of the transactions contemplated hereby and thereby, have been duly authorized and approved by all necessary corporate action on the part of each of Parent and Buyer. Each of Parent and Buyer has the power and authority to execute, deliver and perform its obligations under this Agreement and each of the other Documents and to consummate the transactions hereby and thereby contemplated. This Agreement and each of the other Documents have been, or at or prior to the Closing will be, duly executed by Buyer. This Agreement and each of the other Documents to be executed by Each of Parent and Buyer have been, or at or prior to the Closing will be, duly executed by Buyer.

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The Documents, when executed and delivered by the parties hereto, will constitute the valid and legally binding agreement of each of Parent and Buyer, enforceable against each of Parent and Buyer in accordance with their terms, except as may be limited by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights or remedies generally, and except as may be limited by general principles of equity (regardless of whether such enforceability is sought in a proceeding in equity or at law).

4.3 ABSENCE OF CONFLICTS. Each of Parent's and Buyer's execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents and the consummation by each of Parent and Buyer of the transaction contemplated hereby and thereby:

(a) Do not in any material respect (with or without the giving of notice or the passage of time or both) violate (or result in the creation of any claim, lien, charge or encumbrance on any of the assets or properties of either Parent or Buyer under) any provision of law, rule or regulation or any order, judgment, injunction, decree or ruling applicable to either Parent or Buyer in any manner which would have a material adverse effect on the assets, business, operation or financial condition or results of operations of either Parent or Buyer;

(b) Do not (with or without the giving of notice or the passage of time or both) conflict with or result in a breach or termination of, or constitute a default or give rise to a right of termination or acceleration under, the articles of incorporation or bylaws of Buyer or any lease, agreement, commitment, or other instrument which each of Parent or Buyer is a party to, bound by, or by which any of its assets or properties may be bound.

4.4 GOVERNMENTAL CONSENTS AND CONSENTS OF THIRD PARTIES. Except for the required consent of the FCC, each of Parent's and Buyer's execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents and the consummation by each of Parent and Buyer of the transaction contemplated hereby and thereby, do not require the consent, waiver, approval, permit, license, clearance or authorization of, or any declaration or filing with, any court or public agency or other authority, or the consent of any person under any agreement, arrangement or commitment of any nature to which either Parent or Buyer is a party or by which it is bound, the failure of which to obtain would have a material adverse effect on the assets, business, operation or financial condition or results of operations of either Parent or Buyer.

4.5 QUALIFICATION.

(a) Neither Parent nor Buyer has no knowledge after due inquiry of any facts concerning Parent or Buyer or any other person with an attributable interest in either Parent or Buyer (as such term is defined under the Rules and Regulations) which, under present law (including the Act) and the Rules and Regulations, would (i) disqualify either Parent or Buyer from being the holder of the FCC Licenses, the owner of the Sale

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Assets or the operator of the Station upon consummation of the transactions contemplated by this Agreement, or (ii) raise a substantial and material

question of fact (within the meaning of Section 309(e) of the Act) respecting either Parent or Buyer's qualifications.

(b) Without limiting the foregoing Subsection (a), Buyer shall make, and Parent shall cause Buyer to so make the affirmative certifications provided in Section III of FCC Form 314, or as may be required on any form required by the FCC to obtain its consent to this transaction, at the time of filing of such form with the FCC as contemplated by Section 5.2.

4.6 BROKER'S OR FINDER'S FEES. No agent, broker, investment banker, or other person or firm acting on behalf of or under the authority of Parent or Buyer or any affiliate of Buyer is or will be entitled to any broker's or finder's fee or any other commission or similar fee, directly or indirectly, in connection with transactions contemplated by this Agreement.

4.7 LITIGATION. There are no legal, administrative, arbitration or other proceedings or governmental investigations pending or, to the knowledge of either Parent or Buyer, threatened against Parent or Buyer that would give any third party the right to enjoin the transactions contemplated by this Agreement.

ARTICLE V

TRANSACTIONS PRIOR TO THE CLOSING DATE

5.1 CONDUCT OF THE STATION'S BUSINESS PRIOR TO THE CLOSING DATE. Seller covenants and agrees with Buyer that between the date hereof and the Closing Date, unless the Buyer otherwise agrees in writing (which agreement shall not be unreasonably withheld or delayed), Seller shall:

(a) Use reasonable commercial efforts to maintain insurance upon all of the tangible Sale Assets in such amounts and of such kind comparable to that in effect on the date hereof with respect to such Sale Assets and with respect to the operation of the Station, with insurers of substantially the same or better financial condition;

(b) Operate the Station and otherwise conduct its business in all material respects in accordance with the terms or conditions of its FCC Licenses, the Rules and Regulations, the Act and all other rules and regulations, statutes, ordinances and orders of all governmental authorities having jurisdiction over any aspect of the operation of the Station, except where the failure to so operate the Station would not result in a Material Adverse Condition or have a material and adverse effect on the ability of Seller to consummate the transactions contemplated hereby;

(c) Comply in all material respects with all Station Agreements which are material, individually or in the aggregate, to the operation of the Station;

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(d) Promptly notify Buyer of any material default by, or claim of default against, any party under any Station Agreements which are material, individually or in the aggregate, to the operation of the Station, and any event or condition which, with notice or lapse of time or both, would constitute an event of default under such Station Agreements;

(e) Not mortgage, pledge or subject to any Lien other than a Permitted Lien (except in the ordinary course of business) any of the Sale Assets;

(f) Not sell, lease or otherwise dispose of, nor agree to sell, lease or otherwise dispose of, any of the Sale Assets, except for dispositions in the ordinary course of business;

(g) Not amend or terminate any Station Agreement, other than in the ordinary course of business;

(h) Not introduce any material change with respect to the operation of the Station including, without limitation, any material changes in the broadcast hours of the Station or any other material change in the Station's programming policies, except such changes as in the sole discretion of Seller, exercised in good faith after consultation with Buyer, are required by the public interest;

(i) Notify Buyer of any material litigation pending or threatened against Station or any material damage to or destruction of any assets included or to be included in the Sale Assets of which Seller receives actual knowledge.

5.2 GOVERNMENTAL CONSENTS. Seller and Buyer shall file with the FCC, within ten (10) business days after the execution of this Agreement, such applications and other documents in the name of Seller or Buyer, as appropriate, as may be necessary or advisable to obtain the FCC Order. Seller and Buyer shall

take all commercially reasonable steps necessary to prosecute such filings with diligence and shall diligently oppose any objections to, appeals from or petitions to reconsider such approval of the FCC, to the end that the FCC Order and a Final Action with respect thereto may be obtained as soon as practicable; provided, however, that in the event the application for assignment of the FCC Licenses has been designated for hearing, either Buyer or Seller may elect to terminate this Agreement pursuant to Section 10.1(c). Buyer shall not knowingly take, and Seller covenants that Seller shall not knowingly take, any action that party knows or has reason to know would materially and adversely affect or materially delay issuance of the FCC Order or materially and adversely affect or materially delay its becoming a Final Action without a Material Adverse Condition, unless such action is requested or required by the FCC, its staff or the Rules and Regulations. Should Buyer or Seller become aware of any facts which could reasonably be expected to materially and adversely affect or materially delay issuance of the FCC Order without a Material Adverse Condition (including but not limited to, in the case of Buyer, any facts which would reasonably be expected to disqualify Buyer from controlling the Station), such party shall promptly notify the other party thereof in writing and both parties shall cooperate to take all steps necessary or desirable to resolve the matter expeditiously and to obtain the FCC's approval of matters pending before it.

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5.3 OTHER CONSENTS. Seller shall use its reasonable best efforts to obtain the consent or waivers to the transactions contemplated by this Agreement required under the Station Agreements; provided that Seller shall not be required to pay or grant any material consideration in order to obtain any such consent or waiver.

5.4 TAX RETURNS AND PAYMENTS. All taxes pertaining to ownership of the Sale Assets or operation of the Station prior to the Closing Date will be timely paid; provided that Seller shall not be required to pay any such tax so long as the validity thereof shall be contested in good faith by appropriate proceedings and Seller shall have set aside adequate reserves with respect to any such tax.

5.5 ACCESS PRIOR TO THE CLOSING DATE. Prior to the Closing, Buyer and its representatives may make such reasonable investigation of the assets and business of the Station as it may desire; and Seller shall give to Buyer, its engineers, counsel, accountants and other representatives reasonable access during normal business hours throughout the period prior to the Closing to personnel and all of the assets, books, records and files of or pertaining to the Station, provided that (i) Buyer shall give Seller reasonable advance notice of each date on which Buyer or any such other person or entity desires such access, (ii) each person (other than an officer of Buyer) shall, if requested by Seller, be accompanied by an officer or their representative of Buyer approved by Seller, which approval shall not be unreasonably withheld, (iii) the investigations at the offices of Seller shall be reasonable in number and frequency, and (iv) all investigations shall be conducted in such a manner as not to physically damage any property or constitute a disruption of the operation of the Station or Seller. Seller shall furnish to Buyer during such period all documents and copies of documents and information concerning the business and affairs of Seller and the Station as Buyer may reasonably request.

5.6 CONFIDENTIALITY; PRESS RELEASE. All information, data and materials furnished or to be furnished to either party with respect to the other party in connection with this transaction or pursuant to this Agreement are confidential. Each party agrees that prior to Closing (a) it shall not disclose or otherwise make available, at any time, any such information, data or material to any person who does not have a confidential relationship with such party; (b) it shall protect such information, data and material with a high degree of care to prevent the disclosure thereof; and (c) if, for any reason, this transaction is not consummated, all information, data or material concerning the other party obtained by such party, and all copies thereof, will be returned to the other party. After Closing, neither party will disclose or otherwise make available to any person any of such information, data or material concerning the other party, except as may be necessary or appropriate in connection with the operation of the Station by Buyer after delivering written notice not less than ten (10) Business Days prior to such disclosure to Seller of Buyer's intention to make such disclosure and the reasons therefor. Each party shall use its reasonable efforts to prevent the violation of any of the foregoing

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confidentiality provisions by its respective representatives. Notwithstanding the foregoing, nothing contained herein shall prohibit Buyer or Seller from:

(i) using such information, data and materials in connection with any action or proceeding brought or any claim asserted by Buyer or Seller in respect of any breach by the other of any representation, warranty or

covenant made in or pursuant to this Agreement; or

(ii) supplying or filing such information, data or materials to or with the FCC or SEC or any other valid governmental or court authority to the extent required by law or reasonably necessary to obtain any consent, waiver, amendment, modification, approval, authorization, permit or license which may be necessary to effectuate this Agreement, and to consummate the transaction contemplated herein.

In the event that either party determines in good faith that a press release or other public announcement is desirable under any circumstances, the parties shall consult with each other to determine the appropriate timing, form and content of such release or announcement and thereafter may make such release or announcement.

5.7 REASONABLE BEST EFFORTS. Subject to the terms and conditions of this Agreement, each of the parties hereto will use its reasonable best efforts to take all action and to do all things necessary, proper or advisable to satisfy any condition to the parties' obligations hereunder in its power to satisfy and to consummate and make effective as soon as practicable the transactions contemplated by this Agreement.

5.8 FCC REPORTS. Seller shall continue to file, on a current basis until the Closing Date, all reports and documents required to be filed with the FCC with respect to the Station. Seller shall provide Buyer with copies of all such filings within five business days of the filing with the FCC.

5.9 CONVEYANCE FREE AND CLEAR OF LIENS. At or prior to the Closing, Seller shall obtain executed releases, in suitable form for filing and otherwise in form and substance reasonably satisfactory to Buyer, of any security interests granted in the Sale Assets and properties as security for payment of loans and other obligations or judgments and of any other Liens on the Sale Assets. At the Closing, Seller shall transfer and convey to Buyer all of the Sale Assets free and clear of all Liens except Permitted Liens.

5.10 ENVIRONMENTAL ASSESSMENT. Not later than forty-five (45) days after execution of this Agreement, Buyer may obtain a Phase I ("the Phase I") environmental assessment of the Sale Assets by an environmental engineer selected by Buyer. Within fourteen (14) days after Buyer's receipt of the Phase I, if the Phase I indicates environmental conditions may exist on, under or affect such properties that may constitute a violation or breach of Seller's representations and warranties contained in Section 3.12 of this Agreement (an "Environmental Defect"), then Buyer shall be entitled to obtain a Phase II ("the Phase II") environmental assessment of the Real Property, or any portion thereof. (The Phase I and the Phase II, if obtained, shall be referred to herein

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as the "Environmental Assessment"). Buyer shall commission and pay the cost of such Environmental Assessment and shall provide a copy to Seller. The Environmental Assessment shall be subject to the confidentiality provisions of Section 5.6. If after appropriate inquiry into the previous ownership of and uses of the Real Property consistent with good commercial or customary practice, the engineer concludes that environmental conditions exist on, under or affecting such properties that would constitute an Environmental Defect, then Buyer may elect to proceed with the Closing but shall not be obligated to close under any circumstances which would require Buyer to assume ownership of the Station under conditions where there exist any uncured violations of warranties, representations or covenants with respect to environmental matters. If Buyer elects to close with knowledge of an Environmental Defect, then Seller shall have no obligation to indemnify Buyer with respect thereto or pursuant to Article IX hereof following the Closing.

5.11 APPLICATIONS. Seller recognizes that Buyer's intended use of the Station is subject to prior approval by federal, state and local authorities to improve the current facilities of the Station and hereby permits Buyer to file any application(s) in the name of Buyer to make changes in the Station's facilities; provided that such application(s) shall be contingent on Closing occurring. Seller will provide Buyer with a separate written statement of the foregoing, should Buyer request such a separate written statement. Buyer shall be responsible for all fees, permits, engineering, and filings and related costs necessary for any and all of the application(s) contemplated by this Section. Buyer shall indemnify and hold harmless Seller and any officer, director, agent, employee and affiliate thereof with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses (including reasonable attorneys' fees) relating to or arising out of any application, documents, filings or fees executed by Seller pursuant to this Section.

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ARTICLE VI

CONDITIONS PRECEDENT TO THE
OBLIGATIONS OF BUYER TO CLOSE

Buyer's obligation to close the transaction contemplated by this Agreement is subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, unless waived by Buyer in writing:

6.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES; CLOSING CERTIFICATE.

(a) The representations and warranties of Seller contained in this Agreement or in any other Document shall be complete and correct in all material respects on the date hereof and at the Closing Date with same effect as though made at such time except for changes that are not materially adverse to the Station or the Sale Assets taken as a whole.

(b) Seller shall have delivered to Buyer on the Closing Date a certificate that (i) the condition specified in Section 6.1(a) is satisfied as of the Closing Date, and (ii) except as set forth in such certificate (none of which exceptions shall be materially adverse to the Station, the Sale Assets or Seller's ability to consummate the transaction contemplated hereby), the condition specified in Section 6.2 is satisfied as of the Closing Date.

6.2 PERFORMANCE OF AGREEMENTS. Seller shall have performed in all material respects all of its covenants, agreements and obligations required by this Agreement and each of the other Documents to be performed or complied with by it prior to or upon the Closing Date.

6.3 FCC AND OTHER CONSENTS.

(a) The FCC Order shall have been issued by the FCC and shall have become a Final Action without any Material Adverse Condition.

(b) Seller shall have satisfied all material conditions which the FCC Order or any order, ruling or decree of any judicial or administrative body relating thereto or in connection therewith specifies and requires to be satisfied by Seller prior to transfer of the FCC Licenses to Buyer.

(c) All other material authorizations, consents, approvals and clearances of federal, state or local governmental agencies required to permit the consummation by Buyer of the transactions contemplated by this Agreement including, without limitation, the assignment of any FCC Authorization requested by Buyer, shall have been obtained; all material statutory and regulatory requirements for such consummation shall have been fulfilled; and no such authorizations, consents, approvals or clearances shall contain any conditions that individually or in the aggregate would result in a Material Adverse Condition.

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6.4 ADVERSE PROCEEDINGS. Neither Buyer nor any affiliate of Buyer shall be subject to any ruling, decree, order or injunction restraining, imposing material limitations on or prohibiting (i) the consummation of the transactions contemplated hereby or (ii) its participation in the operation, management, ownership or control of the Station; and no litigation, proceeding or other action seeking to obtain any such ruling, decree, order or injunction shall be pending. No governmental authority having jurisdiction shall have notified any party to this Agreement that consummation of the transaction contemplated hereby would constitute a violation of the laws of the United States or of any state or political subdivision or that it intends to commence proceedings to restrain such consummation or to force divestiture, unless such governmental authority shall have withdrawn such notice. No governmental authority having jurisdiction shall have commenced any such proceeding.

6.5 OPINION OF SELLER'S FCC COUNSEL. Buyer shall have received from Seller's FCC counsel a letter, dated the Closing Date, in form and substance reasonably satisfactory to Buyer's FCC counsel, to the effect that:

(a) The FCC Licenses listed on Schedule 3.8 are valid, in good standing and in full force and effect and include all material licenses, permits and authorizations which are necessary under the Rules and Regulations for Seller to operate the Station in the manner in which the Station is currently being operated.

(b) To counsel's knowledge, no condition has been imposed by the FCC as part of any FCC License which is not set forth on the face thereof as issued by the FCC or contained in the Rules and Regulations applicable generally to stations of the type, nature, class or location of the Station.

(c) No proceedings are pending or, to counsel's knowledge, are

threatened which may result in the revocation, modification, non-renewal of, suspension of, or the imposition of a Material Adverse Condition upon, any of the FCC Licenses, the denial of any pending applications, the issuance of any cease and desist order or the imposition of any fines, forfeitures or other administrative actions by the FCC which would materially adversely affect the continued operation of the Station, other than proceedings affecting the radio broadcasting industry in general.

Counsel shall be entitled to rely upon Seller's representations and warranties in this Agreement and to limit its inquiry to its files and such FCC files and records as are available to it as of 10:00 o'clock A.M. Eastern time the business day immediately preceding the Closing Date. Counsel may state that, as to any factual matters embodied in, or forming a basis for any legal opinion expressed in, such opinion, counsel's knowledge is based solely on such inquiry.

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6.6 DELIVERY OF CLOSING DOCUMENTS. Seller shall have delivered or caused to be delivered to Buyer on the Closing Date each of the Documents required to be delivered pursuant to Section 8.2.

6.7 ENVIRONMENTAL CONDITIONS. The Environmental Assessment obtained by Buyer pursuant to Section 5.10 hereof shall not have disclosed an Environmental Defect that is not removed, remedied or cured by Seller prior to the Closing.

ARTICLE VII

CONDITIONS PRECEDENT OF THE OBLIGATION OF SELLER TO CLOSE

The obligation of Seller to close the transaction contemplated by this Agreement is subject to the satisfaction, on or prior to the closing Date, of each of the following conditions, unless waived by Seller in writing:

7.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES.

(a) The representations and warranties of Parent and Buyer contained in this Agreement shall be complete and correct in all material respects on the date hereof and at the Closing Date with the same effect as though made at such time except for changes that are not materially adverse to Seller.

(b) Buyer and Parent, respectively, shall have delivered to Seller on the Closing Date a certificate that (i) the condition specified in Section 7.1(a) is satisfied as of the Closing Date, and (ii) except as set forth in such certificate (none of which exceptions shall be materially adverse to Buyer's ability to consummate the transaction contemplated hereby), the conditions specified in Section 7.2 are satisfied as of the Closing Date.

7.2 PERFORMANCE OF AGREEMENTS. Buyer and Parent shall have performed in all material respects all of its covenants, agreements and obligations required by this Agreement and each of the other Documents to be performed or complied with by it prior to or upon the Closing Date.

7.3. FCC AND OTHER CONSENTS.

(a) The FCC Order shall have been issued by the FCC and shall have become effective under the rules of the FCC, without any condition materially adverse to Seller.

(b) Conditions which the FCC Order or any order, ruling or decree of any judicial or administrative body relating thereto or in connection therewith specifies and requires to be satisfied by Buyer prior to transfer of the FCC Licenses to Buyer shall have been satisfied by Buyer.

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(c) All other authorizations, consents, approvals and clearances of all federal, state and local governmental agencies required to permit the consummation by Seller of the transactions contemplated by this Agreement shall have been obtained; all statutory and regulatory requirements for such consummation shall have been fulfilled; and no such authorizations, consents, approvals or clearances shall contain any conditions that individually or in the aggregate would have any material adverse effect on Seller.

7.4 ADVERSE PROCEEDINGS. Seller shall not be subject to any ruling, decree, order or injunction restraining, imposing material limitations on or prohibiting the consummation of the transactions contemplated hereby. No governmental authority having jurisdiction shall have notified any party to this Agreement that consummation of the transactions contemplated hereby would constitute a violation of the laws of the United States or of any state or

political subdivision or that it intends to commence proceedings to restrain such consummation or to force divestiture, unless such governmental authority shall have withdrawn such notice. No governmental authority having jurisdiction shall have commenced any such proceeding.

7.5 DELIVERY OF CLOSING DOCUMENTS AND PURCHASE PRICE. Buyer shall have delivered or caused to be delivered to Seller on the Closing Date each of the Documents required to be delivered pursuant to Section 8.3, and Seller shall have received payment of the Purchase Price with the form of payment set forth in Section 2.5.

7.6 DELIVERY OF PARENT GUARANTEE. Parent shall have delivered the Parent Guarantee, dated as of the Closing Date, to Seller.

ARTICLE VIII

CLOSING

8.1 TIME AND PLACE. Unless otherwise agreed to in advance by the parties, Closing shall take place in person or via facsimile at the offices of Buyer's counsel in Camarillo, California, or at such other place as the parties agree, at 10:00 A.M. Pacific Time on the date (the "Closing Date") that is the later of (i) the fifth Business Day after the Applicable Date or (ii) the date as soon as practicable following satisfaction or waiver of the conditions precedent hereunder. The "Applicable Date" shall be the date on which issuance of the FCC Order without any Material Adverse Condition or condition materially adverse to Seller has become effective.

8.2 DOCUMENTS TO BE DELIVERED TO BUYER BY SELLER. At the Closing, Seller shall deliver or cause to be delivered to Buyer the following:

(a) Certified resolutions of Seller's Board of Directors and Shareholders approving the execution and delivery of this Agreement and each of the other Documents and authorizing the consummation of the transactions contemplated hereby and thereby.

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(b) The certificate required by Section 6.1(b).

(c) A bill of sale and other instruments of transfer and conveyance transferring to Buyer the Tangible Personal Property.

(d) Executed releases, in suitable form for filing and otherwise in form and substance reasonably satisfactory to Buyer, of any security interests granted in the Sale Assets as security for payment of loans and other obligations and of any other Liens (other than Permitted Liens).

(e) An instrument or instruments assigning to Buyer all right, title and interest of Seller in and to all Station Agreements, including leases for the Real Property, being assumed by Buyer.

(f) An instrument assigning to Buyer all right, title and interest of Seller in the FCC Licenses, all pending applications relating to the Station before the FCC, and any remaining Sale Assets not otherwise conveyed.

(g) An instrument assigning to Buyer all rights, title and interest of Seller to the assets described in Section 2.1(f) hereof.

(h) The opinion of Seller's FCC counsel, dated the Closing Date, to the effect set forth in Section 6.5.

(i) Such additional information and materials as Buyer shall have reasonably requested, including without limitation, evidence that all consents and approvals required as a condition to Buyer's obligation to close hereunder have been obtained.

8.3 DOCUMENTS TO BE DELIVERED TO SELLER BY BUYER. At the Closing, Buyer shall deliver or cause to be delivered to Seller the following:

(a) Certified resolutions of Buyer's Board of Directors approving the execution and delivery of this Agreement and each of the other Documents and authorizing the consummation of the transaction contemplated hereby and thereby.

(b) The Purchase Price as set forth in Section 2.5.

(c) The agreement of Buyer assuming the obligations under any Station Agreements being assumed by Buyer.

(d) The certificate required under Section 7.1(b).

(e) The agreement ("Internet Agreement") by Buyer, or its affiliates, to provide technical assistance, without cost, to establish and

operate a radio station that streams audio content over the Internet, in the form set forth in Exhibit B attached hereto.

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(f) The agreement by Buyer, to allow Mr. Joseph Weber to produce and broadcast on the Station, without cost, up to one (1) hour of programming each week for one (1) year between the hours of 10:00 a.m. and 3:00 p.m. on Saturday, in substantially the form set forth in Exhibit C attached hereto.

(g) Such additional information and materials as Seller shall have reasonably requested.

ARTICLE IX

SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

9.1 SURVIVAL OF REPRESENTATION AND WARRANTIES. All representations, warranties, covenants and agreements contained in this Agreement or in any other Document shall survive the Closing for the Survival Period and the Closing shall not be deemed a waiver by either party of the representations, warranties, covenants or agreements of the other party contained herein or in any other Document. No claim may be brought under this Agreement or any other Document unless written notice describing in reasonable detail the nature and basis of such claim is given on or prior to the last day of the Survival Period. In the event such a notice is so given, the right to indemnification with respect thereto under this Article shall survive the Survival Period until such claim is finally resolved and any obligations with respect thereto are fully satisfied. For purposes of this agreement the "Survival Period" shall be twelve (12) months except as follows: as to any representation and warranty contained in Section 3.1, Section 3.2, Section 3.3, Section 3.6(a), Section 3.14, Section 4.1, Section 4.2, Section 4.3 and Section 4.4 (collectively "Surviving Warranties"), the Survival Period shall be indefinite.

9.2 INDEMNIFICATION IN GENERAL. Buyer and Seller agree that the rights to indemnification and to be held harmless set forth in this Agreement shall, as between the parties hereto and their respective successors and assigns, be exclusive of all rights to indemnification and to be held harmless that such party (or its successors or assigns) would otherwise have by statute, common law or otherwise.

9.3 INDEMNIFICATION BY SELLER.

(a) Subject to the provisions of Subsection (b) below and Section 10.2 below, Seller shall indemnify and hold harmless Buyer and any officer, director, agent, employee and affiliate thereof with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses (including reasonable attorneys' fees) relating to or arising out of:

(i) Any breach or non-performance by Seller of any of its representations or warranties set forth in this Agreement; or

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(ii) The ownership or operation by Seller of the Station or the Sale Assets on or prior to the Closing Date; or

(iii) All other liabilities and obligations of Seller other than the Assumed Obligations; or

(iv) Noncompliance by Seller with the provisions of the Bulk Sales Act, if applicable, in connection with the transaction contemplated hereby.

(b) Except for any amounts owed by Seller to Buyer under Section 9.3(a) (iv), and Section 2.7, if Closing occurs, Seller shall not be obligated to indemnify Buyer pursuant to Section 9.3(a) hereof until the aggregate amount of such claims, liabilities, damages, losses, costs and expenses exceeds Buyer's Threshold Limitation, in which case Buyer shall then be entitled to indemnification of the excess of the Buyer's Threshold Limitation.

9.4 INDEMNIFICATION BY BUYER.

(a) Subject to the provisions of Subsection (b) below and Section 10.2 below, Buyer shall indemnify and hold harmless Seller and any officer, director, agent, employee and affiliate thereof with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses (including reasonable attorneys' fees) relating to or arising out of:

(i) Any breach or non-performance by Buyer of any of its representations or warranties set forth in this Agreement or any other Document; or

(ii) The ownership or operation of the Station after the Closing Date; or

(iii) The Assumed Obligations and all other liabilities or obligations of Buyer.

(b) Except for any amounts owed by Buyer to Seller under Section 2.7, if Closing occurs, Buyer shall not be obligated until the aggregate amount of such claims, liabilities, damages, losses, costs and expenses exceeds Seller's Threshold Limitation, in which case Seller shall then be entitled to indemnification of excess of the Seller's Threshold Limitation.

9.5 INDEMNIFICATION PROCEDURES. In the event that an Indemnified Party may be entitled to indemnification hereunder with respect to any asserted claim of, or obligation or liability to, any third party, such party shall notify the Indemnifying Party thereof, describing the matters involved in reasonable detail, and the Indemnifying Party shall be entitled to assume the defense thereof upon written notice to the Indemnified Party with counsel reasonably satisfactory to the Indemnified Party; provided, that once the defense thereof is assumed by the Indemnifying Party, the Indemnifying Party shall

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keep the Indemnified Party advised of all developments in the defense thereof and any related litigation, and the Indemnified Party shall be entitled at all times to participate in the defense thereof at its own expense. If the Indemnifying Party fails to notify the Indemnified Party of its election to defend or contest its obligation to indemnify under this Article IX, the Indemnified Party may pay, compromise, or defend such a claim without prejudice to any right it may have hereunder.

ARTICLE X

TERMINATION; LIQUIDATED DAMAGES

10.1 TERMINATION. If Closing shall not have previously occurred, this Agreement shall terminate upon the earliest of:

(a) the giving of written notice from Seller to Buyer, or from Buyer to Seller, if:

(i) Seller gives such termination notice and is not at such time in material default hereunder, or Buyer gives such termination notice and Buyer is not at such time in material default hereunder; and

(ii) Either:

(A) any of the representations or warranties contained herein of Buyer (if such termination notice is given by Seller), or of Seller (if such termination notice is given by Buyer), are inaccurate in any material respect and would, in the case of Buyer, result in a Material Adverse Condition, or, in the case of Seller, would be materially adverse to Seller unless the inaccuracy has been induced by or is the result of actions or omissions of the party giving such termination notice; or

(B) Any material obligation to be performed by Buyer (if such termination notice is given by Seller) or by Seller (if such termination notice is given by Buyer) is not timely performed in any material respect unless the lack of timely performance has been induced by or is the result of actions or omissions of the party giving such termination notice; or

(C) Any condition (other than those referred to in foregoing Clauses (A) and (B)) to the obligation to close the transaction contemplated herein of the party giving such termination notice has not been timely satisfied; and any such inaccuracy, failure to perform or non-satisfaction of a condition neither has been cured nor satisfied within twenty (20) days after written notice thereof from the party giving such termination notice nor waived in writing by the party giving such termination notice.

(b) Written notice from Seller to Buyer, or from Buyer to Seller, at any time after twelve (12) months from the date this Agreement is executed; provided that

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termination shall not occur upon the giving of such termination notice by Seller if Seller is at such time in material default hereunder or upon the giving of such termination notice by Buyer if Buyer is at such time in material default hereunder.

(c) Written notice from Seller to Buyer, or from Buyer to Seller, at any time following a determination by the FCC that the application for consent to assignment of the FCC Licenses has been designated for hearing; provided that the party which is the subject of the hearing (or whose alleged actions or omissions resulted in the designation for hearing) may not elect to terminate under this subsection (c).

(d) The written election by Buyer under Section 5.10 or Article XI.

10.2 OBLIGATIONS UPON TERMINATION.

(a) In the event this Agreement is terminated pursuant to Section 10.1(a)(ii)(A) or (B), the aggregate liability of Buyer for breach hereunder shall be limited as provided in Subsections (c) and (e), below and the aggregate liability for Seller for breach hereunder shall be limited as provided in Subsections (d) and (e), below. In the event this Agreement is terminated for any other reason, neither party shall have any liability hereunder.

(b) Upon termination of this Agreement, Buyer shall be entitled to the return of the Earnest Money from the Escrow Agent under the Escrow Agreement (i) if such termination is effected by Buyer's giving of valid written notice to Seller pursuant to Subsections 10.1(a), (b) (c) or (d), or (ii) if such termination is effected by Seller's giving of valid written notice to Buyer pursuant to Subsections 10.1(a)(ii)(C), 10.1(b) or 10.1(c). If Buyer is entitled to the return of the Earnest Money, Seller shall cooperate with Buyer in taking such action as is required under the Escrow Agreement in order to effect such return from the Escrow Agent.

(c) If this Agreement is terminated by Seller's giving of valid written notice to Buyer pursuant to Subsection 10.1(a)(ii)(A) or (B), Buyer agrees that Seller shall be entitled to receive upon such termination, as liquidated damages and not as a penalty, the Earnest Money ("Liquidated Damages Amount"). SELLER'S RECEIPT OF THE LIQUIDATED DAMAGES AMOUNT SHALL CONSTITUTE PAYMENT OF LIQUIDATED DAMAGES HEREUNDER AND NOT A PENALTY, AND SHALL BE SELLER'S SOLE REMEDY AT LAW OR IN EQUITY FOR BUYER'S BREACH HEREUNDER IF CLOSING DOES NOT OCCUR. BUYER AND SELLER EACH ACKNOWLEDGE AND AGREE THAT THE LIQUIDATED DAMAGE AMOUNT IS REASONABLE IN LIGHT OF THE ANTICIPATED HARM WHICH WILL BE CAUSED BY BUYER'S BREACH OF THIS AGREEMENT, THE DIFFICULTY OF PROOF OF LOSS, THE INCONVENIENCE AND NON-FEASIBILITY OF OTHERWISE OBTAINING AN ADEQUATE REMEDY, AND THE VALUE OF THE TRANSACTION TO BE CONSUMMATED HEREUNDER.

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(d) Notwithstanding any provision of this Agreement to the contrary, but subject to the provisions of the following sentences, if this Agreement is terminated by Buyer's giving of written notice to Seller pursuant to Section 10.1(a)(ii)(A) or (B), Buyer shall not be entitled to damages or indemnification from Seller. Subject to the following sentence, if Seller attempts to terminate this Agreement under circumstances where it is not entitled to do so, or if Seller, by its own action, causes a breach of warranty or fails to satisfy a condition (including without limitation a refusal to consummate the transaction after Buyer has satisfied all conditions to Seller's obligation to close and Buyer has demonstrated its willingness and ability to close on the terms set forth in this Agreement and Buyer is not in default hereunder) with the intent of creating a situation whereby Buyer elects to terminate under Section 10.1(a)(ii)(A) or (B) and Buyer does so elect to terminate, the monetary damages, if any, to which Buyer shall be entitled shall be limited to direct and actual damages and shall in no event exceed the Liquidated Damages Amount in the aggregate. If a circumstance described in the preceding sentence should arise and if Buyer establishes that the action of Seller described therein was taken intentionally in order to allow Seller to sell or enter into negotiations to sell the Station to another party, the damages to which Buyer shall be entitled shall not be limited to direct and actual damages.

(e) In any dispute between Buyer and Seller as to which party is entitled to all or a portion of the Earnest Money, the prevailing party shall receive, in addition to that portion of the Earnest Money to which it is entitled, an amount equal to interest on that portion at the rate of 10% per annum, calculated from the date the prevailing party's demand for all or a portion of the Earnest Money is received by the Escrow Agent.

10.3 TERMINATION NOTICE. Each notice given by a party pursuant to Section 10.1 to terminate this Agreement shall specify the Subsection (and clause or clauses thereof) of Section 10.1 pursuant to which such notice is

ARTICLE XI

CASUALTY

Upon the occurrence of any casualty loss, damage or destruction material to the operation of the Station prior to the Closing, Seller shall promptly give Buyer written notice setting forth in detail the extent of such loss, damage or destruction and the cause thereof if known. Seller shall use its reasonable efforts to promptly commence and thereafter to diligently proceed to repair or replace any such lost, damaged or destroyed property. In the event that such repair or replacement is not fully completed prior to the Closing Date, Buyer may elect to postpone the Closing until Seller's repairs have been fully completed or to consummate the transactions contemplated hereby on the Closing Date, in which event Seller shall assign to Buyer the portion of the insurance proceeds (less all reasonable costs and expenses, including without limitation attorney's fees, expenses and court costs incurred by Seller to collect such amounts), if any, not previously expended by Seller to repair or replace the damaged or destroyed property (such assignment of proceeds to take place regardless of whether the parties close on the scheduled or deferred Closing Date) and Buyer shall accept the damaged Sale Assets in their damaged condition. In the event the loss, damage or destruction causes or will cause the Station to be off the air for more than seven (7) consecutive days or fifteen (15) total days, whether or not consecutive, then Buyer may elect either (i) to consummate the transactions contemplated hereby on the Closing Date, in which event Seller shall assign to Buyer the portion of the insurance proceeds (less all reasonable costs and expenses, including without limitation attorney's fees, expenses and court costs, incurred by Seller to collect such amounts), if any, not previously expended by Seller to repair or replace the damaged or destroyed property, and Buyer shall accept the damaged Sale Assets in their damaged condition, or (ii) to terminate this Agreement.

ARTICLE XII

CONTROL OF STATION

Between the date of this Agreement and the Closing Date, Buyer shall not control, manage or supervise the operation of the Station or conduct of its business, all of which shall remain the sole responsibility and under the control of Seller, subject to Seller's compliance with this Agreement.

ARTICLE XIII

MISCELLANEOUS

13.1 FURTHER ACTIONS. From time to time before, at and after the Closing, each party, at its expense and without further consideration, will execute and deliver such documents to the other party as the other party may reasonably request in order more effectively to consummate the transactions contemplated hereby.

13.2 ACCESS AFTER THE CLOSING DATE. After the Closing and for a period of twelve (12) months, Buyer shall provide Seller, Seller's counsel, accountants and other representatives with reasonable access during normal business hours to the books, records, property, personnel, contracts, commitments and documents of the Station pertaining to transactions occurring prior to the Closing Date when requested by Seller, and Buyer shall retain such books and records for the normal document retention period of Buyer. At the request and expense of Seller, Buyer shall deliver copies of any such books and records to Seller.

13.3 PAYMENT OF EXPENSES.

(a) Any fees assessed by the FCC in connection with the filings contemplated by Section 5.2 or consummation of the transactions contemplated hereby shall be shared equally between Seller and Buyer.

(b) All state or local sales or use, stamp or transfer, grant and other similar taxes payable in connection with consummation of the transactions contemplated hereby shall be paid by the party primarily liable under applicable law to pay such tax.

(c) Except as otherwise expressly provided in this Agreement, each of the parties shall bear its own expenses, including the fees of any attorneys and accountants engaged by such party, in connection with this Agreement and the consummation of the transactions contemplated herein.

13.4 SPECIFIC PERFORMANCE. Seller acknowledges that the Station is of a special, unique, and extraordinary character, and that any breach of this Agreement by Seller could not be compensated for by damages. Accordingly, if Seller shall breach its obligations under this Agreement, Buyer shall be entitled, in addition to any of the remedies that it may have, to enforcement of this Agreement (subject to obtaining any required approval of the FCC) by decree of specific performance or injunctive relief requiring Seller to fulfill its obligations under this Agreement. In any action by Buyer to equitably enforce the provisions of this Agreement, Seller shall waive the defense that there is an adequate remedy at law or equity and agrees that Buyer shall have the right to obtain specific performance of the terms of this Agreement without being required to prove actual damages, post bond or furnish other security.

13.5 NOTICES. All notices, demands or other communications given hereunder shall be in writing and shall be sufficiently given if delivered by courier or sent by registered or certified mail, first class, postage prepaid, or by telex, cable, telegram, facsimile machine or similar written means of communication, addressed as follows:

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(a) If to Seller, to:

Mr. Joseph Weber, President
JW Broadcasting, Inc.
3406 Old Plantation Road
Atlanta, GA 30327

With a copy to:

Rogers & Hardin, LLP
2700 International Tower
229 Peachtree Street NE
Atlanta, GA 30303
Attention: Michael Rosenzweig, Esq.
Telephone: (404) 420-2609
Facsimile: (404) 525-2224

(b) if to Buyer, to:

c/o Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, California 93012
Attention: Jonathan L. Block, Esq.
Associate General Counsel
Telephone: (805) 987-0400 ext. 106
Facsimile No.: (805) 384-4505

or such other address with respect to any party hereto as such party may from time to time notify (as provided above) to the other party hereto. Any such notice, demand or communication shall be deemed to have been given (i) if so mailed, as of the close of the third (3rd) business day following the date mailed, and (ii) if personally delivered or otherwise sent as provided above, on the date received.

13.6 ENTIRE AGREEMENT. This Agreement, the Schedules and Exhibits hereto, and the other Documents constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede any prior negotiations, agreements, understandings or arrangements between the parties with respect to the subject matter hereof.

13.7 BINDING EFFECT; BENEFITS. Except as otherwise provided herein, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors or assigns. Except to the extent specified herein, nothing in this Agreement, express or implied, shall confer on any person other than the parties hereto and their respective successors or assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

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13.8 ASSIGNMENT. This Agreement and any rights hereunder shall not be assignable by either party hereto without the prior written consent of the other party.

13.9 GOVERNING LAW. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of Georgia, including all matters of construction, validity and performance.

13.10 BULK SALES. Buyer hereby waives compliance by Seller with the provisions of the Bulk Sales Act and similar laws of any state or jurisdiction, if applicable. Seller shall, in accordance with Article IX, indemnify and hold Buyer harmless from and against any and all claims made against Buyer by reason of such non-compliance.

13.11 AMENDMENTS AND WAIVERS. No term or provision of this Agreement may be amended, waived, discharged or terminated orally but only by an instrument in writing signed by the party against whom the enforcement of such amendment, waiver, discharge or termination is sought. Any waiver shall be effective only in accordance with its express terms and conditions.

13.12 SEVERABILITY. If any provision of this Agreement, or the application thereof to any person or entity or any circumstance, is invalid or unenforceable in any jurisdiction, (i) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the extent and purpose of such invalid and unenforceable provision, and (ii) the remainder of this Agreement and the application of such provision to other persons, entities or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

13.13 HEADINGS. Except as provided in Article I, the captions in this Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

13.14 COUNTERPARTS. This Agreement may be executed in any number of counterparts, and by either party on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.15 REFERENCES. All references in this Agreement to Articles and Sections are to Articles and Sections contained in this Agreement unless a different document is expressly specified.

13.16 SCHEDULES AND EXHIBITS. Unless otherwise specified herein, each Schedule and Exhibit referred to in this Agreement is attached hereto, and each such Schedule and Exhibit is hereby incorporated by reference and made a part hereof as if fully set forth herein.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written.

"SELLER"

"BUYER "

JW BROADCASTING, INC.

SALEM MEDIA OF GEORGIA, INC.

By:

By:

Name: Joseph Weber
Title: President

Eric H. Halvorson
Executive Vice President

"PARENT"

SALEM COMMUNICATIONS CORPORATION

By:

Eric H. Halvorson
Executive Vice President

SUBSIDIARIES OF SALEM COMMUNICATIONS CORPORATION,
A DELAWARE CORPORATION

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, Inc.
Inspiration Media of Texas, 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 of California, Inc.
Salem Media of Colorado, Inc.
Salem Media Corporation
Salem Media of Georgia, Inc.
Salem Media of Hawaii, Inc.
Salem Media of Kentucky, Inc.
Salem Media of Ohio, Inc.
Salem Media of Oregon, Inc.
Salem Media of Pennsylvania, Inc.
Salem Media of Texas, Inc.
Salem Media of Virginia, Inc.
Salem Music Network, Inc.
Salem Radio Network Incorporated
Salem Radio Properties, Inc.
Salem Radio Representatives, Inc.
South Texas Broadcasting, Inc.
SRN News Network, Inc.
Vista Broadcasting, Inc.

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	DEC-31-1999
<PERIOD-START>	JAN-01-1999
<PERIOD-END>	DEC-31-1999
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<ALLOWANCES>	1,753
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<CURRENT-ASSETS>	55,515
<PP&E>	82,608
<DEPRECIATION>	31,943
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<CURRENT-LIABILITIES>	13,515
<BONDS>	100,000
<PREFERRED-MANDATORY>	0
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<COMMON>	147,615
<OTHER-SE>	(4,776)
<TOTAL-LIABILITY-AND-EQUITY>	246,364
<SALES>	0
<TOTAL-REVENUES>	101,701
<CGS>	0
<TOTAL-COSTS>	91,050
<OTHER-EXPENSES>	633
<LOSS-PROVISION>	2,671
<INTEREST-EXPENSE>	14,219
<INCOME-PRETAX>	(6,086)
<INCOME-TAX>	(1,611)
<INCOME-CONTINUING>	(4,475)
<DISCONTINUED>	0
<EXTRAORDINARY>	(3,570)
<CHANGES>	0
<NET-INCOME>	(8,045)
<EPS-BASIC>	0
<EPS-DILUTED>	(0.40)

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