UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2023

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 000-26497

SALEM MEDIA GROUP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE **(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)**	**77-0121400** **(I.R.S. EMPLOYER IDENTIFICATION NUMBER)**
6400 NORTH BELT LINE ROAD **IRVING, TEXAS** **(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)**	**75063** **(ZIP CODE)**

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (469) 586-0080

Title of each Class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.01 par value per share	**SALM**	**NASDAQ Global Market**

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 the 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 whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting Company	☒
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class A	Outstanding at November 6, 2023
Common Stock, $0.01 par value per share	21,663,091 shares
Class B	Outstanding at November 6, 2023
Common Stock, $0.01 par value per share	5,553,696 shares

Table of Contents

SALEM MEDIA GROUP, INC.
INDEX

CERTAIN DEFINITIONS

Unless the context requires otherwise, all references in this report to “Salem” or the “company,” including references to Salem by “we” “us” “our” and “its” refer to Salem Media Group, Inc. and our subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Salem makes “forward-looking statements” from time to time in both written reports (including this annual report) and oral statements, within the meaning of federal and state securities laws. Disclosures that use words such as the company “believes,” “anticipates,” “estimates,” “expects,” “intends,” “will,” “may,” “could,” “would,” “should,” “seeks,” “predicts,” or “plans” and similar expressions are intended to identify forward-looking statements, as defined under the Private Securities Litigation Reform Act of 1995.

You should not place undue reliance on these forward-looking statements, which reflect our expectations based upon data available to the company as of the date of this annual report. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from expectations. Except as required by law, the company undertakes no obligation to update or revise any forward-looking statements made in this annual report. Any such forward-looking statements, whether made in this annual report or elsewhere, should be considered in context with the various disclosures made by Salem about its business. These projections and other forward-looking statements fall under the safe harbors of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”).

PART I – FINANCIAL INFORMATION

SALEM MEDIA GROUP, INC.

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SALEM MEDIA GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	December 31, 2022 (Note 1)	September 30, 2023 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ —	**$ —**
Accounts receivable (net of allowances of $7,939 in 2022 and $8,480 in 2023)	30,756	**29,558**
Unbilled revenue	2,890	**2,360**
Income tax receivable	195	**343**
Other receivables (net of allowances of $586 in 2022 and $640 in 2023)	1,817	**1,621**
Inventories	1,513	**1,383**
Prepaid expenses	7,619	**10,186**
Assets held for sale	267	**8,344**
Total current assets	45,057	**53,795**
Notes receivable (net of allowance of $571 in 2022 and $466 in 2023)	922	**952**
Property and equipment (net of accumulated depreciation of $191,638 in 2022 and $192,540 in 2023)	81,296	**80,077**
Operating lease right-of-use assets	43,671	**45,106**
Financing lease right-of-use assets	63	**73**
Broadcast licenses	303,774	**260,193**
Goodwill	24,085	**22,766**
Amortizable intangible assets (net of accumulated amortization of $59,383 in 2022 and $60,636 in 2023)	2,149	**4,275**
Deferred financing costs	681	**77**
Other assets	3,424	**3,986**
Total assets	$ 505,122	**$ 471,300**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,539	**$ 9,484**
Accrued expenses	17,495	**16,666**
Accrued compensation and related expenses	10,298	**9,125**
Accrued interest	949	**3,861**
Contract liabilities	11,901	**12,725**
Deferred rent income	122	**109**
Current portion of operating lease liabilities	8,305	**8,900**
Current portion of financing lease liabilities	43	**36**
Current portion of long-term debt	8,958	**20,524**
Total current liabilities	64,610	**81,430**
Long-term debt, less current portion	150,367	**152,611**
Operating lease liabilities, less current portion	42,406	**42,808**
Financing (capital) lease liabilities, less current portion	39	**38**
Deferred income taxes	66,732	**55,077**
Contract liabilities, long-term	1,886	**3,534**
Deferred rent income, less current portion	3,659	**3,590**
Other long-term liabilities	66	**60**
Total liabilities	329,765	**339,148**
Commitments and contingencies (Note 13)		
Stockholders' Equity:		
Class A common stock, $0.01 par value; authorized 80,000,000 shares; 23,980,741 issued and 21,663,091 outstanding at December 31, 2022 and September 30, 2023	232	**232**
Class B common stock, $0.01 par value; authorized 20,000,000 shares; 5,553,696 issued and outstanding at December 31, 2022 and September 30, 2023, respectively	56	**56**
Additional paid-in capital	248,820	**249,160**
Accumulated deficit	(39,745)	**(83,290)**
Treasury stock, at cost (2,317,650 shares at December 31, 2022 and September 30, 2023)	(34,006)	**(34,006)**
Total stockholders' equity	175,357	**132,152**
Total liabilities and stockholders' equity	$ 505,122	**$ 471,300**

See accompanying notes

SALEM MEDIA GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2023
Net broadcast revenue	$ 51,136	**$ 48,966**	$ 152,020	**$ 146,986**
Net digital media revenue	10,189	**9,965**	31,293	**31,335**
Net publishing revenue	5,537	**4,566**	14,840	**14,439**
Total net revenue	66,862	**63,497**	198,153	**192,760**
Operating expenses:				
Broadcast operating expenses, exclusive of depreciation and amortization shown below (including $449 and $557 for the three months ended September 30, 2022 and 2023, respectively, and $1,350 and $1,626 for the nine months ended September 30, 2022 and 2023, respectively, paid to related parties)	41,178	**42,171**	120,837	**128,498**
Legal settlement	3,825	**—**	4,776	**—**
Digital media operating expenses, exclusive of depreciation and amortization shown below	8,333	**8,496**	25,079	**26,516**
Publishing operating expenses, exclusive of depreciation and amortization shown below	6,542	**5,939**	16,441	**17,341**
Unallocated corporate expenses exclusive of depreciation and amortization shown below (including $82 and $0 for the three months ended September 30, 2022 and 2023, respectively, and $250 and $17 for the nine months ended September 30, 2022 and 2023, respectively, paid to related parties)	4,840	**4,514**	14,431	**14,165**
Debt modification costs	2	**—**	250	**—**
Depreciation	2,737	**2,816**	8,537	**8,540**
Amortization	297	**561**	963	**1,751**
Change in the estimated fair value of contingent earn-out consideration	—	**(100)**	(5)	**(102)**
Impairment of indefinite-lived long-term assets other than goodwill	7,725	**35,113**	11,660	**38,376**
Impairment of goodwill	—	**733**	127	**2,580**
Net (gain) loss on the disposition of assets	167	**(456)**	(8,461)	**(334)**
Total operating expenses	75,646	**99,787**	194,635	**237,331**
Operating income (loss)	(8,784)	**(36,290)**	3,518	**(44,571)**
Other income (expense):				
Interest income	17	**14**	166	**40**
Interest expense	(3,142)	**(3,626)**	(9,925)	**(10,596)**
Gain (loss) on early retirement of long-term debt	—	**—**	(18)	**(60)**
Earnings (loss) from equity method investment	102	**7**	4,015	**(4)**
Net miscellaneous income and (expenses)	(19)	**(184)**	(19)	**27**
Net loss before income taxes	(11,826)	**(40,079)**	(2,263)	**(55,164)**
Provision for (benefit from) income taxes	59	**(8,782)**	(1,234)	**(11,619)**
Net loss	$ (11,885)	**$ (31,297)**	$ (1,029)	**$ (43,545)**
Basic loss per share data:				
Basic income per share	$ (0.44)	**$ (1.15)**	$ (0.04)	**$ (1.60)**
Diluted loss per share data:				
Diluted income per share	$ (0.44)	**$ (1.15)**	$ (0.04)	**$ (1.60)**
Basic weighted average shares outstanding	27,216,787	**27,216,787**	27,202,983	**27,216,787**
Diluted weighted average shares outstanding	27,216,787	**27,216,787**	27,202,983	**27,216,787**

See accompanying notes

[Table of Contents](#)

SALEM MEDIA GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands, except share and per share data)

	Class A Common Stock		Class B Common Stock		Additional Paid-In	Accumulated	Treasury	
	Shares	Amount	Shares	Amount	Capital	Deficit	Stock	Total
Stockholders' equity, December 31, 2021	**23,922,974**	**$ 232**	**5,553,696**	**$ 56**	**$248,438**	**$ (36,509)**	**$(34,006)**	**$178,211**
Stock-based compensation	—	—	—	—	106	—	—	106
Options exercised	40,913	—	—	—	94	—	—	94
Lapse of restricted shares	14,854	—	—	—	—	—	—	—
Net income	—	—	—	—	—	1,739	—	1,739
Stockholders' equity, March 31, 2022	**23,978,741**	**$ 232**	**5,553,696**	**$ 56**	**$248,638**	**$ (34,770)**	**$(34,006)**	**$180,150**
Stock-based compensation	—	—	—	—	68	—	—	68
Net income	—	—	—	—	—	9,117	—	**9,117**
Stockholders' equity, June 30, 2022	**23,978,741**	**$ 232**	**5,553,696**	**$ 56**	**$248,706**	**$ (25,653)**	**$(34,006)**	**$189,335**
Stock-based compensation	—	—	—	—	54	—	—	54
Options exercised	2,000	—	—	—	4	—	—	4
Net loss	—	—	—	—	—	(11,885)	—	(11,885)
Stockholders' equity, September 30, 2022	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$248,764**	**$ (37,538)**	**$(34,006)**	**$177,508**

	Class A Common Stock		Class B Common Stock		Additional Paid-In	Accumulated	Treasury	
	Shares	Amount	Shares	Amount	Capital	Deficit	Stock	Total
Stockholders' equity, December 31, 2022	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$248,820**	**$ (39,745)**	**$(34,006)**	**$175,357**
Stock-based compensation	—	—	—	—	**75**	—	—	**75**
Net loss	—	—	—	—	—	**(5,154)**	—	**(5,154)**
Stockholders' equity, March 31, 2023	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$248,895**	**$ (44,899)**	**$(34,006)**	**$170,278**
Stock-based compensation	—	—	—	—	**136**	—	—	**136**
Net loss	—	—	—	—	—	**(7,094)**	—	**(7,094)**
Stockholders' equity, June 30, 2023	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$249,031**	**$ (51,993)**	**$(34,006)**	**$163,320**
Stock-based compensation	—	—	—	—	**129**	—	—	**129**
Net loss	—	—	—	—	—	**(31,297)**	—	**(31,297)**
Stockholders' equity, September 30, 2023	**23,980,741**	**$ 232**	**5,553,696**	**$ 56**	**$249,160**	**$ (83,290)**	**$(34,006)**	**$132,152**

See accompanying notes

SALEM MEDIA GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2023
OPERATING ACTIVITIES		
Net loss	$ (1,029)	**$ (43,545)**
Adjustments to reconcile net loss to net cash provided by operating activities:		
Non-cash stock-based compensation	228	**340**
Depreciation and amortization	9,500	**10,291**
Amortization of deferred financing costs	732	**1,277**
Non-cash lease expense	6,631	**6,889**
Accretion of acquisition-related deferred payments and contingent earn-out consideration	—	**14**
Provision for bad debts	(437)	**(1,654)**
Deferred income taxes	(1,260)	**(11,655)**
Change in the estimated fair value of contingent earn-out consideration	(5)	**(102)**
Impairment of indefinite-lived long-term assets other than goodwill	11,660	**38,376**
Impairment of goodwill	127	**2,580**
(Gain) loss on early retirement of long-term debt	18	**60**
Net (gain) loss on the disposition of assets	(8,461)	**(334)**
Changes in operating assets and liabilities:		
Accounts receivable and unbilled revenue	(5,806)	**3,622**
Income tax receivable	—	**(148)**
Inventories	(497)	**130**
Prepaid expenses and other current assets	(1,664)	**(2,567)**
Accounts payable and accrued expenses	9,742	**4,845**
Operating lease liabilities	(6,626)	**(7,298)**
Contract liabilities	(803)	**(2,548)**
Deferred rent income	(116)	**(47)**
Other liabilities	(518)	**(6)**
Income taxes payable	(1,404)	**—**
Net cash provided by (used in) operating activities	10,012	**(1,480)**
INVESTING ACTIVITIES		
Cash paid for capital expenditures net of tenant improvement allowances	(9,241)	**(7,483)**
Capital expenditures reimbursable under tenant improvement allowances and trade agreements	(58)	**(95)**
Deposits paid on broadcast assets and radio station acquisitions	(750)	**—**
Purchases of broadcast assets and radio stations	(548)	**(5,535)**
Purchases of digital media businesses and assets	(190)	**(25)**
Return of equity investment in limited liability corporations	4,500	**—**
Equity investment in limited liability corporations	(3,500)	**(1,500)**
Proceeds from sale of assets	14,151	**4,271**
Other	62	**143**
Net cash provided by (used in) investing activities	4,426	**(10,224)**
FINANCING ACTIVITIES		
Proceeds from the issuance of 2028 Notes	—	**44,685**
Payments to repurchase 2024 Notes	(15,394)	**(38,966)**
Proceeds from borrowings under ABL Facility	26,231	**162,428**
Payments on ABL Facility	(26,231)	**(150,862)**
Payments of debt issuance costs	(38)	**(4,205)**
Payments of acquisition-related contingent earn-out consideration	(4)	**(106)**
Proceeds from the exercise of stock options	98	**—**
Payments on financing lease liabilities	(47)	**(43)**
Book overdraft	—	**(1,227)**
Net cash provided by (used in) financing activities	(15,385)	**11,704**
Net increase in cash and cash equivalents	(947)	**—**
Cash and cash equivalents at beginning of year	1,785	**—**
Cash and cash equivalents at end of period	$ 838	**$ —**

See accompanying notes

Table of Contents

SALEM MEDIA GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2023
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Cash paid for interest, net of capitalized interest	$ 6,209	**$ 6,337**
Cash paid for interest on finance lease liabilities	$ 5	**$ 4**
Net cash paid for (received from) income taxes	$ 1,429	**$ 185**
Other supplemental disclosures of cash flow information:		
Barter revenue	$ 2,118	**$ 2,394**
Barter expense	$ 2,104	**$ 2,299**
Non-cash investing and financing activities:		
Capital expenditures reimbursable under tenant improvement allowances	$ 58	**$ 95**
Right-of-use assets acquired through operating leases	$ 7,522	**$ 8,965**
Right-of-use assets acquired through financing leases	$ 20	**$ 41**
Net assets and liabilities assumed in a non-cash acquisition	$ —	**$ 5,020**
Estimated present value of contingent-earn out consideration	$ 2	**$ 358**

See accompanying notes

SALEM MEDIA GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. BUSINESS AND BASIS OF PRESENTATION

Business

Salem Media Group, Inc. ("Salem," "we," "us," "our" or the "company") is a domestic multimedia company specializing in Christian and conservative content. Our media properties include radio broadcasting, digital media, and publishing entities. We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which are discussed in Note 15 – Segment Data.

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements of Salem include the company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Information with respect to the three and nine months ended September 30, 2023 and 2022 is unaudited. The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the unaudited interim financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position, results of operations and cash flows of the company. The unaudited interim financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Annual Report for Salem filed on Form 10-K for the year ended December 31, 2022. Our results are subject to seasonal fluctuations and therefore, the results of operations for the interim periods presented are not necessarily indicative of the results of operations for a full year.

The balance sheet at December 31, 2022 included in this report has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by GAAP. Certain reclassifications have been made to the prior year financial statements to conform to the presentation in the current year, which had no impact on the previously reported financial statements.

Equity Method Investment

We invested in OneParty America LLC ("OPA"), an entity formed for the purpose of developing, producing, and distributing a documentary motion picture. We analyzed our investment to determine the degree to which we influenced OPA. The determination of the degree to which we can influence an investee requires extensive analysis depending on the terms and nature of each investment.

We reviewed OPA in accordance with the guidance within Accounting Standards Codification ("ASC") 810*, Consolidation*. Based on our analysis using the variable interest model, we determined that OPA was a Variable Interest Entity ("VIE"), but because we did not have a controlling financial interest, we were not the primary beneficiary of OPA. Accordingly, we accounted for our investment in OPA in accordance with ASC 323-30*, Investments – Equity Method and Joint Ventures*.

We recorded our equity method investment at cost with subsequent adjustments to the carrying value for our share of the earnings or losses of OPA. Distributions received from the equity method investment were recorded as reductions in the carrying value of such investment and are classified on the unaudited condensed consolidated interim statements of cash flows pursuant to the cumulative earnings approach. Under the cumulative earnings approach, distributions received are accounted for as a return on investment in cash inflows from operating activities unless the cumulative distributions received exceed the cumulative equity in earnings recognized from the investment. When such an excess occurs, the current period distributions up to this excess are considered returns of investment and are classified as cash inflows from investing activities.

The documentary motion picture, *2000 Mules*, was released in May 2022. We recorded $3.9 million of earnings from our equity investment in OPA. At June 30, 2022, we recorded a net receivable of $1.3 million from OPA that is included in other receivables in our Condensed Consolidated Balance sheet representing our share of profit from the documentary motion picture. The balance of that receivable was paid in full at the end of September 30, 2023.

We monitor equity method investments for impairment and records a reduction in the carrying value if the carrying exceeds the estimated fair value. An impairment charge is recorded when such impairment is deemed to be other than temporary. To determine whether an impairment is other than temporary, we consider our ability and intent to hold the investment until the carrying amount is fully recovered. Circumstances that indicate an impairment may have occurred include factors such as decreases in quoted market prices or declines in the operations of the investee. The evaluation of the investment for potential impairment requires us to exercise significant judgment and to make certain assumptions. The use of different judgments and assumptions could result in different conclusions. There were no indications of impairment at September 30, 2023.

Use of Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates require the use of judgment as future events, and the effect of these events cannot be predicted with certainty.

Our estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in our consolidated financial statements. We evaluate and update our assumptions and estimates on an ongoing basis and we may consult outside experts to assist as considered necessary.

Significant areas for which management uses estimates include:

- revenue recognition;

- asset impairments, including broadcasting licenses and goodwill;
- contingency reserves;
- allowance for doubtful accounts;
- barter transactions;
- assessment of contract-based factors, asset-based factors, entity-based factors and market-based factors to determine the lease term impacting Right-Of-Use ("ROU") assets and lease liabilities; and
- determining the Incremental Borrowing Rate ("IBR") for calculating ROU assets and lease liabilities

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no changes to our significant accounting policies described in Note 2 to our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on March 10, 2023, that have had a material impact on our Condensed Consolidated Financial Statements and related notes.

Recent Accounting Pronouncements

Changes to accounting principles are established by the Financial Accounting Standards Board ("FASB") in the form of Accounting Standards Update ("ASUs") to the FASB's Codification. We consider the applicability and impact of all ASUs on our financial position, results of operations, cash flows, or presentation thereof. Described below are ASUs that may be applicable to our financial position, results of operations, cash flows, or presentation thereof. ASUs not listed below were assessed and determined to not be applicable to our financial position, results of operations, cash flows, or presentation thereof.

Accounting Standards Adopted in 2023

In September 2022, the FASB issued ASU 2022-04*, Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, to enhance the transparency about the use of supplier finance programs. The ASU was effective January 1, 2023, and is to be applied retrospectively with early adoption permitted. We do not currently utilize Supplier Finance programs, therefore, the adoption of ASU No. 2022-04 did not have a material impact on our condensed consolidated financial position, results of operations, cash flows, or presentation thereof.

In March 2022, the FASB issued ASU 2022-02, *Troubled Debt Restructurings ("TDRs") and Vintage Disclosures* (Topic 326): *Financial Instruments – Credit Losses*. This amended guidance will eliminate the accounting designation of a loan modification as a TDR, including eliminating the measurement guidance for TDRs. The amendments also enhance existing disclosure requirements and introduce new requirements related to modifications of receivables made to borrowers experiencing financial difficulty. Additionally, this guidance requires entities to disclose gross write-offs by year of origination for financing receivables, such as loans and interest receivable. The ASU was effective January 1, 2023, and is required to be applied prospectively, except for the recognition and measurement of TDRs which can be applied on a modified retrospective basis. The adoption of ASU No. 2022-02 did not have a material impact on our condensed consolidated financial position, results of operations, cash flows, or presentation thereof.

In October 2021*,* the FASB issued ASU 2021-08*, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires an acquirer to recognize and measure contract assets and liabilities acquired in a business combination in accordance with Revenue from Contracts with Customers (Topic *606*) rather than adjust them to fair value at the acquisition date. The ASU was effective January 1, 2023, with early adoption permitted. The adoption of ASU No. 2021-08 did not have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

Recent Accounting Standards or Updates Not Yet Effective

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842) – Common Control Arrangements*. The ASU amends the accounting for leasehold improvements in common control arrangements by requiring a lessee in a common control lease arrangement to amortize leasehold improvements that it owns over the improvements' useful life to the common control group, regardless of the lease term, if the lessee continues to control the use of the underlying asset through a lease. Further, a lessee that no longer controls the use of the underlying asset will derecognize the remaining carrying amount of the improvements through an adjustment to equity, reflecting the transfer of the asset to the lessor under common control. This ASU is effective for fiscal years beginning after December 15, 2023 (fiscal 2024), including interim periods within those fiscal years. Early adoption is permitted in any annual or interim period as of the beginning of the related fiscal year. We are evaluating the effect of adopting this new accounting guidance.

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820) Fair Value Measurement of Equity Securities Subject to Contractual Sales Restrictions*. This amended guidance clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The ASU is effective January 1, 2024, and is to be applied prospectively with early adoption permitted. We do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

NOTE 3. RECENT TRANSACTIONS

During the nine-month period ended September 30, 2023, we completed or entered into the following transactions:

Related Party Transaction

On May 25, 2023, we sold to a related party the economic interests in the leases at our Greenville, South Carolina radio transmitter site for $3.5 million resulting in a pre-tax gain of $3.3 million.

Debt Transactions

Because the availability of our ABL Facility was less than $4.5 million during the quarter, we were required to test against the fixed charge coverage ratio covenant. The fixed charge coverage ratio was below the required 1.0 to 1.0 level during the quarter and therefore, we were not in compliance with that covenant. During the quarter, we signed multiple monthly forbearance agreements for which the recent forbearance agreement was dated November 2, 2023, whereby the bank agreed not to exercise remedies on the default. Additionally, the notional amount of the revolver was reduced from $30.0 million to $25.0 million with a minimum availability of $1.0 million. Finally, the interest rate on the ABL Facility was increased to Secured Overnight Financing Rate ("SOFR") plus 4% or base rate plus 3.0% effective July 1, 2023.

On March 20, 2023, we issued $44.7 million in new 7.125% Senior Secured Notes due 2028 ("2028 Notes") at a discount of $41.9 million resulting in an effective yield of 8.625%. We used a portion of the proceeds of this borrowing to redeem the remaining $36.5 million of 6.75% Senior Secured Notes due 2024 ("2024 Notes"). The redemption of the 2024 Notes closed on March 27, 2023.

On January 19, 2023, we repurchased $2.5 million of the 2024 Notes at 97.25% of face value recognizing a gain of $39,000 after adjusting for debt issue costs.

Acquisitions

On March 24, 2023, we closed on the acquisition of Digital Felt Productions and the digital content library through its www.digitalfelt.com domain and website for $25,000 in cash.

On February 1, 2023, we closed on the acquisition of the George Gilder Report and other digital newsletters and related website assets. We assumed the deferred subscription liabilities paying no cash at the time of closing. We will pay the seller 25% of net revenue generated from sales of most Eagle Financial products during the next year to subscribers who are on George Gilder subscriber lists that are not already on Eagle Financial lists. We recorded goodwill of approximately $1.2 million associated with the expected synergies to be realized upon combining the operations into our digital media platform within Eagle Financial Publications. The accompanying Condensed Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.

On January 10, 2023, we closed on the acquisition of radio stations WWFE-AM, WRHC-AM, two FM translators and six office condominiums in Miami, Florida for $3.0 million in cash.

On January 6, 2023, we closed on the acquisition of radio station WMYM-AM and an FM translator in Miami, Florida for $3.2 million in cash.

The total purchase price consideration for our business acquisitions and asset purchases during the nine-month period ending September 30, 2023, is as follows:

Description	Total Consideration *(Dollars in thousands)*
Cash payments made upon closing	$ 5,568
Escrow deposits paid in prior years	750
Fair value of contingent earn-out consideration	263
Total purchase price consideration	$ 6,581

Table of Contents

The allocations presented in the table below are based upon estimates of the fair values using valuation techniques including income, cost and market approaches. The following preliminary purchase price allocations are based upon the valuation of assets and these estimates and assumptions are subject to change as we obtain additional information during the measurement period, which may be up to one year from the acquisition date. Differences between the preliminary and final valuation could be substantially different from the initial estimate.

	Net Broadcast Assets Acquired	Net Digital Media Assets Acquired	Total Net Assets
Assets			
Property and equipment	$ 2,671	$ 39	$ 2,710
Broadcast licenses	3,542	—	3,542
Goodwill	80	1,181	1,261
Domain and brand names	—	718	718
Subscriber base and lists	—	1,769	1,769
Non-Compete agreement	—	1,601	1,601
Liabilities			
Contract liabilities	—	(5,020)	(5,020)
	$ 6,293	$ 288	$ 6,581

Divestitures

On July 21, 2023 we sold radio station KNTS-AM in Seattle, Washington for $0.2 million resulting in a pre-tax gain of $0.2 million.

On July 13, 2023 we sold radio station KLFE-AM in Seattle, Washington for $0.5 million resulting in a pre-tax gain of $0.2 million. Radio station KLFE-AM had been programmed under a TBA since August 1, 2022.

Pending Transactions

We invested in a limited liability company that will own, distribute, and market a motion picture. The investment of $1.5 million at September 30, 2023 is reflected at cost in other assets.

On October 17, 2023 we entered into an agreement to sell land in Sarasota, Florida for $9.5 million. The closing is conditional upon getting the property rezoned, and we expect to close the sale in late 2024.

On September 29, 2023 we entered into an agreement to sell Salem Church Products for $30.0 million. At closing we will receive $22.5 million in cash and a promissory note of $7.5 million. The principal shall be due and payable in three installments in the amount of $2.5 million starting the one-year anniversary of the closing date in 2024 through 2026. When the transaction closes, the parties will also enter into a $10.0 million multi-year agreement for us to advertise Gloo platform's products and services across our radio and digital platform. The $2.1 million carrying value of the assets were reclassed as held for sale as of September 30, 2023. We expect to close the sale in the fourth quarter of this year.

On September 1, 2023 we entered into an agreement to sell radio station WTWD-AM and a translator in Tampa, Florida for $0.7 million subject to approval of the Federal Communications Commission ("FCC"). The $0.1 million carrying value of the assets were reclassed as held for sale as of September 30, 2023. We expect to close the sale in the fourth quarter of this year.

On August 17, 2023 we entered into an agreement to sell radio stations WGTK-FM, WRTH-FM and WLTE-FM in Greenville, South Carolina for $6.8 million subject to approval of the FCC. The $5.1 million carrying value of the assets were reclassed as held for sale as of September 30, 2023. The sale closed on November 6, 2023.

On June 29, 2023 we entered into an agreement to sell radio station KSAC-FM in Sacramento, California for $1.0 million subject to approval of the FCC. Radio station KSAC-FM started being programmed under a Time Brokerage Agreement ("TBA") on August 1, 2023. Based on our plan to sell the station, we recorded an estimated pre-tax loss on the sale of assets of $3.3 million at June 30, 2023, reflecting the sales price as compared to the carrying value of the assets. The carrying value of the assets held for sale were $1.0 million as of September 30, 2023. We expect to close the sale in the fourth quarter of this year.

Table of Contents

NOTE 4. REVENUE RECOGNITION

The following table presents our revenues disaggregated by revenue source for each of our operating segments:

	Nine Months Ended September 30, 2023			
	Broadcast	Digital Media	Publishing	Consolidated
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming – National	$ 40,324	$ —	$ —	$ 40,324
Block Programming – Local	18,291	—	—	18,291
Broadcast Programming Revenue	**58,615**	**—**	**—**	**58,615**
Spot Advertising – National	8,743	—	—	8,743
Spot Advertising – Local	29,229	—	—	29,229
Network Advertising	15,351	—	—	15,351
Broadcast Advertising Revenue	**53,323**	**—**	**—**	**53,323**
Infomercials	492	—	—	492
Other Revenue	6,670	—	—	6,670
Other Broadcast Revenue	**7,162**	**—**	**—**	**7,162**
Digital Advertising	22,468	11,637	—	34,105
Digital Streaming	4,284	2,505	—	6,789
Digital Downloads	164	5,321	—	5,485
Digital Subscriptions	616	11,760	—	12,376
Other Digital Revenue	354	112	—	466
Digital Revenue	**27,886**	**31,335**	**—**	**59,221**
Book Sales	—	—	8,718	8,718
Estimated Sales Returns & Allowances	—	—	(554)	(554)
Net Book Sales	—	—	8,164	8,164
E-Book Sales	—	—	737	737
Self-Publishing Fees	—	—	5,002	5,002
Other Publishing Revenue	—	—	536	536
Publishing Revenue	**—**	**—**	**14,439**	**14,439**
	$146,986	**$ 31,335**	**$ 14,439**	**$ 192,760**
Timing of Revenue Recognition				
Point in Time	$145,657	$ 31,335	$ 14,439	$ 191,431
Rental Income (1)	1,329	—	—	1,329
	$146,986	**$ 31,335**	**$ 14,439**	**$ 192,760**

	Nine Months Ended September 30, 2022			
	Broadcast	Digital Media	Publishing	Consolidated
	(Dollars in thousands)			
By Source of Revenue:				
Block Programming – National	$ 39,998	$ —	$ —	$ 39,998
Block Programming – Local	18,183	—	—	18,183
Broadcast Programming Revenue	**58,181**	**—**	**—**	**58,181**
Spot Advertising – National	11,344	—	—	11,344
Spot Advertising – Local	31,915	—	—	31,915
Network Advertising	15,961	—	—	15,961
Broadcast Advertising Revenue	**59,220**	**—**	**—**	**59,220**
Infomercials	569	—	—	569
Other Revenue	6,789	—	—	6,789
Other Broadcast Revenue	**7,358**	**—**	**—**	**7,358**
Digital Advertising	21,042	13,453	—	34,495
Digital Streaming	3,915	2,687	—	6,602
Digital Downloads	546	5,485	—	6,031
Digital Subscriptions	731	9,549	—	10,280
Other Digital Revenue	1,027	119	—	1,146
Digital Revenue	**27,261**	**31,293**	**—**	**58,554**
Book Sales	—	—	10,816	10,816
Estimated Sales Returns & Allowances	—	—	(2,799)	(2,799)
Net Book Sales	—	—	8,017	8,017
E-Book Sales	—	—	937	937
Self-Publishing Fees	—	—	5,189	5,189
Other Publishing Revenue	—	—	697	697
Publishing Revenue	**—**	**—**	**14,840**	**14,840**
	$152,020	**$ 31,293**	**$ 14,840**	**$ 198,153**
Timing of Revenue Recognition				
Point in Time	$150,352	$ 31,293	$ 14,840	$ 196,485
Rental Income (1)	1,668	—	—	1,668
	$152,020	**$ 31,293**	**$ 14,840**	**$ 198,153**

(1) Rental income is not applicable to FASB ASC Topic 606, but shown for the purpose of identifying each revenue source presented in total revenue on our Condensed Consolidated Financial Statements within this report on Form 10-Q.

Refer to Footnote 4 – Revenue Recognition of our annual report on Form 10-K for the year ended December 31, 2022 for a description of each of our revenue streams under ASC 606.

Contract Assets

Contract Assets – Costs to Obtain a Contract: We capitalize commissions paid to sales personnel in our self-publishing business when customer contracts are signed and advance payment is received. These capitalized costs are recorded as prepaid commission expense in the Condensed Consolidated Balance Sheets. The amount capitalized is incremental to the contract and would not have been incurred absent the execution of the customer contract. Commissions paid upon the initial acquisition of a contract are expensed at the point in time that related revenue is recognized. Prepaid commission expenses are periodically reviewed for impairment. At September 30, 2023, our prepaid commission expense was $0.6 million.

Contract Liabilities

Contract liabilities consist of customer advance payments and billings in excess of revenue recognized. We may receive payments from our customers in advance of completing our performance obligations. Additionally, new customers, existing customers without approved credit terms and authors purchasing specific self-publishing services, are required to make payments in advance of the delivery of the products or performance of the services. We record contract liabilities equal to the amount of payments received in excess of revenue recognized, including payments that are refundable if the customer cancels the contract according to the contract terms. Contract liabilities were historically recorded under the caption "deferred revenue" and are reported as current liabilities on our consolidated financial statements when the time to fulfill the performance obligations under terms of our contracts is less than one year. Long-term contract liabilities represent the amount of payments received in excess of revenue earned, including those that are refundable, when the time to fulfill the performance obligation is greater than one year. Our long-term liabilities consist of subscriptions with a term of two years for which some customers have purchased and paid for multiple years.

Significant changes in our contract liabilities balances during the period are as follows:

	Short Term	Long-Term
	(Dollars in thousands)	
Balance, beginning of period January 1, 2023	$ 11,901	$ 1,886
Revenue recognized during the period that was included in the beginning balance of contract liabilities	(9,039)	—
Additional amounts recognized during the period	21,346	3,131
Revenue recognized during the period that was recorded during the period	(12,966)	—
Transfers	1,483	(1,483)
Balance, end of period September 30, 2023	$ 12,725	$ 3,534
Amount refundable at beginning of period	$ 11,901	$ 1,886
Amount refundable at end of period	$ 12,725	$ 3,534

We expect to satisfy these performance obligations as follows:

For the Year Ended September 30,	Amount *(Dollars in thousands)*
2024	$ 12,725
2025	1,311
2026	1,336
2027	387
2028	112
Thereafter	388
	$ 16,259

Significant Financing Component

The length of our typical sales agreement is less than 12 months; however, we may sell subscriptions with a two-year term. The balance of our long-term contract liabilities represents the unsatisfied performance obligations for subscriptions with a remaining term in excess of one year. We review long-term contract liabilities that are expected to be completed in excess of one year to assess

whether the contract contains a significant financing component. The balance includes subscriptions that will be satisfied at various dates between October 1, 2023, and September 30, 2028. The difference between the promised consideration and the cash selling price of the publications is not significant. Therefore, we have concluded that subscriptions do not contain a significant financing component under FASB ASC Topic 606.

Our self-publishing contracts may exceed a one-year term due to the length of time for an author to submit and approve a manuscript for publication. The author may pay for publishing services in installments over the production timeline with payments due in advance of performance. The timing of the transfer of goods and services under self-publishing arrangements are at the discretion of the author and based on future events that are not substantially within our control. We require advance payments to provide us with protection from incurring costs for products that are unique and only sellable to the author. Based on these considerations, we have concluded that our self-publishing contracts do not contain a significant financing component under FASB ASC Topic 606.

Variable Consideration

We make significant estimates related to variable consideration at the point of sale, including estimates for refunds and product returns. Under FASB ASC Topic 606, estimates of variable consideration are to be recognized before contingencies are resolved in certain circumstances, including when it is probable that a significant reversal in the amount of any estimated cumulative revenue will not occur.

We enter into agreements under which the amount of revenue we earn is contingent upon the amount of money raised by our customer over the contract term. Our customer is typically a charity or programmer that purchases blocks of programming time or spots to generate revenue from our audience members. Contract terms can range from a few weeks to a few months, depending on the charity or programmer. If the campaign does not generate a pre-determined level of donations or revenue to our customer, the consideration that we expect to be entitled to may vary above a minimum base level per the contract. Historically, under FASB ASC Topic 605, we reported variable consideration as revenue when the amount was fixed and determinable. Under FASB ASC Topic 606, variable consideration is to be estimated using the expected value or the most likely amount to the extent it is probable that a significant reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Based on the constraints for using estimates of variable consideration within FASB ASC Topic 606, and our historical experience with these campaigns, we will continue to recognize revenue at the base amount of the campaign with variable consideration recognized when the uncertainty of each campaign is resolved. These constraints include: (1) the amount of consideration received is highly susceptible to factors outside of our influence, specifically the extent to which our audience donates or contributes to our customer or programmer, (2) the length of time in which the uncertainty about the amount of consideration expected is to be resolved, and (3) our experience has shown these contracts have a large number and broad range of possible outcomes.

Trade and Barter Transactions

In broadcasting, trade or barter agreements are commonly used to reduce cash expenses by exchanging advertising time for goods or services. We may enter barter agreements to advertising for goods or services that can be used in our business or that can be sold to our audience under Listener Purchase Programs. The terms of these barter agreements permit us to preempt the barter advertising campaign in favor of customers who purchase the advertising campaign for cash. The value of these non-cash exchanges are included in revenue at an amount equal to the fair value of the goods or services we receive. Each transaction must be reviewed to determine that the products, supplies, and/or services we receive have economic substance, or value to us. We record barter operating expenses upon receipt and usage of the products, supplies and services, as applicable. We record barter revenue as advertising campaigns are delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Barter revenue is recorded on a gross basis unless an agency represents the programmer, in which case, revenue is reported net of the commission retained by the agency.

Trade and barter revenues and expenses were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2023**	2022	**2023**
	(Dollars in thousands)			
Net broadcast barter revenue	$ 593	**$ 842**	$2,118	**$2,394**
Net broadcast barter expense	$ 472	**$ 719**	$2,104	**$2,299**

NOTE 5. PROPERTY AND EQUIPMENT

We account for property and equipment in accordance with FASB ASC Topic 360-10, *Property, Plant and Equipment*.

The following is a summary of the categories of our property and equipment:

	As of December 31, 2022	As of September 30, 2023
	(Dollars in thousands)	
Buildings	$ 28,523	**$ 29,449**
Office furnishings and equipment	37,162	**38,034**
Antennae, towers and transmitting equipment	76,950	**78,987**
Studio, production, and mobile equipment	30,267	**31,374**
Computer software and website development costs	42,304	**36,342**
Automobiles	1,633	**1,625**
Leasehold improvements	19,131	**19,602**
	$ 235,970	**$ 235,413**
Less accumulated depreciation	(191,638)	**(192,540)**
	44,332	**$ 42,873**
Land	$ 27,070	**27,057**
Construction-in-progress	9,894	**10,147**
Property and Equipment, net	$ 81,296	**$ 80,077**

Depreciation expense was approximately $2.8 million and $2.7 million for the three-month periods ended September 30, 2023 and 2022, respectively, and $8.5 million for the nine-month periods ended September 30, 2023 and 2022. We review long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. This review requires us to estimate the fair value of the assets using significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value, including assumptions about risk. If actual future results are less favorable than the assumptions and estimates we used, we are subject to future impairment charges, the amount of which may be material. There were no indications of impairment during the nine months ended September 30, 2023.

NOTE 6. OPERATING AND FINANCE LEASE RIGHT-OF-USE ASSETS

Leasing Transactions

Refer to Footnote 7 – Operating and Finance Lease Right-Of-Use Assets of our annual report on Form 10-K for the year ended December 31, 2022 for a description of our leasing transactions under ASC 842.

Due to the adverse economic impact of the COVID-19 pandemic, we negotiated with our landlords in early 2020 to obtain rent concessions to improve our short-term liquidity. In accordance with the FASB's recent Staff Q&A regarding rent concessions related to the effects of the COVID-19 pandemic, we did not apply the lease modification guidance under FASB ASC Topic 842 to rent concessions that resulted in total payments required under the modified contract were substantially the same as or less than total payments required by the original contract. For qualifying rent abatement concessions, we recorded negative lease expense for abatement during the period of relief. At December 31, 2022, $0.2 million of the deferred cash payments remained with $26,000 payable in 2023 and the remainder payable in 2024.

Balance Sheet

Supplemental balance sheet information related to leases is as follows:

	September 30, 2023 (Dollars in thousands)		
Operating Leases	Related Party	Other	Total
Operating leases ROU assets	$ 8,167	$36,939	$45,106
Operating lease liabilities (current)	$ 1,220	$ 7,680	$ 8,900
Operating lease liabilities (non-current)	7,214	35,594	42,808
Total operating lease liabilities	$ 8,434	$43,274	$51,708

Weighted Average Remaining Lease Term	
Operating leases	7.3 years
Finance leases	2.5 years
Weighted Average Discount Rate	
Operating leases	8.62%
Finance leases	8.29%

Lease Expense

The components of lease expense were as follows:

	Nine Months Ended September 30, 2023
	(Dollars in thousands)
Amortization of finance lease ROU Assets	$ 32
Interest on finance lease liabilities	4
Finance lease expense	36

Operating lease expense	10,123
Variable lease expense	1,164
Short-term lease expense	350
Total lease expense	$ 11,673

Supplemental Cash Flow

Supplemental cash flow information related to leases was as follows:

	Nine Months Ended September 30, 2023
	(Dollars in thousands)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 10,711
Operating cash flows from finance leases	3
Financing cash flows from finance leases	43
Leased assets obtained in exchange for new operating lease liabilities	$ 8,965
Leased assets obtained in exchange for new finance lease liabilities	41

Maturities

Future minimum lease payments under leases that had initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2023, are as follows:

Future minimum lease	Operating Leases				
	Related Party	Other	Total	Finance Leases	Total
	(Dollars in thousands)				
2024	$ 1,453	$ 9,546	$ 10,999	$ 38	$ 11,037
2025	1,954	9,892	11,846	20	11,866
2026	1,959	8,651	10,610	19	10,629
2027	1,624	6,966	8,590	4	8,594
2028	1,201	5,184	6,385	1	6,386
Thereafter	3,584	21,919	25,503	—	25,503
Undiscounted Cash Flows	$ 11,775	$ 62,158	$ 73,933	$ 82	$ 74,015
Less: imputed interest	(3,341)	(18,884)	(22,225)	(8)	(22,233)
Total	**$ 8,434**	**$ 43,274**	**$ 51,708**	**$ 74**	**$ 51,782**
Reconciliation to lease liabilities:					
Lease liabilities – current	$ 1,220	$ 7,680	$ 8,900	$ 36	$ 8,936
Lease liabilities – long-term	7,214	35,594	42,808	38	42,846
Total Lease Liabilities	**$ 8,434**	**$ 43,274**	**$ 51,708**	**$ 74**	**$ 51,782**

NOTE 7. BROADCAST LICENSES

We account for broadcast licenses in accordance with FASB ASC Topic 350 *Intangibles—Goodwill and Other*. We do not amortize broadcast licenses, but rather test for impairment annually or more frequently if events or circumstances indicate that the value may be impaired. In the case of our broadcast radio stations, we would not be able to operate the properties without the related broadcast license for each property. Broadcast licenses are renewed with the FCC every eight years for a nominal fee that is expensed as incurred. We continually monitor our stations' compliance with the various regulatory requirements that are necessary for the FCC renewal and all of our broadcast licenses have been renewed at the end of their respective periods. We expect all of our broadcast licenses to be renewed in the future and therefore, we consider our broadcast licenses to be indefinite-lived intangible assets. We are not aware of any legal, competitive, economic, or other factors that materially limit the useful life of our broadcast licenses.

The following table presents the changes in broadcasting licenses that include acquisitions and divestitures of radio stations and FM translators.

Broadcast Licenses	Twelve Months Ended December 31, 2022	Nine Months Ended September 30, 2023
	(Dollars in thousands)	
Balance before cumulative loss on impairment, beginning of period	$ 434,444	**$ 429,890**
Accumulated loss on impairment, beginning of period	(114,436)	**(126,116)**
Balance after cumulative loss on impairment, beginning of period	320,008	**303,774**
Acquisitions of radio station and FM Translators	514	**3,542**
Capital projects to improve broadcast signal and strength	—	**200**
Disposition of radio stations and FM translators	(2,763)	**(234)**
Assets held for sale	—	**(8,713)**
Loss on impairment	(13,985)	**(38,376)**
Balance, end of period after cumulative loss on impairment	$ 303,774	**$ 260,193**
Balance, end of period before cumulative loss on impairment	$ 429,890	**$ 419,456**
Accumulated loss on impairment, end of period	(126,116)	**(159,263)**
Balance, end of period after cumulative loss on impairment	$ 303,774	**$ 260,193**

We engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us in determining the asset values associated with the acquisition of radio station WMYM-AM in Miami, Florida, which was determined to be less than the purchase price. Based on our review and analysis, we recorded an impairment charge of $2.1 million during the three months ended March 31, 2023.

As a result of changes in macroeconomic conditions and media industry reforecasts, we performed an interim review of broadcast licenses for impairment at September 30, 2023. We updated our interim valuations from the June 2023 testing period to reflect the lower projected revenue forecast for 2022 and lower growth rates for 2023. Our September 2023 testing period also reflected an increase in the Weighted Average Cost of Capital ('WACC') as a result of rising interest rates. We performed an assessment of select markets of the amount by which the most recent estimated fair value exceeded the carrying value of the broadcast license and our year-to-date market revenue as compared to the forecasted market revenue used in the prior valuations under the start-up income approach.

As part of our qualitative assessment, we calculate the excess fair value, or the amount by which our latest estimated fair value exceeds the current period carrying value. Based on our analysis and review, including the financial performance of each market, we believe that a 50% excess fair value margin is a reasonable benchmark for our qualitative analysis. Markets with an excess fair value of 50% or more, which have had no significant changes in the prior valuation assumptions and key estimates, are not likely to be impaired. Markets with an excess fair value that is less than 50% are subject to further testing.

Impairment testing requires an estimate of the fair value of our indefinite-lived intangible assets. We believe that these estimates of fair value are critical accounting estimates as the value is significant in relation to our total assets and the estimates incorporate variables and assumptions based on our experiences and judgment about our future operating performance. Fair value measurements use significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value, including assumptions about risk. If actual future results are less favorable than the assumptions and estimates used in our estimates, we are subject to future impairment charges, the amount of which may be material. The unobservable inputs are defined in FASB ASC Topic 820 "Fair Value Measurements and Disclosures" as Level 3 inputs discussed in detail in Note 11 – Fair Value Measurements.

Based on our assessment, we engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us with determining the enterprise value of 21 of our market clusters. The estimated fair value of each market cluster was determined using the Greenfield Method, a form of the income approach. The premise of the Greenfield Method is that the value of a broadcast license is equivalent to a hypothetical start-up in which the only asset owned by the station as of the valuation date is the broadcast license. This approach eliminates factors that are unique to our operation of the station, including its format and historical financial performance. The method then assumes the entity has to purchase, build, or rent all of the other assets needed to operate a comparable station to the one in which the broadcast license is being utilized as of the valuation date. Cash flows are estimated and netted against all start-up costs, expenses and investments necessary to achieve a normalized and mature state of operations, thus reflecting only the cash flows directly attributable to the broadcast license. A multi-year discounted cash flow approach is then used to determine the net present value of these cash flows to derive an indication of fair value. For cash flows beyond the projection period, a terminal value is calculated using the Gordon constant growth model and long-term industry growth rate assumptions based on long-term industry growth and Gross Domestic Product ("GDP") inflation rates.

The primary assumptions used in the Greenfield Method are:

(1) gross operating revenue in the station's designated market area,
(2) normalized market share,
(3) normalized profit margin,
(4) duration of the "ramp-up" period to reach normalized operations, (which was assumed to be three years),
(5) estimated start-up costs (based on market size),
(6) ongoing replacement costs of fixed assets and working capital,
(7) the calculations of yearly net free cash flows to invested capital; and
(8) amortization of the intangible asset, or the broadcast license.

Table of Contents

The assumptions used reflect those of a hypothetical market participant and not necessarily the actual or projected results of Salem. The key estimates and assumptions used in the start-up income valuation for our broadcast licenses were as follows:

Broadcast Licenses	December 31, 2022	June 30, 2023	**September 30, 2023**
Risk-adjusted discount rate	9.5%	9.5%	**10.0%**
Operating profit margin ranges	3.9% - 30.4%	3.9% - 30.4%	**3.9% - 30.4%**
Long-term revenue growth rates	0.4% - 0.8%	0.4% - 0.8%	**0.0%**

The risk-adjusted discount rate reflects the WACC developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Based on our review and analysis, we determined that the carrying value of broadcast licenses in 19 of our market clusters were impaired as of the interim testing period ending September 30, 2023. We recorded an impairment charge of $35.1 million to the value of broadcast licenses in Boston, Chicago, Cleveland, Colorado Springs, Columbus, Dallas, Detroit, Greenville, Little Rock, Miami, New York, Orlando, Philadelphia, Phoenix, Portland, Sacramento, San Diego, San Francisco, and Tampa. Based on our review and analysis, we determined that the carrying value of broadcast licenses in two of our market clusters were impaired as of the interim testing period ending June 30, 2023 and recorded an impairment charge of $1.1 million to the value of broadcast licenses in Portland and San Francisco. The impairment charges were driven by an increase in the WACC and decreases in revenue growth rates over those used in the year-end valuation forecasts. We believe that these factors are indicative of trends in the industry as a whole and not unique to our company or operations. We believe that these factors are indicative of trends in the industry as a whole and not unique to our company or operations.

The table below presents the results of our interim impairment testing under the start-up income approach at September 30, 2023:

Market Cluster	**Excess Fair Value September 30, 2023**
Boston, MA	14.0%
Chicago, IL	21.5%
Cleveland, OH	21.1%
Colorado Springs, CO	16.0%

Columbus, OH	11.8%
Dallas, TX	8.2%
Detroit, MI	3.2%
Greenville, SC	9.2%
Honolulu, HI	0.0%
Little Rock, AR	23.0%
Los Angeles, CA	0.0%
Miami, FL	36.6%
New York NY	9.5%
Orlando FL	10.4%
Philadelphia, PA	19.8%
Phoenix, AZ	0.9%
Portland, OR	23.6%
Sacramento, CA	26.2%
San Diego, CA	61.0%
San Francisco, CA	25.9%
Tampa, FL	17.4%

NOTE 8. GOODWILL

We account for goodwill in accordance with FASB ASC Topic 350 *Intangibles—Goodwill and Other*. We do not amortize goodwill, but rather test for impairment annually or more frequently if events or circumstances indicate that an asset may be impaired. We perform our annual impairment testing during the fourth quarter of each year, which coincides with our budget and planning process for the upcoming year.

As a result of changes in macroeconomic conditions and revenue forecasts, we performed an interim review of goodwill for impairment at June 30, 2023 and September 30, 2023. We assessed a variety of factors, including forecasts for the remainder of 2023 and the amount by which the prior estimated fair value exceeded the carrying value including goodwill.

Based on our qualitative review, we tested one digital media entity for goodwill impairment at June 30, 2023 and two digital media entities and two publishing entities goodwill at September 30, 2023. We engaged Bond & Pecaro, an independent appraisal and valuation firm, to assist us in estimating the enterprise value of Salem Web Network, Townhall.com®, Regnery® Publishing and Salem Author Services to test goodwill for impairment. The enterprise valuation assumes that the subject assets are installed as part of an operating business rather than as a hypothetical start-up.

The following table presents the changes in goodwill including business acquisitions and dispositions as discussed in Note 3 of our Condensed Consolidated Financial Statements.

Goodwill	Twelve Months Ended December 31, 2022	**Nine Months Ended September 30, 2023**
	(Dollars in thousands)	
Balance, beginning of period before cumulative loss on impairment	$ 28,749	**$ 28,975**
Accumulated loss on impairment	(4,763)	**(4,890)**
Balance, beginning of period after cumulative loss on impairment	23,986	**24,085**
Acquisitions of radio stations	—	**80**
Acquisitions of digital media entities	226	**1,181**
Loss on impairment	(127)	**(2,580)**
Ending period balance	$ 24,085	**$ 22,766**
Balance, end of period before cumulative loss on impairment	28,975	**30,236**
Accumulated loss on impairment	(4,890)	**(7,470)**
Ending period balance	$ 24,085	**$ 22,766**

The key estimates and assumptions used for our enterprise valuations were as follows:

Digital Media Enterprise Valuations	December 31, 2022	**June 30, 2023**	**September 30, 2023**
Risk-adjusted discount rate	10.5%	10.5%	**11.0%**
Operating profit margin ranges	0.9% –5.3%	(1.5)% – 3.0%	**(13.6)% – 21%**
Long-term revenue growth rates	0.6%	0.6%	**0.5%**

Publishing Enterprise Valuations	December 31, 2022	**September 30, 2023**
Risk-adjusted discount rate	10.5%	**11.0%**
Operating profit margin ranges	(9.0)% - 4.9%	**(17.9)% – 2.4%**
Long-term revenue growth rates	0.5%	**0.5%**

The risk-adjusted discount rate reflects the WACC developed based on data from same or similar industry participants and publicly available market data as of the measurement date.

Based on our review and analysis, we recorded an impairment charge of $0.7 million to the carrying value of goodwill associated with Townhall.com® and Salem Author Services at September 30, 2023 and a $1.8 million impairment charge to the carrying value of goodwill associated with Townhall.com® at June 30, 2023. The impairment charge was driven by an increase in the WACC and the decreased revenue growth rates within the industry over those used in the year-end valuation forecasts and increases. We believe that this decrease is indicative of trends in the industry as a whole and not unique to our company or operations.

NOTE 9. AMORTIZABLE INTANGIBLE ASSETS

The following tables provide a summary of our significant classes of amortizable intangible assets:

	As of September 30, 2023		
	Cost	Accumulated Amortization	Net
	(Dollars in thousands)		
Customer lists and contracts	**$24,186**	**$ (23,573)**	**$ 613**
Domain and brand names	**20,696**	**(19,934)**	**762**
Favorable and assigned leases	**1,479**	**(1,479)**	—
Subscriber base and lists	**10,416**	**(8,988)**	**1,428**
Author relationships	**3,070**	**(2,846)**	224
Non-compete agreements	**3,653**	**(2,405)**	**1,248**
Other amortizable intangible assets	**1,411**	**(1,411)**	—
	$64,911	**$ (60,636)**	**$4,275**

	As of December 31, 2022		
	Cost	Accumulated Amortization	Net
	(Dollars in thousands)		
Customer lists and contracts	$24,186	$ (23,006)	$1,180
Domain and brand names	19,978	(19,704)	274
Favorable and assigned leases	2,188	(1,975)	213
Subscriber base and lists	8,647	(8,531)	116
Author relationships	3,070	(2,771)	299
Non-compete agreements	2,052	(2,044)	8
Other amortizable intangible assets	1,411	(1,352)	59
	$61,532	$ (59,383)	$2,149

Table of Contents

Amortization expense was approximately $0.6 million and $0.3 million for the three-month periods ended September 30, 2023 and 2022, respectively and $1.8 million and $1.0 million for the nine-month periods ended September 30, 2023 and 2022, respectively. Based on the amortizable intangible assets held at of September 30, 2023, we estimate amortization expense for the next five years to be as follows:

Year Ended December 31,	Amortization Expense
	(Dollars in thousands)
2023 (Oct – Dec)	$ 485
2024	1,686
2025	1,500
2026	361
2027	231
Thereafter	12
Total	$ 4,275

NOTE 10. LONG-TERM DEBT

Salem Media Group, Inc. has no independent assets or operations, the subsidiary guarantees relating to certain debt are full and unconditional and joint and several, and any subsidiaries of Salem Media Group, Inc. other than the subsidiary guarantors are minor.

Long-term debt consists of the following:

	December 31, 2022	September 30, 2023
	(Dollars in thousands)	
2028 Notes	$ 114,731	**$ 159,416**
Less unamortized discount and debt issuance costs	(3,253)	**(6,805)**
2028 Notes, net carrying value	111,478	**152,611**
2024 Notes	39,035	—
Less unamortized debt issuance costs	(146)	—
2024 Notes, net carrying value	38,889	—
Asset-Based Revolving Credit Facility principal outstanding (1)	8,958	**20,524**
Long-term debt less unamortized discount and debt issuance costs	$ 159,325	**$ 173,135**
Less current portion	8,958	**20,524**
Long-term debt less unamortized discount and debt issuance costs, net of current portion	$ 150,367	**$ 152,611**

(1) As of September 30, 2023, the Asset-Based Revolving Credit Facility (“ABL”), had a borrowing base of $23.9 million, $20.5 million in outstanding borrowings, and $0.3 million of outstanding letters of credit, resulting in a $3.1 million borrowing base availability.

Our weighted average interest rate was 6.85% and 7.43% at December 31, 2022, and September 30, 2023, respectively.

In addition to the outstanding amounts listed above, we also have interest obligations related to our long-term debt as follows as of September 30, 2023:

- $159.4 million aggregate principal amount of 2028 Notes with semi-annual interest payments at an annual rate of 7.125%;

- $20.5 million outstanding borrowings under the ABL facility, with interest payments due at SOFR plus 4.0% per annum or prime rate plus 3.0% per annum; and
- Commitment fee of 0.25% to 0.375% per annum on the unused portion of the ABL Facility.

2028 Notes

On March 20, 2023, we issued $44.7 million in new 7.125% Senior Secured Notes due in 2028 at a discount of $41.9 million resulting in an effective yield of 8.625%. We used a portion of the proceeds of this borrowing to redeem the remaining $36.5 million of 6.75% Senior Secured Notes due. The redemption of the 2024 Notes closed on March 27, 2023.

The 2028 Notes are guaranteed on a senior secured basis. We may redeem the 2028 Notes, in whole or in part, at any time prior to June 1, 2024, at a price equal to 100% of the principal amount of the 2028 Notes plus a “make-whole” premium and accrued and unpaid interest, if any, up to, but not including, the redemption date. At any time on or after June 1, 2024, we may redeem some or all of the 2028 Notes at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth in the 2028 Notes indenture, plus accrued and unpaid interest, if any, up to, but not including the redemption date. In addition, we may redeem up to 35% of the aggregate principal amount of the 2028 Notes before June 1, 2024, with the net cash proceeds from certain equity offerings at a redemption price of 107.125% of the principal amount plus accrued and unpaid interest, if any, up to, but not including the redemption date. We may also redeem up to 10% of the aggregate original principal amount of the 2028 Notes per twelve-month period, in connection with up to two redemptions in such twelve-month period, at a redemption price of 101% of the principal amount plus accrued and unpaid interest up to, but not including, the redemption date.

Table of Contents

The 2028 Notes mature on June 1, 2028, unless earlier redeemed or repurchased. Interest accrues on the 2028 Notes from September 10, 2021, and is payable semi-annually, in cash in arrears, on June 1 and December 1 of each year, commencing December 1, 2021. Based on the balance of the 2028 Notes outstanding at September 30, 2023, we are required to pay $11.4 million per year in interest. As of September 30, 2023, accrued and unpaid interest on the 2028 Notes was $3.9 million.

The indenture to the 2028 Notes contains covenants that, among other things and subject in each case to certain specified exceptions, limit the ability to: (i) incur additional debt; (ii) declare or pay dividends, redeem stock or make other distributions to stockholders; (iii) make investments; (iv) create liens or use assets as security in other transactions; (v) merge or consolidate, or sell, transfer, lease or dispose of substantially all assets; (vi) engage in transactions with affiliates; and (vii) sell or transfer assets. At September 30, 2023, we were, and we remain, in compliance with all of the covenants under the indenture.

We recorded debt issuance costs of $9.3 million, of which $0.2 million of third-party debt modification costs were expensed during the three months ended March 31, 2022. During the three and nine months ended September 30, 2023, $0.4 million and $1.2 million, respectively, of debt issuance costs and delayed draw fees associated with the Notes were amortized to interest expense. During the three and nine months ended September 30, 2022, $0.2 million and $0.5 million, respectively, of debt issuance costs and delayed draw fees associated with the Notes were amortized to interest expense.

2024 Notes

On May 19, 2017, we issued 6.75% Senior Secured Notes (“2024 Notes”) in a private placement. The 2024 Notes were guaranteed on a senior secured basis by our existing subsidiaries (“Subsidiary Guarantors”). The 2024 Notes accrued interest at a rate of 6.75% per year and were maturing on June 1, 2024, unless they were earlier redeemed or repurchased. Interest was payable semi-annually, in cash in arrears, on June 1 and December 1 of each year.

The 2024 Notes are secured by a first-priority lien on substantially all assets of ours and the Subsidiary Guarantors other than the ABL Facility Priority Collateral as described below. There is no direct lien on our FCC licenses to the extent prohibited by law or regulation other than the economic value and proceeds thereof.

We recorded debt issuance costs of $6.3 million as a reduction of the debt proceeds being amortized to non-cash interest expense over the life of the Notes using the effective interest method. During the three and nine months ended September 30, 2023, $0 and $20,000, respectively, of debt issuance costs associated with the Notes was amortized to interest expense. During the three and nine months ended September 30, 2022, $35,000 and $0.1 million, respectively, of debt issuance costs associated with the Notes was amortized to interest expense.

On March 27, 2023, we redeemed the remaining $36.5 million of 2024 Notes and paid $0.8 million in accrued but unpaid interest through the redemption date.

Based on the then existing market conditions, we completed repurchases of our 2024 Notes as follows:

Date	Principal Repurchased	Cash Paid	% of Face Value	Bond Issue Costs	Net Gain (Loss)
			(Dollars in thousands)		
January 19, 2023	$ 2,500	$ 2,431	98.95%	$ 30	$ 39
December 19, 2022	4,650	4,557	98.00%	57	36
December 14, 2022	1,000	965	96.50%	5	30
June 13, 2022	5,000	4,947	98.95%	35	18
June 10, 2022	3,000	2,970	99.00%	21	9
June 7, 2022	2,464	2,446	99.25%	17	1
May 17, 2022	2,525	2,500	99.00%	18	7
January 12, 2022	2,500	2,531	101.26%	22	(53)
December 10, 2021	35,000	35,591	101.69%	321	(912)
October 25, 2021	2,000	2,020	101.00%	19	(39)
October 12, 2021	250	251	100.38%	2	(3)
October 5, 2021	763	766	100.38%	7	(10)
October 4, 2021	628	629	100.13%	6	(7)
September 24, 2021	4,700	4,712	100.25%	44	(56)
January 30, 2020	2,250	2,194	97.50%	34	22
January 27, 2020	1,245	1,198	96.25%	20	27

December 27, 2019	3,090	2,874	93.00%	48	167
November 27, 2019	5,183	4,548	87.75%	82	553
November 15, 2019	3,791	3,206	84.58%	61	524
March 28, 2019	2,000	1,830	91.50%	37	134
March 28, 2019	2,300	2,125	92.38%	42	133
February 20, 2019	125	114	91.25%	2	9
February 19, 2019	350	319	91.25%	7	24
February 12, 2019	1,325	1,209	91.25%	25	91

January 10, 2019	570	526	92.25%	9	35
December 21, 2018	2,000	1,835	91.75%	38	127
December 21, 2018	1,850	1,702	92.00%	35	113
December 21, 2018	1,080	999	92.50%	21	60
November 17, 2018	1,500	1,357	90.50%	29	114
May 4, 2018	4,000	3,770	94.25%	86	144
April 10, 2018	4,000	3,850	96.25%	87	63
April 9, 2018	2,000	1,930	96.50%	43	27
	$105,639	$102,902		$1,310	$1,427

Asset-Based Revolving Credit Facility

On May 19, 2017, we entered into the ABL Facility pursuant to a Credit Agreement ("Credit Agreement") by and among us and our subsidiaries, parties thereto as borrowers, Wells Fargo Bank, National Association, as administrative agent and lead arranger, and the lenders that are parties thereto. We used the proceeds of the ABL Facility, together with the net proceeds from the Notes offering, to repay outstanding borrowings under our previously existing senior credit facilities and related fees and expenses. Current proceeds from the ABL Facility are used to provide ongoing working capital and for other general corporate purposes, including permitted acquisitions.

The ABL Facility is a $30.0 million revolving credit facility due March 1, 2024, which includes a $5.0 million subfacility for standby letters of credit and a $7.5 million subfacility for swingline loans. All borrowings under the ABL Facility accrue interest at a rate equal to a base rate or LIBOR plus a spread. The spread, which is based on an availability-based measure, ranges from 0.50% to 1.00% for base rate borrowings and 1.50% to 2.00% for LIBOR borrowings. If an event of default occurs, the interest rate may increase by 2.00% per annum. Amounts outstanding under the ABL Facility may be paid and then reborrowed at our discretion without penalty or premium. Additionally, we pay a commitment fee on the unused balance from 0.25% to 0.375% per year based on the level of borrowings. The April 7, 2020 amendment also allows for an alternative benchmark rate that may include SOFR due to LIBOR being scheduled to be discontinued.

Availability under the ABL Facility is subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. As of September 30, 2023, the amount available under the ABL Facility was $25.1 million of which $20.5 million was outstanding. The ABL Facility has a first-priority lien on our and the Subsidiary Guarantors' accounts receivable, inventory, deposit and securities accounts, certain real estate and related assets, and by a second-priority lien on the notes priority collateral. There is no direct lien on our FCC licenses to the extent prohibited by law or regulation other than the economic value and proceeds thereof.

The Credit Agreement includes a springing fixed charge coverage ratio of 1.0 to 1.0, which is tested during the period commencing on the last day of the fiscal month most recently ended prior to the date on which Availability (as defined in the Credit Agreement) is less than the greater of 15% of the Maximum Revolver Amount (as defined in the Credit Agreement) and $4.5 million and continuing for a period of 60 consecutive days after the first day on which Availability exceeds such threshold amount. The Credit Agreement also includes other negative covenants that are customary for credit facilities of this type, including covenants that, subject to exceptions described in the Credit Agreement, restrict or limit our ability and the ability of our subsidiaries to (i) incur additional indebtedness; (ii) make investments; (iii) make distributions, loans or transfers of assets; (iv) enter into, create, incur, assume or suffer to exist any liens, (v) sell assets; (vi) enter into transactions with affiliates; (vii) merge or consolidate with, or dispose of all assets to a third party, except as permitted thereby; (viii) prepay indebtedness (which does not include bond repurchases); and (ix) pay dividends.

The Credit Agreement provides for the following events of default: (i) non-payment of any principal or letter of credit reimbursement when due or any interest, fees, or other amounts within five days of the due date; (ii) the failure by any borrower or any subsidiary to comply with any covenant or agreement contained in the Credit Agreement or any other loan document, in certain cases subject to applicable notice and lapse of time; (iii) any representation or warranty made pursuant to the Credit Agreement or any other loan document is incorrect in any material respect when made; (iv) certain defaults of other indebtedness of any borrower or any subsidiary of indebtedness of at least $10 million; (v) certain events of bankruptcy or insolvency with respect to any borrower or any subsidiary; (vi) certain judgments for the payment of money of $10 million or more; (vii) a change of control; and (viii) certain defaults relating to the loss of FCC licenses, cessation of broadcasting and termination of material station contracts. If an event of default occurs and is continuing, the administrative agent and the Lenders may accelerate the amounts outstanding under the ABL Facility and may exercise remedies in respect of the collateral.

Because the availability was less than $4.5 million during the quarter, we were required to test against the fixed charge coverage ratio covenant. The fixed charge coverage ratio was below the required 1.0 to 1.0 level during the quarter and therefore, we were not in compliance with that covenant. During the quarter, we signed multiple monthly forbearance agreements for which the recent

forbearance agreement was dated November 2, 2023, whereby the bank agreed not to exercise remedies on the default. Additionally, the notional amount of the revolver was reduced from $30.0 million to $25.0 million with a minimum availability of $1.0 million. Finally, the interest rate on the ABL Facility was increased to Secured Overnight Financing Rate ("SOFR") plus 4% or base rate plus 3.0% effective July 1, 2023.

We recorded debt issue costs of $1.1 million as an asset being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. During the three and nine months ended September 30, 2023, $54,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL Facility was amortized to interest expense. During the three and nine months ended September 30, 2022, $25,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL Facility was amortized to interest expense. At September 30, 2023, the blended interest rate on amounts outstanding under the ABL Facility was 9.83%.

We report outstanding balances on the ABL Facility as short-term regardless of the maturity date based on use of the ABL Facility to fund ordinary and customary operating cash needs with frequent repayments. We believe that our borrowing capacity under the ABL Facility allows us to meet our ongoing operating requirements, fund capital expenditures and satisfy our debt service requirements for at least the next twelve months.

Maturities of Long-Term Debt

Principal repayment requirements under all long-term debt agreements outstanding at September 30, 2023 for each of the next five years and thereafter are as follows:

For the Year Ended September 30,	Amount (Dollars in thousands)
2024	$ 20,524
2025	—
2026	—
2027	—
2028	159,416
Thereafter	—
	$ 179,940

NOTE 11. FAIR VALUE MEASUREMENTS

As of September 30, 2023, the carrying value of cash and cash equivalents, accounts receivables, accounts payable, accrued expenses and accrued interest approximates fair value due to the short-term nature of such instruments. The carrying amount of the Notes on September 30, 2023 was $159.4 million compared to the estimated fair value of $136.3 million, based on the prevailing interest rates and trading activity of our Notes.

We have certain assets that are measured at fair value on a non-recurring basis that are adjusted to fair value only when the carrying values exceed the fair values. The categorization of the framework used to price the assets is considered Level 3 due to the subjective nature of the unobservable inputs used when estimating the fair value.

The following table summarizes the fair value of our financial assets and liabilities that are measured at fair value:

	September 30, 2023			
	Carrying Value on Balance Sheet	Fair Value Measurement Category		
		Level 1	Level 2	Level 3
	(Dollars in thousands)			
Liabilities:				
Estimated fair value of contingent earn-out consideration included in accrued expenses	**$ 358**	—	—	$ 358
Long-term debt less unamortized discount and debt issuance costs	**173,135**	—	153,020	—

NOTE 12. INCOME TAXES

We recognize deferred tax assets and liabilities for future tax consequences attributable to differences between our consolidated financial statement carrying amount of assets and liabilities and their respective tax bases. We measure these deferred tax assets and liabilities using enacted tax rates expected to apply in the years in which these temporary differences are expected to reverse. We recognize the effect on deferred tax assets and liabilities resulting from a change in tax rates in income in the period that includes the date of the change.

At December 31, 2022, we had net operating loss carryforwards for federal income tax purposes of approximately $94.7 million that expire in years 2024 through 2037 and for state income tax purposes of approximately $633.9 million that expire in years 2023 through 2042. As a result of our adjusted cumulative three-year pre-tax book loss as of December 31, 2020, we performed an assessment of positive and negative evidence with respect to the realization of our net deferred tax assets. This assessment included the evaluation of scheduled reversals of deferred tax liabilities, the availability of carryforwards and estimates of projected future taxable income. The economic uncertainty from the COVID-19 pandemic provided additional negative evidence that outweighed positive evidence which resulted in recognition of a valuation allowance for 2020 on federal and state net operating loss carry forwards. The valuation allowance related to the federal and state net operating loss carry forwards was $39.1 million and $40.0 million as of December 31, 2021, and 2022, respectively. As the economy continues to come out of the COVID-19 pandemic and stay-at-home shelter orders, we continue to monitor our budget; however, at this time we have determined it is more likely than not that a reasonable forecast beyond the current year does not provide enough evidence to measure the realization of December 31, 2022, and September 30, 2023, deferred tax assets.

During the interim period ended September 30, 2023, we computed the income tax provision using the estimated effective annual rate applicable for the full year. We updated our forecast to project taxable income for the 2023 calendar year. In accordance with the guidance under FASB ASC Topic 740-270-25-4, we measured the estimated utilization of the operating loss carryforwards and the release of the valuation allowance for both federal and state jurisdictions.

The amortization of our indefinite-lived intangible assets for tax purposes, but not for book purposes, creates deferred tax liabilities. A reversal of deferred tax liabilities may occur when indefinite-lived intangibles: (1) become impaired; or (2) are sold, which would typically only occur in connection with the sale of the assets of a station or groups of stations or the entire company in a taxable transaction. Due to the amortization for tax purposes and not for book purposes of our indefinite-lived intangible assets, we expect to continue to generate deferred tax liabilities in future periods exclusive of any impairment losses in future periods. These deferred tax liabilities and net operating loss carryforwards result in differences between our provision for income tax and cash paid for taxes.

We review and reevaluate uncertain tax positions on a quarterly basis. Changes in assumptions may result in the recognition of a tax benefit or an additional charge to the tax provision.

NOTE 13. COMMITMENTS AND CONTINGENCIES

We enter into various agreements in the normal course of business that contain minimum guarantees. Minimum guarantees are typically tied to future events, such as future revenue earned in excess of the contractual level. Accordingly, the fair value of these arrangements is zero.

We may record contingent earn-out consideration representing the estimated fair value of future liabilities associated with acquisitions that may have additional payments due upon the achievement of certain performance targets. The fair value of the contingent earn-out consideration is estimated as of the acquisition date as the present value of the expected contingent payments as determined using weighted probabilities of the expected payment amounts. We review the probabilities of possible future payments to estimate the fair value of any contingent earn-out consideration on a quarterly basis over the earn-out period. Actual results are compared to the estimates and probabilities of achievement used in our forecasts. Should actual results of the acquired business increase or decrease as compared to our estimates and assumptions, the estimated fair value of the contingent earn-out consideration liability will increase or decrease, up to the contracted limit, as applicable. Changes in the estimated fair value of the contingent earn-out consideration are reflected in the results of operations in the period in which they are identified. Changes in the estimated fair value of the contingent earn-out consideration may materially impact and cause volatility in our operating results.

We and our subsidiaries, incident to our business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance. We evaluate claims based on what we believe to be both probable and reasonably estimable. We maintain insurance that may provide coverage for such matters. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters. We believe, at this time, that the final resolution of these matters, individually and in the aggregate, will not have a material adverse effect upon our condensed consolidated financial position, results of operations or cash flows.

NOTE 14. STOCK INCENTIVE PLAN

The following table reflects the components of stock-based compensation expense recognized in the Condensed Consolidated Statements of Operations for the three and nine-month periods ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2023	2022	2023
	(Dollars in thousands)		(Dollars in thousands)	
Stock option compensation expense included in unallocated corporate expenses	$ 24	**$ 83**	$ 60	**$ 201**
Restricted stock shares compensation expense included in corporate expenses	—	—	54	—
Stock option compensation expense included in broadcast operating expenses	18	**34**	67	**95**
Stock option compensation expense included in digital media operating expenses	12	**10**	47	**39**
Stock option compensation expense included in publishing operating expenses	—	**2**	—	**5**
Total stock-based compensation expense, pre-tax	$ 54	**$ 129**	$ 228	**$ 340**
Tax expense for stock-based compensation expense	(14)	**(33)**	(59)	**(88)**
Total stock-based compensation expense, net of tax	$ 40	**$ 96**	$ 169	**$ 252**

The weighted-average assumptions used to estimate the fair value of the stock options using the Black-Scholes valuation model were as follows for the three and nine-month periods ended September 30, 2023 and 2022:

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Expected volatility	85.94%	84.90%	**n/a**	**87.94%**
Expected dividends	0.00%	0.00%	**n/a**	**0.00%**
Expected term (in years)	7.5	9.2	**n/a**	**8.4**
Risk-free interest rate	3.10%	1.86%	**n/a**	**3.69%**

Activity with respect to our option awards during the nine-month period ended September 30, 2023 is as follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(Dollars in thousands, except weighted average exercise price and weighted average grant date fair value)				
Outstanding at January 1, 2023	1,706,340	$ 2.68	$ 1.23	4.2 years	$ —
Granted	1,249,500	1.06	0.87		—
Exercised	—	—	—		—
Forfeited or expired	(153,997)	4.90	1.43		—
Outstanding at September 30, 2023	**2,801,843**	**1.89**	**1.07**	**5.5 years**	**$ —**
Exercisable at September 30, 2023	**1,101,843**	**2.75**	**1.20**	**2.7 years**	—
Expected to Vest	**1,614,150**	**1.91**	**1.07**	**5.5 years**	**$ —**

Activity with respect to our restricted stock awards during the nine-month period ended September 30, 2023 is as follows:

Restricted Stock Awards	Shares	Weighted Average Grant Date Fair	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
	(Dollars in thousands, except weighted average exercise price and weighted average grant date fair value)			
Outstanding at January 1, 2023	14,854	3.66	1.20	$ 16
Granted	—	—	—	—
Lapsed	—	—	—	—
Forfeited	—	—	—	—
Outstanding at September 30, 2023	**14,854**	**3.66**	**0.5**	**$ 9**

The aggregate intrinsic value represents the difference between the company's closing stock price on September 30, 2023 of $0.59 and the option exercise price of the shares for stock options that were in the money, multiplied by the number of shares underlying such options. The total fair value of options vested during the periods ended September 30, 2023 and 2022, was $0.2 million.

As of September 30, 2023, there was $1.1 million of total unrecognized compensation cost related to non-vested stock option awards. This cost is expected to be recognized over a weighted-average period of 2.9 years.

NOTE 15. SEGMENT DATA

FASB ASC Topic 280, *Segment Reporting*, requires companies to provide certain information about their operating segments. We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which also qualify as reportable segments. Our operating segments reflect how our chief operating decision makers, which we define as a collective group of senior executives, assess the performance of each operating segment and determine the appropriate allocations of resources to each segment. We continually review our operating segment classifications to align with operational changes in our business and may make changes as necessary.

We measure and evaluate our operating segments based on operating income and operating expenses that do not include allocations of costs related to corporate functions, such as accounting and finance, human resources, legal, tax, and treasury, which are reported as unallocated corporate expenses in our condensed consolidated statements of operations included in this quarterly report on Form 10-Q. We also exclude costs such as amortization, depreciation, taxes, and interest expense. Segment performance, as we define it, is not necessarily comparable to other similarly titled captions of other companies.

Table of Contents

Broadcast

Our foundational business is radio broadcasting, which includes the ownership and operation of radio stations in large metropolitan markets. Our broadcasting segment includes our national networks and national sales firms. National companies often prefer to advertise across the United States as an efficient and cost-effective way to reach their target audiences. Our national platform under which we offer radio airtime, digital campaigns, and other advertisements can benefit national companies by reaching audiences throughout the United States.

Salem Radio Network™ ("SRN™"), based in Dallas, Texas, develops, produces, and syndicates a broad range of programming specifically targeted to Christian and family-themed talk stations, music stations and News Talk stations. SRN™ delivers programming via satellite to approximately 3,100 affiliated radio stations throughout the United States, including several of our Salem-owned stations. SRN™ operates five divisions, SRN™ Talk, SRN™ News, SRN™ Websites, SRN™ Satellite Services and Salem Music Network that includes Today's Christian Music ("TCM").

Salem Media Representatives ("SMR") is our national advertising sales firm with offices in 15 U.S. cities. SMR specializes in placing national advertising on Christian and talk formatted radio stations as well as other commercial radio station formats. SMR sells commercial airtime to national advertisers on our radio stations and through our networks, as well as for independent radio station affiliates. SMR also contracts with independent radio stations to create custom advertising campaigns for national advertisers to reach multiple markets.

Salem Surround, our national multimedia advertising agency with locations in 29 markets across the United States, offers a comprehensive suite of digital marketing services to develop and execute audience-based marketing strategies for clients on both the national and local level. Salem Surround specializes in digital marketing services for each of our radio stations and websites as well as providing a full-service multimedia marketing strategy for each of our clients. Salem Podcast Network ("SPN"), is a highly specialized platform for conservative, political, news, and family-oriented podcasts. SPN reaches over 13 million downloads per month, and regularly ranks amongst the top 100 most downloaded news and political podcasts according to the Apple Podcast Rankings.

SalemNOW is our online destination to a watch variety of on-demand. SalemNOW is dedicated exclusive conservative and faith-based films consisting of box office hits, acclaimed documentaries, music festivals, interviews with top Christian artists, events with our conservative talk show hosts and many other videos. SalemNOW can be found on mobile apps, and streaming services such as Roku, Apple TV, Amazon Fire Stick and select smart TVs.

Salem News Channel ("SNC") is a conservative news, opinion and commentary television network hosted by a number of engaging, compelling and respected conservative media personalities. SNC's mission is to serve the media needs of audiences interested in political news and opinion content with a Judeo Christian world vision and seeks to become the leading provider of conservative news and option content for the rapidly growing OTT television and multi-screen digital audience.

Digital Media

Our digital media-based businesses provide Christian, conservative, investing content, audio and video streaming, and other resources digitally through the web. Salem Web Network ("SWN") websites include Christian content websites; BibleStudyTools.com, Crosswalk.com®, Christianity.com, iBelieve.com, GodTube®.com, OnePlace®.com, GodUpdates.com, CrossCards™.com, ChristianHeadlines.com, and LightSource.com, and our conservative opinion websites; collectively known as Townhall Media, include Townhall.com®, HotAir™.com, Twitchy®.com, RedState®.com, BearingArms.com, ConservativeRadio.com and pjmedia.com. We also publish digital newsletters through Eagle Financial Publications, which provide market analysis and non-individualized investment strategies from financial commentators on a subscription basis.

Our church product websites, including SermonSearch™.com, ChurchStaffing.com, WorshipHouseMedia.com, SermonSpice™.com, WorshipHouseKids.com, Preaching.com, ChristianJobs.com, ShiftWorship.com, JourneyBoxMedia.com, Playbackmedia.com, and HyperPixelsMedia.com, offer a variety of digital resources including videos, song tracks, sermon archives and job listings to pastors and Church leaders.

Our web content is accessible through all of our radio station websites that feature content of interest to local audiences throughout the United States.

Publishing

Our publishing operating segment includes two businesses: (1) Regnery® Publishing and Salem Books, traditional book publishers that have published dozens of bestselling books by leading conservative and Christian authors and personalities and (2) Salem Author Services, a self-publishing service for authors through Xulon Press and Mill City Press.

Table of Contents

The table below presents financial information for each operating segment as of September 30, 2023 and 2022 based on the composition of our operating segments:

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
			(Dollars in thousands)		
Three Months Ended September 30, 2023					
Net revenue	**$ 48,966**	**$ 9,965**	**$ 4,566**	$ —	**$ 63,497**
Operating expenses	**42,171**	**8,496**	**5,939**	**4,514**	**61,120**
Net operating income (loss) before depreciation, amortization, impairments, and net (gain) loss on the disposition of assets	**$ 6,795**	**$ 1,469**	**$ (1,373)**	**$ (4,514)**	**$ 2,377**
Depreciation	**1,594**	**990**	**60**	**172**	**2,816**
Amortization	—	**536**	**25**	—	**561**
Change in the estimated fair value of contingent earn-out consideration	—	**(100)**	—	—	**(100)**

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
Impairment of indefinite-lived long-term assets other than goodwill	**35,113**	—	—	—	**35,113**
Impairment of goodwill	—	**423**	**310**	—	**733**
Net (gain) loss on the disposition of assets	**(456)**	—	—	—	**(456)**
Net operating income (loss)	**$ (29,456)**	**$ (380)**	**$ (1,768)**	**$ (4,686)**	**$ (36,290)**
Three Months Ended September 30, 2022					
Net revenue	$ 51,136	$10,189	$ 5,537	$ —	$ 66,862
Operating expenses	41,178	8,333	6,542	4,840	60,893
Net operating income (loss) before legal settlement, debt modification costs, depreciation, amortization, impairments, and net (gain) loss on the disposition of assets	$ 9,958	$ 1,856	$ (1,005)	$ (4,840)	$ 5,969
Legal settlement	3,825	—	—	—	3,825
Debt modification costs	—	—	—	2	2
Depreciation	1,483	927	76	251	2,737
Amortization	4	293	—	—	297
Impairment of indefinite-lived long-term assets other than goodwill	7,725	—	—	—	7,725
Impairment of goodwill	—	—	—	—	—
Net (gain) loss on the disposition of assets	166	1	—	—	167
Net operating income (loss)	$ (3,245)	$ 635	$ (1,081)	$ (5,093)	$ (8,784)

	Broadcast	Digital Media	Publishing	Unallocated Corporate Expenses	Consolidated
			(Dollars in thousands)		
Nine Months Ended September 30, 2023					
Net revenue	**$146,986**	**$31,335**	**$ 14,439**	**$ —**	**$ 192,760**
Operating expenses	**128,498**	**26,516**	**17,341**	**14,165**	**186,520**
Net operating income (loss) before depreciation, amortization, change in the estimated fair value of contingent earn-out consideration, impairments, and net (gain) loss on the disposition of assets	**$ 18,488**	**$ 4,819**	**$ (2,902)**	**$ (14,165)**	**$ 6,240**
Depreciation	**4,779**	**3,022**	**183**	**556**	**8,540**
Amortization	**2**	**1,674**	**75**	—	**1,751**
Change in the estimated fair value of contingent earn-out consideration	—	**(102)**	—	—	**(102)**
Impairment of indefinite-lived long-term assets other than goodwill	**38,376**	—	—	—	**38,376**
Impairment of goodwill	—	**2,270**	**310**	—	**2,580**
Net (gain) loss on the disposition of assets	**(336)**	—	—	**2**	**(334)**
Net operating income (loss)	**$ (24,333)**	**$ (2,045)**	**$ (3,470)**	**$ (14,723)**	**$ (44,571)**
Nine Months Ended September 30, 2022					
Net revenue	$152,020	$31,293	$ 14,840	$ —	$ 198,153
Operating expenses	120,837	25,079	16,441	14,431	176,788
Net operating income (loss) before legal settlement, debt modification costs, depreciation, amortization, impairments, and net (gain) loss on the disposition of assets	$ 31,183	$ 6,214	$ (1,601)	$ (14,431)	$ 21,365
Legal settlement	4,776	—	—	—	4,776
Debt modification costs	—	—	—	250	250
Depreciation	4,669	2,847	245	776	8,537
Amortization	12	951	—	—	963
Change in the estimated fair value of contingent earn-out consideration	—	(5)	—	—	(5)
Impairment of indefinite-lived long-term assets other than goodwill	11,660	—	—	—	11,660
Impairment of goodwill	127	—	—	—	127
Net (gain) loss on the disposition of assets	(8,491)	—	—	30	(8,461)
Net operating income (loss)	$18,430	$2,421	$(1,846)	$(15,487)	$ 3,518

Table of Contents

	Broadcast	Digital Media	Publishing	Unallocated Corporate	Consolidated
			(Dollars in thousands)		
As of September 30, 2023					
Inventories, net	$ —	$ —	**$ 1,383**	**$ —**	**$ 1,383**
Property and equipment, net	**65,607**	**4,952**	**432**	**9,086**	**80,077**
Broadcast licenses	**260,193**	—	—	—	**260,193**
Goodwill	**2,702**	**18,927**	**1,137**	—	**22,766**
Amortizable intangible assets, net	—	**4,051**	**224**	—	**4,275**
As of December 31, 2022					
Inventories, net	$ —	$ —	$ 1,513	$ —	$ 1,513
Property and equipment, net	63,634	7,751	546	9,365	81,296
Broadcast licenses	303,774	—	—	—	303,774
Goodwill	2,623	20,016	1,446	—	24,085
Amortizable intangible assets, net	213	1,637	299	—	2,149

NOTE 16. SUBSEQUENT EVENTS

On November 6, 2023 we sold radio stations WGTK-FM, WRTH-FM and WLTE-FM in Greenville, South Carolina for $6.8 million. The $5.1 million carrying value of the assets were reclassed as held for sale as of September 30, 2023.

On October 17, 2023 we entered into an agreement to sell land in Sarasota, Florida for $9.5 million. The closing is conditional upon getting the property rezoned, and we expect to close the sale in late 2024.

Subsequent events reflect all applicable transactions through the date of the filing.

ITEM 2. 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 the Condensed Consolidated Financial Statements and related notes included elsewhere in this report on Form 10-Q and our audited Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2022. Our Condensed Consolidated Financial Statements are not directly comparable from period to period due to acquisitions and dispositions. Refer to Note 3 of our Condensed Consolidated Financial Statements on Form 10-Q for details of each of these transactions.

Historical operating results are not necessarily indicative of future operating results. Actual future results may differ from those contained in or implied by the forward-looking statements as a result of various factors. These factors include, but are not limited to:

- risks and uncertainties relating to the need for additional funds to service our debt,
- risks and uncertainties relating to the need for additional funds to execute our business strategy,
- our ability to access borrowings under our ABL Facility,
- reductions in revenue forecasts,
- our ability to renew our broadcast licenses,
- changes in interest rates,
- the timing of our ability to complete any acquisitions or dispositions,
- costs and synergies resulting from the integration of any completed acquisitions,
- our ability to effectively manage costs,
- our ability to drive and manage growth,
- the popularity of radio as a broadcasting and advertising medium,
- changes in consumer tastes,
- the impact of general economic conditions in the United States or in specific markets in which we do business,
- the impact of inflation increasing operating costs and changing consumer habits,
- industry conditions, including existing competition and future competitive technologies,
- disruptions or postponements of advertising schedules and programming in response to national or world events,
- our ability to generate revenue from new sources, including local commerce and technology-based initiatives, and
- the impact of regulatory rules or proceedings that may affect our business from time to time, and the future write-off of any material portion of the fair value of our FCC broadcast licenses and goodwill.

Because these factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any of these forward-looking statements. In addition, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which the statement is made, to reflect the occurrence of unanticipated events or otherwise, except as required by law.

Overview

Salem Media Group, Inc. ("Salem") is a domestic multimedia company specializing in Christian and conservative content, with media properties comprising radio broadcasting, digital media, and publishing. Our content is intended for audiences interested in Christian and family-themed programming and conservative news talk. We maintain a website at www.salemmedia.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports are available free of charge through our website as soon as reasonably practicable after those reports are electronically filed with or furnished to the Securities and Exchange Commission ("SEC"). *The information on our website is not a part of or incorporated by reference into this or any other report of the company filed with, or furnished to the SEC.*

We have three operating segments: (1) Broadcast, (2) Digital Media, and (3) Publishing, which also qualify as reportable segments. Our operating segments reflect how our chief operating decision makers, which we define as a collective group of senior executives, assess the performance of each operating segment and determine the appropriate allocations of resources to each segment. We continually review our operating segment classifications to align with operational changes in our business and may make changes as necessary.

We measure and evaluate our operating segments based on operating income and operating expenses that exclude costs related to corporate functions, such as accounting and finance, human resources, legal, tax and treasury. We also exclude costs such as amortization, depreciation, taxes, and interest expense when evaluating the performance of our operating segments.

Our principal sources of broadcast revenue include:

- the sale of block program time to national and local program producers;
- the sale of advertising time on our radio stations to national and local advertisers;
- the sale of banner advertisements on our station websites or on our mobile applications;
- the sale of digital streaming advertisements on our station websites or on our mobile applications;
- the sale of advertisements included in digital newsletters;
- fees earned for the creation of custom digital media campaigns and websites for our customers through Salem Surround;
- the sale of advertising time on our national network;
- the syndication of programming on our national network;
- the sale of advertising time through podcasts and video-on-demand services;
- product sales and royalties for on-air host materials, podcasts, programs and media content including documentary motion pictures, films; and
- other revenue such as events, including ticket sales and sponsorships, listener purchase programs, where revenue is generated from special discounts and incentives offered to our listeners from our advertisers; talent fees for voice-overs or custom endorsements from our on-air personalities and production services, and rental income for studios, towers or office space.

Our principal sources of digital media revenue include:

- the sale of digital banner advertisements on our websites and mobile applications;
- the sale of digital streaming advertisements on websites and mobile applications;
- the support and promotion to stream third-party content on our websites;
- the sale of advertisements included in digital newsletters;
- the digital delivery of newsletters to subscribers; and
- the number of video and graphic downloads.

Our principal sources of publishing revenue include:

- the sale of books and e-books;
- publishing fees from authors; and
- the sale of digital advertising in digital newsletters.

In each of our operating segments, the rates we can charge for airtime, advertising and other products and services are dependent upon several factors, including:

- audience share;
- how well our programs and advertisements perform for our clients;
- the size of the market and audience reached;
- the number of impressions delivered;
- the number of advertisements and programs streamed;
- the number of page views achieved;
- the number of downloads completed;
- the number of events held, the number of event sponsorships sold and the attendance at each event;
- demand for books and publications;
- general economic conditions; and
- supply and demand for airtime on a local and national level.

Broadcasting

Our foundational business is radio broadcasting, which includes the ownership and operation of radio stations in large metropolitan markets, our national networks and our national sales firms including Salem Surround. Revenues generated from our radio stations, networks and sales firms are reported as broadcast media revenue in our Condensed Consolidated Financial Statements included in Part 1 of this quarterly report on Form 10-Q. Advertising revenue is recorded on a gross basis unless an agency represents the advertiser, in which case revenue is reported net of the commission retained by the agency.

Broadcast revenue is impacted by the rates radio stations can charge for programming and advertising time, the level of airtime sold to programmers and advertisers, the number of impressions delivered, or downloads made, and the number of events held, including the size of the event and the number of attendees. Block programming rates 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 networks' ability to produce results for their advertisers.

We market ourselves to advertisers based on the responsiveness of our audiences. We do not subscribe to traditional audience measuring services for most of our radio stations. In select markets, we subscribe to Nielsen Audio, which develops monthly reports measuring a radio station's audience share in the demographic groups targeted by advertisers. Each of our radio stations and our networks has a pre-determined level of time available for block programming and/or advertising, which may vary at different times of the day.

Nielsen Audio uses the Portable People Meter ™ ("PPM") technology to collect data for its ratings service. PPM is a small device that is capable of automatically measuring radio, television, Internet, satellite radio and satellite television signals encoded by the broadcaster. The PPM offers a number of advantages over traditional diary ratings collection systems, including ease of use, more reliable ratings data, shorter time periods between when advertising runs and actual listening data, and little manipulation of data by users. A disadvantage of the PPM includes data fluctuations from changes to the "panel" (a group of individuals holding PPM devices). This makes all stations susceptible to some inconsistencies in ratings that may or may not accurately reflect the actual number of listeners at any given time. We subscribe to Nielsen Audio for ratings services in seven of our broadcast markets.

Our results are subject to seasonal fluctuations. As is typical in the broadcasting industry, our second and fourth quarter advertising revenue typically exceeds our first and third quarter advertising revenue. Seasonal fluctuations in advertising revenue correspond with quarterly fluctuations in the retail industry. Additionally, we experience increased demand for political advertising during election even numbered years, over non-election odd numbered years. Political advertising revenue varies based on the number and type of candidates as well as the number and type of debated issues.

Our cash flows from broadcasting may be affected by transitional periods experienced by radio stations when, based on the nature of the radio station, our plans for the market, or other circumstances, we find it beneficial to change the station format. During this transitional period, when we develop a radio station's listener and customer base, the station may generate negative or insignificant cash flow.

In broadcasting, trade or barter agreements are commonly used to reduce cash expenses by exchanging advertising time for goods or services. We may enter barter agreements to exchange airtime or digital advertising for goods or services that can be used in our business or that can be sold to our audience under Listener Purchase Programs. The terms of these barter agreements permit us to preempt the barter airtime or digital campaign in favor of customers who purchase the airtime or digital campaign for cash. The value of these non-cash exchanges is included in revenue in an amount equal to the fair value of the goods or services we receive. Each transaction must be reviewed to determine that the products, supplies and/or services we receive have economic substance, or value to us. We record barter operating expenses upon receipt and usage of the products, supplies and services, as applicable. We record barter revenue as advertising spots or digital campaigns are delivered, which represents the point in time that control is transferred to the customer thereby completing our performance obligation. Barter revenue is recorded on a gross basis unless an agency represents the programmer, in which case revenue is reported net of the commission retained by the agency. During the nine months ended September 30, 2023 and 2022, 98% of our broadcast revenue was sold for cash.

The primary operating expenses incurred by our broadcast businesses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease expense and utilities, (iii) marketing and promotional expenses, (iv) production and programming expenses, and (v) music license fees. In addition to these expenses, our network incurs programming costs and lease expenses for satellite communication facilities.

Digital Media

Our digital media based businesses provide Christian, conservative, investing, audio and video streaming, and other resources digitally through the web. Refer to Item 1. Business of our annual report on Form 10-K for the year ended December 31, 2022 for a description of each of our digital media websites and operations. Revenue generated from this segment is reported as digital media revenue in our Condensed Consolidated Financial Statements included in Part 1 of this quarterly report on Form 10-Q.

Digital media revenue is impacted by the rates our sites can charge for advertising time, the level of advertisements sold, the number of impressions delivered, or the number of products sold, and the number of digital subscriptions sold. Like our broadcasting segment, our second and fourth quarter advertising revenue from our digital media segment generally exceeds the segment's first and third quarter advertising revenue. This seasonal fluctuation in advertising revenue corresponds with quarterly fluctuations in the retail advertising industry. We also experience fluctuations in quarter-over-quarter comparisons based on the date on which Easter is observed, as this holiday generates a higher volume of product downloads from our church product websites. Additionally, we experience increased demand for advertising time and placement during election years for political advertisements.

The primary operating expenses incurred by our digital media businesses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease expense and utilities, (iii) marketing and promotional expenses, (iv) royalties, (v) streaming costs, and (vi) cost of goods sold associated with e-commerce sites.

Publishing

Our publishing operations include book publishing through Regnery® Publishing, and self-publishing through Salem Author Services. Refer to Item 1. Business of our annual report on Form 10-K for the year ended December 31, 2022 for a description of each of our publishing entities. Revenue generated from this segment is reported as publishing revenue in our Condensed Consolidated Financial Statements included in Part 1 of this quarterly report on Form 10-Q. Publishing revenue is impacted by the retail price of books and e-books, the number of books sold, the number and retail price of e-books sold, and the number and rate at which self-published books are published. Regnery® Publishing revenue is impacted by elections as it generates higher levels of interest and demand for publications containing conservative and political based opinions.

The primary operating expenses incurred by our publishing businesses include: (i) employee salaries, commissions and related employee benefits and taxes, (ii) facility expenses such as lease expense and utilities, (iii) marketing and promotional expenses; and (iv) cost of goods sold that includes book printing and production costs, fulfillment costs, author royalties and inventory reserves.

Known Trends and Uncertainties

Ongoing global supply chain disruptions from the pandemic, military conflict in Ukraine and Israel, increases in consumer prices, persistent inflation, and the Federal Reserve's raising of the federal funds interest rate may have a material adverse impact on our business. To the extent that any of these factors interfere with our customers' advertising and promotional spending, we could experience reductions in revenue growth rates and increasing pressure to contain costs. Reductions in revenue could adversely affect our operating results, financial condition, and results of operations. These uncertainties could materially impact significant accounting estimates related to, but not limited to, allowances for doubtful accounts, impairments, and right-of-use assets. As a result, many of our estimates and assumptions require increased judgment and carry a higher degree of variability and volatility.

We have experienced increases in lease expense associated with escalations tied to changes in the Consumer Price Index ("CPI") and higher variable costs associated with Common Area Maintenance ("CAM") charges. CPI increased 6.5% for the twelve months ending December 31, 2022, following a 7.0% increase for the twelve months ending December 31, 2021. Higher energy costs and the impact of inflation resulted in higher CAM charges. Lease expense increased $0.2 million on a consolidated basis for the year ended December 31, 2022, as compared to the prior year, including a $0.9 million increase from CAM and CPI, that was offset with a $0.7 million reduction from consolidating select locations and reducing rental space.

Revenue growth from the sale of broadcast airtime is negatively impacted by audiences spending less time commuting, certain automobile manufacturers removing AM radio receivers, increases in other forms of content distribution, and decreases in the length of time spent listening to broadcast radio as compared to audio streaming services, podcasts, and satellite radio. These factors may lead advertisers to conclude that the effectiveness of radio has diminished. We continue to enhance our digital assets to complement our broadcast content. The increased use of smart speakers and other voice activated platforms that provide audiences with the ability to access AM and FM radio stations offers potential sources for radio broadcasters to reach audiences.

Our broadcast advertising revenue is particularly dependent on advertising from our Los Angeles and Dallas markets, which generated 13.9% and 18.7%, respectively, of our total net broadcast advertising revenue during the nine-month period ended September 30, 2023 compared to 12.8% and 19.2%, respectively, of our total net broadcast advertising revenue during the same period of the prior year.

Digital revenue is impacted by the nature and delivery of page views and the number of advertisements appearing on each page view. While page views continue to show growth, the number of page views from desktop devices continue to decline in favor of page views from mobile devices. Page views from mobile devices carry a lower number of advertisements per page and are generally sold at lower rates. The shift from desktop page views to mobile device views negatively impacts revenue as mobile devices carry lower rates and less advertisement per page. We also experience declines in page views from changes in algorithms, including algorithms that limit political content and from browsers that block third-party cookies limiting advertising delivery.

Key Financial Performance Indicators – Same-Station Definition

In the discussion of our results of operations below, we compare our broadcast operating results between periods on an as-reported basis, which includes the operating results of all radio stations and networks owned or operated at any time during either period and on a Same Station basis. Same Station is a Non-GAAP financial measure used both in presenting our results to stockholders and the investment community as well as in our internal evaluations and management of the business. We believe that Same Station Operating Income provides a meaningful comparison of period over period performance of our core broadcast operations as this measure excludes the impact of new stations, the impact of stations we no longer own or operate, and the impact of stations operating under a new programming format. Our presentation of Same Station Operating Income is not intended to be considered in isolation or as a substitute for the most directly comparable financial measures reported in accordance with GAAP. Our definition of Same Station Operating Income is not necessarily comparable to similarly titled measures reported by other companies. Refer to "NON-GAAP FINANCIAL MEASURES" below for a reconciliation of these non-GAAP performance measures to the most comparable GAAP measures.

We define Same Station net broadcast revenue as net broadcast revenue from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. We define Same Station broadcast operating expenses as broadcast operating expenses from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income includes those stations we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income for a full calendar year is calculated as the sum of the Same Station results for each of the four quarters of that year.

Non-GAAP Financial Measures

Management uses certain non-GAAP financial measures defined below in communications with investors, analysts, rating agencies, banks, and others to assist such parties in understanding the impact of various items on our financial statements. We use these non-GAAP financial measures to evaluate financial results, develop budgets, manage expenditures and as a measure of performance under compensation programs.

Our presentation of these non-GAAP financial measures should not be considered as a substitute for or superior to the most directly comparable financial measures as reported in accordance with GAAP.

Item 10e of Regulation S-K defines and prescribes the conditions under which certain non-GAAP financial information may be presented in this report. We closely monitor EBITDA, Adjusted EBITDA, Station Operating Income (“SOI”), Same Station net broadcast revenue, Same Station broadcast operating expenses, Same Station Operating Income, Digital Media Operating Income, and Publishing Operating Loss, all of which are non-GAAP financial measures. We believe that these non-GAAP financial measures provide useful information about our core operating results, and thus, are appropriate to enhance the overall understanding of our financial performance. These non-GAAP financial measures are intended to provide management and investors a more complete understanding of our underlying operational results, trends, and performance.

The performance of a radio broadcasting company is customarily measured by the ability of its stations to generate SOI. We define SOI as net broadcast revenue less broadcast operating expenses. Accordingly, changes in net broadcast revenue and broadcast operating expenses, as explained above, have a direct impact on changes in SOI. SOI is not a measure of performance calculated in accordance with GAAP. SOI should be viewed as a supplement to and not a substitute for our results of operations presented on the basis of GAAP. We believe that SOI is a useful non-GAAP financial measure to investors when considered in conjunction with operating income (the most directly comparable GAAP financial measures to SOI), because it is generally recognized by the radio broadcasting industry as a tool in measuring performance and in applying valuation methodologies for companies in the media, entertainment and communications industries. SOI is commonly used by investors and analysts who report on the industry to provide comparisons between broadcasting groups. We use SOI as one of the key measures of operating efficiency and profitability, including our internal reviews associated with impairment analysis of our indefinite-lived intangible assets. SOI does not purport to represent cash provided by operating activities. Our statement of cash flows presents our cash activity in accordance with GAAP and our income statement presents our financial performance prepared in accordance with GAAP. Our definition of SOI is not necessarily comparable to similarly titled measures reported by other companies.

We define Same Station net broadcast revenue as net broadcast revenue from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. We define Same Station broadcast operating expenses as broadcast operating expenses from our radio stations and networks that we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income includes those stations we own or operate in the same format on the first and last day of each quarter, as well as the corresponding quarter of the prior year. Same Station Operating Income for a full calendar year is calculated as the sum of the Same Station-results for each of the four quarters of that year. We use Same Station Operating Income, a non-GAAP financial measure, both in presenting our results to stockholders and the investment community, and in our internal evaluations and management of the business. We believe that Same Station Operating Income provides a meaningful comparison of period over period performance of our core broadcast operations as this measure excludes the impact of new stations, the impact of stations we no longer own or operate, and the impact of stations operating under a new programming format. Our presentation of Same Station Operating Income is not intended to be considered in isolation or as a substitute for the most directly comparable financial measures reported in accordance with GAAP. Our definition of Same Station net broadcast revenue, Same Station broadcast operating expenses and Same Station Operating Income is not necessarily comparable to similarly titled measures reported by other companies.

We apply a similar methodology to our digital media and publishing group. Digital Media Operating Income is defined as net digital media revenue less digital media operating expenses. Publishing Operating Loss is defined as net publishing revenue less publishing operating expenses. Digital Media Operating Income and Publishing Operating Loss are not measures of performance in accordance with GAAP. Our presentations of these non-GAAP financial performance measures are not to be considered a substitute for or superior to our operating results reported in accordance with GAAP. We believe that Digital Media Operating Income and

Publishing Operating Loss are useful non-GAAP financial measures to investors, when considered in conjunction with operating income (the most directly comparable GAAP financial measure), because they are comparable to those used to measure performance of our broadcasting entities. We use this analysis as one of the key measures of operating efficiency, profitability and in our internal review. This measurement does not purport to represent cash provided by operating activities. Our statement of cash flows presents our cash activity in accordance with GAAP and our income statement presents our financial performance in accordance with GAAP. Our definitions of Digital Media Operating Income and Publishing Operating Loss are not necessarily comparable to similarly titled measures reported by other companies.

We define EBITDA as net income before interest, taxes, depreciation, and amortization. We define Adjusted EBITDA as EBITDA before gains or losses on the sale or disposition of assets, before changes in the estimated fair value of contingent earn-out consideration, before gains on bargain purchases, before the change in fair value of interest rate swaps, before impairments, before net miscellaneous income and expenses, before (gain) loss on early retirement of debt, before (gain) loss from discontinued operations and before non-cash compensation expense. EBITDA and Adjusted EBITDA are commonly used by the broadcast and media industry as important measures of performance and are used by investors and analysts who report on the industry to provide meaningful comparisons between broadcasters. EBITDA and Adjusted EBITDA are not measures of liquidity or of performance in accordance with GAAP and should be viewed as a supplement to and not a substitute for or superior to our results of operations and financial condition presented in accordance with GAAP. Our definitions of EBITDA and Adjusted EBITDA are not necessarily comparable to similarly titled measures reported by other companies.

For all non-GAAP financial measures, investors should consider the limitations associated with these metrics, including the potential lack of comparability of these measures from one company to another.

We use non-GAAP financial measures to evaluate financial performance, develop budgets, manage expenditures, and determine employee compensation. Our presentation of this additional information is not to be considered as a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

Reconciliation of Non-GAAP Financial Measures:

In the tables below, we present a reconciliation of net broadcast revenue, the most comparable GAAP measure, to Same Station net broadcast revenue, and broadcast operating expenses, the most comparable GAAP measure to Same Station broadcast operating expense. We show our calculation of Station Operating Income and Same Station Operating Income, which is reconciled from net income, the most comparable GAAP measure, in the table following our calculation of Digital Media Operating Income and Publishing Operating Loss. Our presentation of these non-GAAP measures are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2023	2022	2023
	(Dollars in thousands)			
Reconciliation of Net Broadcast Revenue to Same Station Net Broadcast Revenue				
Net broadcast revenue	$ 51,136	**$ 48,966**	$ 152,020	**$ 146,986**
Net broadcast revenue – acquisitions	—	**(410)**	—	**(908)**
Net broadcast revenue – dispositions	(88)	—	(203)	**(24)**
Net broadcast revenue – format change	—	—	—	—
Same Station net broadcast revenue	$ 51,048	**$ 48,556**	$ 151,817	**$ 146,054**
Reconciliation of Broadcast Operating Expenses to Same Station Broadcast Operating Expenses				
Broadcast operating expenses	$ 41,178	**$ 42,171**	$ 120,837	**$ 128,498**
Broadcast operating expenses – acquisitions	—	**(851)**	(15)	**(2,382)**
Broadcast operating expenses – dispositions	(253)	**(33)**	(332)	**(131)**
Broadcast operating expenses – format change	—	—	—	—
Same Station broadcast operating expenses	$ 40,925	**$ 41,287**	$ 120,490	**$ 125,985**
Reconciliation of Operating Income to Same Station Operating Income				
Station Operating Income	$ 9,958	**$ 6,795**	$ 31,183	**$ 18,488**
Station operating loss – acquisitions	—	**441**	15	**1,474**
Station operating loss – dispositions	165	**33**	129	**107**
Station operating loss – format change	—	—	—	—
Same Station – Station Operating Income	$ 10,123	**$ 7,269**	$ 31,327	**$ 20,069**

In the table below, we present our calculations of Station Operating Income, Digital Media Operating Income and Publishing Operating Loss. Our presentation of these non-GAAP performance indicators are not to be considered a substitute for or superior to the directly comparable measures reported in accordance with GAAP.

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2023
	(Dollars in thousands)			
Calculation of Station Operating Income, Digital Media Operating Income and Publishing Operating Loss				
Net broadcast revenue	$ 51,136	**$ 48,966**	$ 152,020	**$ 146,986**
Less broadcast operating expenses	(41,178)	**(42,171)**	(120,837)	**(128,498)**
Station Operating Income	$ 9,958	**$ 6,795**	$ 31,183	**$ 18,488**
Net digital media revenue	$ 10,189	**$ 9,965**	$ 31,293	**$ 31,335**
Less digital media operating expenses	(8,333)	**(8,496)**	(25,079)	**(26,516)**
Digital Media Operating Income	$ 1,856	**$ 1,469**	$ 6,214	**$ 4,819**
Net publishing revenue	$ 5,537	**$ 4,566**	$ 14,840	**$ 14,439**
Less publishing operating expenses	(6,542)	**(5,939)**	(16,441)	**(17,341)**
Publishing Operating Loss	$ (1,005)	**$ (1,373)**	$ (1,601)	**$ (2,902)**

In the table below, we present a reconciliation of net loss, the most directly comparable GAAP measure to Station Operating Income, Digital Media Operating Income and Publishing Operating Loss. Our presentation of these non-GAAP performance indicators are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2023
	(Dollars in thousands)			
Reconciliation of Net Loss to Operating Income and Station Operating Income, Digital Media Operating Income and Publishing Operating Loss				
Net loss	$(11,885)	**$(31,297)**	$ (1,029)	**$(43,545)**
Plus provision for (benefit from) income taxes	59	**(8,782)**	(1,234)	**(11,619)**
Plus net miscellaneous income and (expenses)	19	**184**	19	**(27)**
Plus (gain) loss on early retirement of long-term debt	—	**—**	18	**60**
Plus (earnings) loss from equity method investment	(102)	**(7)**	(4,015)	**4**
Plus interest expense, net of capitalized interest	3,142	**3,626**	9,925	**10,596**
Less interest income	(17)	**(14)**	(166)	**(40)**
Net operating income (loss)	$ (8,784)	**$(36,290)**	$ 3,518	**$(44,571)**
Plus net (gain) loss on the disposition of assets	167	**(456)**	(8,461)	**(334)**
Plus change in the estimated fair value of contingent earn-out consideration	—	**(100)**	(5)	**(102)**
Plus legal settlement	3,825	**—**	4,776	**—**
Plus debt modification costs	2	**—**	250	**—**
Plus impairment of indefinite-lived long-term assets other than goodwill	7,725	**35,113**	11,660	**38,376**
Plus impairment of goodwill	—	**733**	127	**2,580**
Plus depreciation and amortization	3,034	**3,377**	9,500	**10,291**
Plus unallocated corporate expenses	4,840	**4,514**	14,431	**14,165**
Combined Station Operating Income, Digital Media Operating Income and Publishing Operating Loss	$ 10,809	**$ 6,891**	$35,796	**$ 20,405**
Station Operating Income	$ 9,958	**$ 6,795**	$31,183	**$ 18,488**
Digital Media Operating Income	1,856	**1,469**	6,214	**4,819**
Publishing Operating Loss	(1,005)	**(1,373)**	(1,601)	**(2,902)**
Combined Station Operating Income, Digital Media Operating Income and Publishing Operating Loss	$ 10,809	**$ 6,891**	$35,796	**$ 20,405**

In the table below, we present a reconciliation of Adjusted EBITDA to EBITDA to Net Loss, the most directly comparable GAAP measure. EBITDA and Adjusted EBITDA are non-GAAP financial performance measures that are not to be considered a substitute for or superior to the most directly comparable measures reported in accordance with GAAP.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2023	2022	2023
	(Dollars in thousands)			
Reconciliation of Adjusted EBITDA to EBITDA to Net Loss				
Net loss	$ (11,885)	$ **(31,297)**	$ (1,029)	$ **(43,545)**
Plus interest expense, net of capitalized interest	3,142	**3,626**	9,925	**10,596**
Plus provision for (benefit from) income taxes	59	**(8,782)**	(1,234)	**(11,619)**
Plus depreciation and amortization	3,034	**3,377**	9,500	**10,291**
Less interest income	(17)	**(14)**	(166)	**(40)**
EBITDA	$ (5,667)	$ **(33,090)**	$ 16,996	$ **(34,317)**
Plus net (gain) loss on the disposition of assets	167	**(456)**	(8,461)	**(334)**
Plus change in the estimated fair value of contingent earn-out consideration	—	**(100)**	(5)	**(102)**
Plus debt modification costs	2	**—**	250	**—**
Plus impairment of indefinite-lived long-term assets other than goodwill	7,725	**35,113**	11,660	**38,376**
Plus impairment of goodwill	—	**733**	127	**2,580**
Plus net miscellaneous (income) and expenses	19	**184**	19	**(27)**
Plus (gain) loss on early retirement of long-term debt	—	**—**	18	**60**
Plus non-cash stock-based compensation	54	**129**	228	**340**
Adjusted EBITDA	$ 2,300	$ **2,513**	$ 20,832	$ **6,576**

RESULTS OF OPERATIONS

The following factors affected our results of operations and cash flows for the three and nine months ended September 30, 2023 as compared to the same period of the prior year:

As a result of changes in macroeconomic conditions and revenue reforecasts, we performed an interim review of goodwill for impairment at September 30, 2023. Based on our review and analysis, we recorded an impairment charge of $0.7 million to goodwill in Townhall.com® and Salem Author Services at September 30, 2023.

We performed an interim review of broadcast license at September 30, 2023. Based on our review and analysis, we determined that the carrying value of broadcast licenses in 19 of our market clusters were impaired as of the interim testing period ending September 30, 2023. We recorded an impairment charge of $35.1 million to the value of broadcast licenses in Boston, Chicago, Cleveland, Colorado Springs, Columbus, Dallas, Detroit, Greenville, Little Rock, Miami, New York, Orlando, Philadelphia, Phoenix, Portland, Sacramento, San Diego, San Francisco, and Tampa. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2023, continued softening in radio market advertising revenue, a reduction in the future industry growth rates based on current economic indicators and rising interest rates that increase the WACC.

As a result of declining revenue growth projections forecasted by industry analysts, we performed an interim review of broadcast licenses for impairment at June 30, 2023. Based on our review and analysis, we determined that the carrying value of broadcast licenses in two of our market clusters were impaired as of the interim testing period ending June 30, 2023. We recorded an impairment charge of $1.1 million to the value of broadcast licenses in Portland and San Francisco.

As a result of changes in macroeconomic conditions and revenue reforecasts, we performed an interim review of goodwill for impairment at June 30, 2023. Based on our review and analysis, we recorded an impairment charge of $1.8 million to goodwill in Townhall.com® at June 30, 2023.

Acquisitions and Divestitures

The operating results of our business acquisitions and asset purchases are included in our consolidated results of operations from their respective closing date or the date that we began operating them under an Local Marketing Agreement (“LMA”) or Time Brokerage Agreement (“TBA”). The operating results of business and asset divestitures are excluded from our consolidated results of operations from their respective closing date or the date that a third-party began operating them under an LMA or TBA.

- On July 21, 2023 we sold radio station KNTS-AM in Seattle, Washington for $0.2 million resulting in a pre-tax gain of $0.2 million.
- On July 13, 2023 we sold radio station KLFE-AM in Seattle, Washington for $0.5 million resulting in a pre-tax gain of $0.2 million. Radio station KLFE-AM has been programmed under a TBA since August 1, 2022.
- On May 25, 2023, we sold to a related party the economic interests in the leases at our Greenville, South Carolina radio transmitter site for $3.5 million resulting in a pre-tax gain of $3.3 million.
- On March 24, 2023, we closed on the acquisition of Digital Felt Productions and the digital content library through its www.digitalfelt.com domain and website for $25,000 in cash.
- On February 1, 2023, we closed on the acquisition of the George Gilder Report and other digital newsletters and related website assets. We assumed the deferred subscription liabilities paying no cash at the time of closing. The purchase price is 25% of net revenue generated from sales of most Eagle Financial products during the next year to people who are on George Gilder subscriber lists that are not already on Eagle Financial lists. We recorded goodwill of approximately $1.2 million associated with the expected synergies to be realized upon combining the operations into our digital media platform within Eagle Financial Publications.
- On January 10, 2023, we closed on the acquisition of radio stations WWFE-AM, WRHC-AM and two FM translators in Miami, Florida for $3.0 million in cash.
- On January 6, 2023, we closed on the acquisition of radio station WMYM-AM and an FM translator in Miami, Florida for $3.2 million in cash.
- On June 27, 2022, we sold 9.3 acres of land in the Denver area for $8.2 million resulting in a pre-tax gain of $6.5 million.
- On May 25, 2022, we sold radio stations WFIA-AM, WFIA-FM and WGTK-AM in Louisville, Kentucky for $4.0 million with credits applied from amounts previously paid, including a portion of the monthly fees paid under a TBA. We recorded a pre-tax gain of $0.5 million.
- On May 2, 2022, we closed on the acquisition of websites and related assets of Retirement Media for $0.2 million in cash. We recorded goodwill of approximately $2,400 associated with the expected synergies to be realized upon combining the operations into our digital media platform within Eagle Financial Publications. The accompanying Condensed Consolidated Statement of Operations reflects the operating results of this entity as of the closing date within our digital media segment.

- On February 15, 2022, we closed on the acquisition of radio station WLCC-AM and an FM translator in the Tampa, Florida market for $0.6 million in cash.
- On January 10, 2022, we sold 4.5 acres of land in Phoenix, Arizona for $2.0 million in cash. We recorded a pre-tax gain of $1.8 million on the sale and have access to the land for 90-days to relocate our transmitter equipment for KXXT-AM.

Debt Transactions

- On March 20, 2023, we issued $44.7 million in new 7.125% Senior Secured Notes due 2028 ("2028 Notes") at a discount of $41.9 million resulting in an effective yield of 8.625%. We used a portion of the proceeds of this borrowing to redeem the remaining $36.5 million of 6.75% Senior Secured Notes due 2024 ("2024 Notes"). The redemption of the 2024 Notes closed on March 27, 2023.
- On January 19, 2023 we repurchased $2.5 million of the 2024 Notes at 97.25% of face value recognizing a gain of $39,000 after adjusting for debt issue costs as detailed in Note 10 – Long-Term Debt of our Condensed Consolidated Financial Statements included in Part 1 of this quarterly report on Form 10-Q.
- During the nine months ended September 30, 2022, we repurchased $15.5 million of the 2024 Notes for $15.4 million in cash, recognizing a net loss of $18,000 after adjusting for bond issuance costs as detailed in Note 11 – Long-Term Debt of our Condensed Consolidated Financial Statements included in Part 1 of this quarterly report on Form 10-Q.

Three months ended September 30, 2023 compared to the three months ended September 30, 2022

Net Broadcast Revenue

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Broadcast Revenue	$51,136	**$48,966**	$(2,170)	(4.2)%	76.5%	**77.1%**
Same Station Net Broadcast Revenue	$51,048	**$48,556**	$(2,492)	(4.9)%		

The following table shows the dollar amount and percentage of net broadcast revenue for each broadcast revenue source.

	Three Months Ended September 30,			
	2022		**2023**	
	(Dollars in thousands)			
Block Programming:				
National	$13,599	26.6%	**$13,345**	**27.3%**
Local	6,134	12.0%	**6,374**	**13.0%**
	19,733	38.6%	**19,719**	**40.3%**
Broadcast Advertising:				
National	3,644	7.1%	**2,993**	**6.1%**
Local	10,363	20.3%	**9,675**	**19.8%**
	14,007	27.4%	**12,668**	**25.9%**
Station Digital (local)	9,172	17.9%	**8,760**	**17.9%**
Infomercials	196	0.4%	**155**	**0.3%**
Network	5,721	11.2%	**5,143**	**10.5%**
Other Revenue	2,307	4.5%	**2,521**	**5.1%**
Net Broadcast Revenue	$51,136	100.0%	**$48,966**	**100.0%**

Block programming revenue remained consistent at $19.7 million. National programming from our Christian Teaching and Talk radio stations decreased $0.2 million. Local programming increased $0.2 million, including a $0.1 million increase from our Christian Teaching and Talk format radio stations and $0.1 million increase from our remaining radio station formats which primarily relate to the radio station acquisitions in Miami.

Advertising revenue, net of agency commissions, or net advertising revenue, decreased 9.6%, or $1.3 million, to $12.7 million from $14.0 million, driven by a 17.9% decrease in national spots and a 6.6% decrease in local spots. The decrease reflects the impact of political revenue, which generated $0.1 million of revenue ($0.1 million national) in 2023 compared to $0.7 million ($0.4 million national and $0.3 million local) in 2022, or a decrease of $0.6 million. Excluding the impact of political revenue, net advertising revenue declined 5.7% to $12.6 million from $13.3 million. Revenue from our Contemporary Christian Music format radio stations was $5.9 million compared to $6.5 million in the prior year, a decrease of $0.6 million. Revenue from our Christian Teaching and Talk format radio stations was $1.4 million compared to $1.6 million in the prior year, a decrease of $0.2 million that was offset by an increase of $0.1 million from our remaining radio station formats. We started to experience lower demand in the second half of 2022 as economic concerns resulted in reduced advertising spending.

Broadcast digital revenue, net of agency commissions, or net digital revenue generated from our broadcast markets and networks, decreased 4.5%, or $0.4 million. The decrease includes a $0.4 million decrease due to lower demand for digital marketing services through Salem Surround, a $0.4 million decrease in SalemNOW that received distribution fees from the documentary motion picture that we invested in the prior year, and a $0.1 million decrease in streaming revenue and digital advertising revenue from our station websites that was offset by a $0.2 million increase from Salem Podcast Network, a $0.2 million increase from our network and a $0.1 million increase from Salem News Channel. There were no significant changes in digital rates as compared to the prior year.

Infomercial revenue declined due to a reduction in the number of infomercials aired with no significant changes in rates as compared to the prior year. The placement of infomercials can vary significantly from one period to another due to the number of time slots available and the degree to which the infomercial content is considered to be of interest to our audience.

Network revenue, net of amounts reported as digital, decreased 10.1%, or $0.6 million, including a $0.9 million decrease from our nationally syndicated host programs that was offset by a $0.3 million increase in political advertising.

Other revenue increased 9.3%, or $0.2 million including a $0.4 million increase in event revenue that was offset by a $0.1 million decrease in rental income and a $0.1 million decrease in listener purchase program revenue from lower half price tuition sales and vendor discount sales. Event revenue varies from period to period based on the nature and timing of events, audience demand, and in some cases, the weather, which can affect attendance.

On a Same Station basis, net broadcast revenue decreased 4.9%, or $2.5 million, which reflects these items net of the impact of station acquisitions and dispositions.

Net Digital Media Revenue

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Digital Media Revenue	$10,189	**$9,965**	$ (224)	(2.2)%	15.2%	**15.7%**

The following table shows the dollar amount and percentage of national net digital media revenue, or revenue generated from our websites and digital subscriptions, for each digital media revenue source.

	Three Months Ended September 30,			
	2022		**2023**	
	(Dollars in thousands)			
Digital Advertising, net	$ 4,365	42.8%	**$3,670**	**36.8%**
Digital Streaming	889	8.7	**812**	**8.1**
Digital Subscriptions	3,206	31.5	**3,887**	**39.0**
Digital Downloads	1,624	15.9	**1,477**	**14.8**
Other Revenues	105	1.1	**119**	**1.3**
Net Digital Media Revenue	$10,189	100.0%	**$9,965**	**100%**

Digital advertising revenue net of agency commissions, or national net digital revenue, decreased 15.9%, or $0.7 million, primarily due to a $0.4 million decline from Townhall Media and a $0.4 million decline from Salem Web Network due to industry decline in programmatic revenue demand and the non-renewal of the Bible Gateway representation agreement that was offset by a $0.1 million increase in Eagle Financial Publications. Declines from Townhall Media were driven by changes in Facebook algorithms that limit political content, the growing use of browsers that block third-party cookies limiting advertising, and the overall state of the economy that has weakened demand for advertising resulting in a lower number of advertisements and a reduction in rates.

Digital streaming revenue decreased 8.7%, or $0.1 million, based on decreased demand for content available from our Christian websites. There were no significant changes in rates.

Digital subscription revenue increased 21.2%, or $0.7 million, including a $0.7 million increase from Eagle Financial Publications from new subscriptions generated from the newly acquired George Gilder Report and DayTradeSPY and a $0.1 million increase from Townhall VIP that was offset with a $0.1 million decrease from Salem Web Network. There were no significant changes in rates as compared to the same period of the prior year.

Digital download revenue decreased 9.1%, or $0.1 million, due to a lower volume of downloads from our church product websites with no significant changes in rates as compared to the same period of the prior year.

Other revenue includes revenue sharing arrangements for mobile applications and mail list rentals, which slightly increased in volume with no changes in rates over the same period of the prior year.

Net Publishing Revenue

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Publishing Revenue	$5,537	**$4,566**	$ (971)	(17.5)%	8.3%	**7.2%**

The following table shows the dollar amount and percentage of net publishing revenue for each publishing revenue source.

	Three Months Ended September 30,			
	2022		**2023**	
	(Dollars in thousands)			
Book Sales	$ 4,612	83.3%	**$3,177**	**69.6%**
Estimated Sales Returns & Allowances	(1,355)	(24.5)	**(544)**	**(11.9)**
Net Book Sales	3,257	58.8%	**2,633**	**57.7%**
E-Book Sales	312	5.6	**241**	**5.3**
Self-Publishing Fees	1,810	32.7	**1,566**	**34.3**
Other Revenue	158	2.9	**126**	**2.7**
Net Publishing Revenue	$ 5,537	100.0%	**$4,566**	**100.0%**

Net book sales decreased 19.2%, or $0.6 million, which primarily includes a $0.6 million decrease in Regnery® Publishing, as book sales reflect a 54% decrease in volume that was offset by a 36% increase in the average price per unit sold. Book sales through Regnery® Publishing are directly attributable to the number and popularity of titles released each period and the composite mix of titles available. Revenues vary significantly from period to period based on the book release date and the number and popularity of titles. The decrease of $0.8 million in estimated sales returns and allowances reflects lower number of print books sold through Regnery® Publishing.

Regnery® Publishing e-book sales declined 22.8%, or $0.1 million, due to a 27% decrease in sales volume that was offset by a 7% increase in the average price per unit sold. E-book sales can also vary based on the composite mix of titles released and available in each period. Revenues can vary significantly based on a book release date and the number of titles that achieve placement on bestseller lists, which can increase awareness and demand for the book.

Self-publishing fees decreased 13.5%, or $0.2 million, due to a decrease in the number of authors with no material change in fees charged to authors.

Other revenue includes change fees, video trailers and website revenues and subright revenue for foreign translation and audio books for original published titles from Regnery® Publishing. Subright revenue decreased 20.3%, or $32,000, due to lower demand resulting in lower sales volume. There were no changes in volume or rates.

Broadcast Operating Expenses

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Broadcast Operating Expenses	$41,178	**$42,171**	$ 993	2.4%	61.6%	**66.4%**
Same Station Broadcast Operating Expenses	$40,925	**$41,287**	$ 362	0.9%		

Broadcast operating expenses increased 2.4%, or $1.0 million, including a $0.8 million increase from broadcast entities, a $0.3 million increase from Salem News Channel, and a $0.3 million increase from Salem Surround that was offset by a $0.3 million decrease in SalemNOW and a $0.1 million decrease from Salem Podcast Network. The increase in expenses from Salem Surround, Salem News Channel and Salem Podcast Network are consistent with the growth and investment in these entities to expand digital product offerings and revenue sources in our broadcast division. The increase of $0.8 million from our broadcast entities includes a $0.6 million increase in employee-related expenses which includes $0.4 million of severance expense, a $0.6 million increase in professional services expenses, a $0.5 million increase in facility-related expenses, and a $0.2 million increase in advertising and event expenses, that was offset by a $0.4 million decrease in credit card fees, a $0.4 million decrease in music license fees, a $0.2 million decrease in production and programming expense and a $0.1 million decrease in travel and entertainment.

On a Same-Station basis, broadcast operating expenses increased 0.9%, or $0.4 million. The increase in broadcast operating expenses on a Same Station basis reflects these items net of the impact of start-up costs associated with acquisitions and station dispositions.

Legal Settlement

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Legal Settlement	$3,825	**$—**	$(3,825)	**(100.0)%**	5.7%	—%

On September 26, 2022, we entered into a settlement agreement in connection with a lawsuit. While we deny the allegations made in the lawsuit, we believed that settling the matter was preferable to protracted and costly litigation. We previously estimated that we would resolve the matter for $1.5 million, and that amount was accrued at June 30, 2022. During mediation held on September 26, 2022, the parties reached a settlement whereby we paid $5.3 million in exchange for a release by the Plaintiff of all claims. The settlement amount was paid in December 2022.

Digital Media Operating Expenses

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Digital Media Operating Expenses	$8,333	**$8,496**	$ 163	2.0%	12.5%	**13.4%**

Digital media operating expenses increased 2.0%, or $0.2 million, including a $0.2 million increase in employee-related expenses which includes $0.4 million of severance expense and a $0.1 million increase in software and streaming expenses that was offset by a $0.1 million decrease in advertising and promotional expenses and a $0.1 million decrease in sales-based commissions and bonuses.

Publishing Operating Expenses

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Publishing Operating Expenses	$6,542	**$5,939**	$ (603)	(9.2)%	9.8%	**9.4%**

Publishing operating expenses decreased 9.2%, or $0.6 million, including a $1.0 million decrease in the cost of sales, a $0.2 million decrease in royalties, a $0.1 million decrease in employee-related expenses, and a $0.1 million decrease in advertising and promotional expenses that was offset by a $0.8 million increase in professional services. The decrease in cost of sales includes a $1.0 million reduction from the number of print books sold by Regnery® Publishing. The gross profit margin for Regnery® Publishing improved to 35% from 28% as a result of lower costs including costs incurred with recall and destruction of a book during September 2022. Regnery® Publishing margins vary based on the volume of e-book sales, which have higher margins due to the nature of delivery and no reserve for sales returns and allowances. The gross profit margin for Salem Author Services remained consistent at 79%.

Unallocated Corporate Expenses

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Unallocated Corporate Expenses	$4,840	**$4,514**	$ (326)	(6.7)%	7.2%	**7.1%**

Unallocated corporate expenses include shared services, such as accounting and finance, human resources, legal, tax, and treasury, that are not directly attributable to any one of our operating segments. The decrease of 6.7%, or $0.3 million, includes a $0.3 million decrease in employee-related expenses associated with executive bonuses and a $0.1 million decrease in franchise tax that was offset by a $0.1 million increase in professional services expenses.

Depreciation Expense

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Depreciation Expense	$2,737	**$2,816**	$ 79	2.9%	4.1%	**4.4%**

Depreciation expense increase reflects acquisitions of property and equipment, including capital projects that were delayed due to the pandemic. This was slightly offset by the impact of the prior year capital expenditures for data processing equipment and computer software that had shorter estimated useful lives as compared to towers or other assets and were fully depreciated during the current year. There were no changes in our depreciation methods or in the estimated useful lives of our asset groups.

Table of Contents

Amortization Expense

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Amortization Expense	$297	**$561**	$ 264	88.9%	0.4%	**0.9%**

The increase in amortization expense reflects the acquisition of the George Gilder Report in February 2023 associated with subscriber base lists, domain names and non-compete agreements that have estimated useful lives of three to five years. There were no changes in our amortization methods or the estimated useful lives of our intangible asset groups.

Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill	$7,725	**$35,113**	$27,388	354.5%	11.6%	**55.3%**

We performed an interim review of broadcast license at September 30, 2023. Based on our review and analysis, we determined that the carrying value of broadcast licenses in 19 of our market clusters were impaired as of the interim testing period ending September 30, 2023. We recorded an impairment charge of $35.1 million to the value of broadcast licenses in Boston, Chicago, Cleveland, Colorado Springs, Columbus, Dallas, Detroit, Greenville, Little Rock, Miami, New York, Orlando, Philadelphia, Phoenix, Portland, Sacramento, San Diego, San Francisco, and Tampa. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2023, continued softening in radio market advertising revenue, a reduction in the future industry growth rates based on current economic indicators and rising interest rates that increase the WACC.

We performed an interim review of broadcast licenses for impairment at September 30, 2022. Based on our review and analysis, we determined that the carrying value of broadcast licenses in twelve of our market clusters were impaired as of the interim testing period ending September 30, 2022. We recorded an impairment charge of $7.7 million to the value of broadcast licenses in Boston, Chicago, Columbus, Dallas, Greenville, Honolulu, Little Rock, Orlando, Philadelphia, Portland, Sacramento, and San Francisco. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2022 and a reduction in the future industry growth rates based on current economic indicators.

Impairment of Goodwill

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Goodwill	$—	**$733**	$ 733	— %	— %	**1.2%**

As a result of changes in macroeconomic conditions and revenue reforecasts, we performed an interim review of goodwill for impairment at September 30, 2023. Based on our review and analysis, we recorded an impairment charge of $0.7 million to goodwill in Townhall.com® and Salem Author Services at September 30, 2023.

Net (Gain) Loss on the Disposition of Assets

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net (Gain) Loss on the Disposition of assets	$167	**$(456)**	$ (623)	(373.1)%	0.2%	**(0.7)%**

The net gain on the disposition of assets of $0.5 million for the three-month period ending September 30, 2023, reflects a $0.4 million estimated pre-tax gain on the sale of radio station KNTS-AM and KLFE-FM in Seattle, Washington.

The net loss on the disposition of assets of $0.2 million for the three months ending September 30, 2022, represents various other fixes asset disposals.

Other Income (Expense)

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Interest Income	$ 17	**$ 14**	$ (3)	(17.6)%	— %	— %
Interest Expense	(3,142)	**(3,626)**	(484)	15.4%	(4.7)%	**(5.7)**%
Earnings (loss) from equity method investment	102	**7**	(95)	(93.1)%	0.2	— %
Net Miscellaneous Income and (Expenses)	(19)	**(184)**	(165)	868.4%	— %	**(0.3)**%

Table of Contents

Interest income represents earnings on excess cash, interest due under promissory notes and interest earned from our equity investment in OPA in the same period of the prior year.

Interest expense includes interest due on outstanding debt balances, and non-cash accretion associated with deferred installments and contingent earn-out consideration from certain acquisitions. The increase reflects the higher outstanding balance of the ABL Facility during the three-months ended September 30, 2023.

We recorded $0.1 million of earnings from our equity investment in OPA, an entity formed for the purpose of developing, producing, and distributing a documentary motion picture. The motion picture*, 2000 Mules*, was released in May 2022.

Net miscellaneous income and expenses includes non-operating receipts such as usage fees and other expenses.

Provision for (Benefit from) Income Taxes

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Provision for (Benefit from) Income Taxes	$59	**$(8,782)**	$(8,841)	(14,984.7)%	0.1%	**(13.8)**%

We recognized a tax benefit of $8.8 million for the three months ended September 30, 2023, compared to a tax provision of $0.1 million for the same period of the prior year. The benefit from income taxes as a percentage of income before income taxes, or the effective tax rate, was 21.9% for the three months ended September 30, 2023, compared to (0.5)% for the same period of the prior year. The effective tax rate for each period differs from the federal statutory income rate of 21.0% due to the effect of the state income taxes, certain expenses that are not deductible for tax purposes, and changes in the valuation allowance. The effective tax rate of 21.9% is driven by projected utilization of operating loss carryforwards, along with certain expenses that are nondeductible for income tax purposes relative to pre-tax book income, and tax expense attributable to deductible amortization on indefinite lived assets for fully valued state jurisdictions for state jurisdictions in which a full valuation allowance has been recording against net operating loss carryforward.

Net Loss

	Three Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Loss	$(11,885)	**$(31,297)**	$(19,412)	163.3%	(17.8)%	**(49.3)**%

Our net loss increased $19.4 million to $31.3 million from $11.9 million during the same period of the prior year due to the factors described above.

Nine months ended September 30, 2023 compared to the nine months ended September 30, 2022

Net Broadcast Revenue

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Broadcast Revenue	$152,020	**$146,986**	$(5,034)	(3.3)%	76.7%	**76.3**%
Same Station Net Broadcast Revenue	$151,817	**$146,054**	$(5,763)	(3.8)%		

The following table shows the dollar amount and percentage of net broadcast revenue for each broadcast revenue source.

	Nine Months Ended September 30,			
	2022		**2023**	
	(Dollars in thousands)			
Block Programming:				
National	$ 39,998	26.3%	**$ 40,324**	**27.4%**
Local	18,183	12.0%	**18,291**	**12.4%**
	58,181	38.3%	**58,615**	**39.8%**
Broadcast Advertising:				
National	11,344	7.5%	**8,743**	**5.9%**
Local	31,915	21.0%	**29,229**	**19.9%**
	43,259	28.5%	**37,972**	**25.8%**
Broadcast Digital (local)	27,259	17.9%	**27,886**	**19.0%**
Infomercials	569	0.4%	**492**	**0.3%**
Network	15,961	10.5%	**15,351**	**10.6%**
Other Revenue	6,791	4.4%	**6,670**	**4.5%**
Net Broadcast Revenue	$152,020	100.0%	**$146,986**	**100.0%**

Block programming revenue increased 0.7% to $58.6 million from $58.2 million, due to increases in rates during our 2023 annual renewals and higher demand from the expansion of existing programs and the launch of new programs. National programming from our Christian Teaching and Talk format radio stations increased $0.2 million while our News Talk format radio stations increased $0.1 million. Local programming increased $0.3 million from our remaining radio station formats that was offset by a $0.2 million decreased from our News Talk format radio stations.

Advertising revenue, net of agency commissions, or net advertising revenue, decreased 12.2%, or $5.3 million, to $38.0 million from $43.3 million, driven by a 22.9% decrease in national spots and a 8.4% decrease in local spots. The decrease reflects the impact of political revenue, which generated $0.4 million of revenue ($0.1 million national and $0.3 million local) in 2023 compared to $2.3 million ($1.3 million national and $1.0 million local) in 2022, or a decrease of $1.9 million. Excluding the impact of political revenue, net advertising revenue declined 8.3% to $37.6 million from $41.0 million. Revenue from our Contemporary Christian Music format radio stations was $16.9 million compared to $18.8 million in the prior year, a decrease of $1.9 million. Revenue from our News Talk format radio stations was $11.8 million compared to $12.8 million in the prior year, a decrease of $1.0 million. Revenue from our Christian Teaching and Talk format radio stations was $5.0 million compared to $5.8 million in the prior year, a decrease of $0.8 million that was offset by an increase of $0.3 million from our remaining radio station formats. We experienced a higher demand for advertising during the first half of 2022 as pandemic restrictions eased followed by a decrease in demand during the third quarter as advertising revenue is adversely impacted by advertisers that limit advertising spending as concerns grow over inflation and the state of the economy.

Broadcast digital revenue, net of agency commissions, or net digital revenue generated from our broadcast markets and networks, increased 2.3%, or $0.6 million. The increase includes a $1.2 million increase from Salem Podcast Network, a $0.7 million increase from a higher demand for digital marketing services through Salem Surround, a $0.4 million increase from Salem News Channel and a $0.1 million increase from our network that was offset by a $1.1 million decrease in SalemNOW that received distribution fees from the documentary motion picture that we invested in the prior year and a $0.7 million decrease in streaming revenue and digital advertising revenue from our station websites. There were no significant changes in digital rates as compared to the prior year.

Infomercial revenue declined due to a reduction in the number of infomercials aired with no significant changes in rates as compared to the prior year. The placement of infomercials can vary significantly from one period to another due to the number of time slots available and the degree to which the infomercial content is considered to be of interest to our audience.

Network revenue, net of amounts reported as digital, decreased 3.8%, or $0.6 million, including a $0.7 million decrease from our nationally syndicated host programs that was offset by a $0.1 million increase in political advertising.

Other revenue decreased 1.8%, or $0.1 million including a $0.3 million decrease in tower and rental income, a $0.1 million decrease in listener purchase program revenue from lower half price tuition sales and a $0.1 million decrease in talent services that was offset by a $0.4 million increase in event revenue. Event revenue varies from period to period based on the nature and timing of events, audience demand, and in some cases, the weather, which can affect attendance.

On a Same Station basis, net broadcast revenue decreased 3.8%, or $5.8 million, which reflects these items net of the impact of stations acquisitions and dispositions.

Net Digital Media Revenue

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Digital Media Revenue	$31,293	**$31,335**	$ 42	0.1%	15.8%	**16.3%**

The following table shows the dollar amount and percentage of net digital media revenue for each digital media revenue source.

	Nine Months Ended September 30,			
	2022		**2023**	
	(Dollars in thousands)			
Digital Advertising, net	$13,453	43.0%	**$11,637**	**37.1%**
Digital Streaming	2,687	8.6	**2,505**	**8.0**
Digital Subscriptions	9,549	30.5	**11,760**	**37.5**
Digital Downloads	5,269	16.8	**5,047**	**17.0**
Other Revenues	335	1.1	**386**	**0.4**
Net Digital Media Revenue	$31,293	100.0%	**$31,335**	**100.0%**

Digital advertising revenue net of agency commissions, or national net digital revenue, decreased 13.5%, or $1.8 million, including a $1.5 million decrease from Townhall Media and a $0.4 million decrease from Salem Web Network due to industry decline in programmatic revenue demand and the non-renewal of the Bible Gateway representation agreement that was offset by a $0.1 increase from Eagle Financial Publications. Declines from Townhall Media were driven by changes in Facebook algorithms that limit political content, the growing use of browsers that block third-party cookies limiting advertising, and the overall state of the economy that has weakened demand resulting in lower advertising rates.

Digital streaming revenue decreased 6.8%, or $0.2 million, based on decreased demand for content available from our Christian websites. There were no significant changes in sales volume or rates.

Digital subscription revenue increased 23.2%, or $2.2 million, including a $2.3 million increase from Eagle Financial Publications, from new subscriptions generated from the newly acquired George Gilder Report and DayTradeSPY and a $0.3 million increase from Townhall VIP, that was offset by a $0.4 million decrease from Salem Web Network.

Digital download revenue decreased 4.2%, or $0.2 million, due to a lower volume of downloads from our church product websites with no significant changes in rates as compared to the same period of the prior year.

Other revenue includes revenue sharing arrangements for mobile applications and mail list rentals which increased in volume with no changes in rates over the same period of the prior year.

Net Publishing Revenue

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Publishing Revenue	$14,840	**$14,439**	$ (401)	(2.7)%	7.5%	**7.5%**

The following table shows the dollar amount and percentage of net publishing revenue for each publishing revenue source.

	Nine Months Ended September 30,			
	2022		**2023**	
	(Dollars in thousands)			
Book Sales	$10,816	72.9%	**$ 8,718**	**60.4%**
Estimated Sales Returns & Allowances	(2,799)	(18.9)	**(554)**	**(3.8)**
Net Book Sales	8,017	54.0	**8,164**	**56.6**
E-Book Sales	937	6.3	**737**	**5.1**
Self-Publishing Fees	5,189	35.0	**5,002**	**34.6**
Other Revenue	697	4.7	**536**	**3.7**
Net Publishing Revenue	$14,840	100.0%	**$14,439**	**100.0%**

Net book sales increased 18.3%, or $0.1 million, which includes a $0.1 million increase from Salem Author Services while Regnery® Publishing remained consistent, as book sales reflect a 17% increase in the average price per unit sold offset by a 35% decrease in volume and. Book sales through Regnery® Publishing are directly attributable to the number and popularity of titles released each period and the composite mix of titles available. Revenues vary significantly from period to period based on the book release date and the number and popularity of titles. The decrease of $2.2 million in estimated sales returns and allowances reflects favorable adjustments on expected future returns for several titles based on a review of scanned sales to date. The increase in book sales from Salem Author Services was due to an increase in the number of books sold with no significant changes in sale prices.

Regnery® Publishing e-book sales declined 21.3%, or $0.2 million, due to a 35% decrease in sales volume offset by a 21% increase in the average price per unit sold. E-book sales can also vary based on the composite mix of titles released and available in each period. Revenues can vary significantly based on a book release date and the number of titles that achieve placement on bestseller lists, which can increase awareness and demand for the book.

Self-publishing fees decreased 3.6%, or $0.2 million, due to a decrease in the number of authors with no material change in fees charged to authors.

Other revenue includes change fees, video trailers and website revenues and subright revenue for foreign translation and audio books for original published titles from Regnery® Publishing. Subright revenue decreased 23.1%, or $0.2 million, due to lower demand resulting in lower sales volume. There were no changes in volume or rates.

Broadcast Operating Expenses

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Broadcast Operating Expenses	$120,837	**$128,498**	$ 7,661	6.3%	61.0%	**66.7%**
Same Station Broadcast Operating Expenses	$120,490	**$125,985**	$ 5,495	4.6%		

Broadcast operating expenses increased 6.3%, or $7.7 million, including an $4.7 million increase from broadcast entities, a $1.5 million increase from Salem News Channel, a $1.2 million increase from Salem Surround, and a $0.5 million increase from Salem Podcast Network that was offset by a $0.2 million decrease in SalemNOW. The increase in expenses from Salem Surround, Salem News Channel and Salem Podcast Network is consistent with the growth and investment in these entities to expand digital product offerings and revenue sources in our broadcast division. The increase of $4.7 million from our broadcast entities includes a $3.4 million increase in employee-related expenses, including $0.6 million in severance expense, a $1.2 million increase in facility-related expenses, a $0.9 million increase in bad debt expense, and a $0.5 million in lease expense that was offset by a $0.4 million decrease in credit card fees, a $0.3 million decrease in production and programming expenses, a $0.3 million decrease in music license fees, a $0.1 million decrease in travel and entertainment expense and a $0.1 million decrease in third party marketing expenses.

On a same-station basis, broadcast operating expenses increased 4.6%, or $5.5 million. The increase in broadcast operating expenses on a same station basis reflects these items net of the impact of start-up costs associated with acquisitions and station dispositions.

Legal Settlement

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Legal Settlement	$4,776	**$—**	$(4,776)	(100.0)%	2.4%	— %

On September 26, 2022, we entered into a settlement agreement in connection with a lawsuit. While we deny the allegations made in the lawsuit, we believed that settling the matter was preferable to protracted and costly litigation. We previously estimated that we would resolve the matter for $1.5 million, and that amount accrued at June 30, 2022. During mediation held on September 26, 2022, the parties reached a settlement whereby we paid $5.3 million in exchange for a release by the Plaintiff of all claims. The settlement amount was paid in December 2022.

Digital Media Operating Expenses

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Digital Media Operating Expenses	$25,079	**$26,516**	$ 1,437	5.7%	12.7%	**13.8**%

Digital media operating expenses increased 5.7%, or $1.4 million, including a $0.8 million increase in employee-related expenses which includes $0.5 million of severance expense, a $0.3 million increase in advertising and promotional expenses due to increased e-mail marketing efforts to increase subscriptions, a $0.2 million increase in software and streaming expenses, a $0.2 million increase in professional services expenses, a $0.1 million increase in royalties and $0.1 million increase in bad debt expense, that was offset by a $0.3 million decrease in sales-based commissions and bonuses.

Publishing Operating Expenses

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Publishing Operating Expenses	$16,441	**$17,341**	$ 900	5.5%	8.3%	**9.0**%

Publishing operating expenses increased 5.5%, or $0.9 million, including a $1.1 million increase in professional services and a $0.3 million increase in employee-related expenses that was offset by a $0.6 million decrease in the cost of sales. The decrease in cost of sales includes a $0.8 million decrease from Regnery® Publishing offset by a $0.2 million increase in Salem Author Services. The gross profit margin for Regnery® Publishing declined to 25% from 35% as sales volume decreased. Regnery® Publishing margins vary based on the volume of e-book sales, which have higher margins due to the nature of delivery and no reserve for sales returns and allowances. The gross profit margin for Salem Author Services declined to 77% from 79% due to higher print costs.

Unallocated Corporate Expenses

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Unallocated Corporate Expenses	$14,431	**$14,165**	$ (266)	(1.8)%	7.3%	**7.3**%

Unallocated corporate expenses include shared services, such as accounting and finance, human resources, legal, tax, and treasury, which are not directly attributable to any one of our operating segments. The decrease of 1.8%, or $0.3 million, includes a $0.3 million decrease in franchise tax, a $0.2 million decrease in employee-related expenses and a $0.1 million decrease in travel and entertainment, that was offset by a $0.3 million increase in professional services expenses primarily associated with legal fees and public reporting expenses and a $0.1 million increase in acquisition-related expenses.

Debt Modification Costs

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Debt Modification Costs	$250	$—	$ (250)	(100.0)%	0.1%	— %

We recorded additional debt modification costs of $0.2 million during the first half of 2022 associated with the refinance of $112.8 million of the 2024 Notes for $114.7 million of the 2028 Notes.

Depreciation Expense

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Depreciation Expense	$8,537	**$8,540**	$ 3	— %	4.3%	**4.4**%

Depreciation expense reflects the impact of prior year capital expenditures for data processing equipment and computer software that had shorter estimated useful lives as compared to towers or other assets and were fully depreciated during the current year. There were no changes in our depreciation methods or in the estimated useful lives of our asset groups.

Amortization Expense

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Amortization Expense	$963	**$1,751**	$ 788	81.8%	0.5%	**0.9**%

The increase in amortization expense reflects the acquisition of the George Gilder Report in February 2023 associated with subscriber base lists, domain names and non-compete agreements that have estimated useful lives of three to five years. There were no changes in our amortization methods or the estimated useful lives of our intangible asset groups.

Change in the Estimated Fair Value of Contingent Earn-Out Consideration

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Change in the Estimated Fair Value of Contingent Earn-Out Consideration	$ (5)	**$(102)**	$ (97)	1,940.0%	**— %**	**(0.1)**%

Acquisitions may include contingent earn-out consideration as part of the purchase price under which we will make future payments to the seller upon the achievement of certain benchmarks. We review the probabilities of possible future payments to estimate the fair value of any contingent earn-out consideration on a quarterly basis over the earn-out period. Actual results are compared to the estimates and probabilities of achievement used in our forecasts. Should actual results of the acquired business increase or decrease as compared to our estimates and assumptions, the estimated fair value of the contingent earn-out consideration liability will increase or decrease, up to the contracted limit, as applicable.

Changes in the estimated fair value of the contingent earn-out consideration are reflected in our results of operations in the period in which they are identified. Changes in the estimated fair value of the contingent earn-out consideration may materially impact and cause volatility in our operating results.

Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill

	Nine Months Ended September 30,					
	2022	**2023**	**Change $**	**Change%**	**2022**	**2023**
	(Dollars in thousands)				**% of Total Net Revenue**	
Impairment of Indefinite-Lived Long-Term Assets Other Than Goodwill	$11,660	**$38,376**	$26,716	229.1%	5.9%	**19.9%**

We performed an interim review of broadcast license at September 30, 2023. Based on our review and analysis, we determined that the carrying value of broadcast licenses in 19 of our market clusters were impaired as of the interim testing period ending September 30, 2023. We recorded an impairment charge of $35.1 million to the value of broadcast licenses in Boston, Chicago, Cleveland, Colorado Springs, Columbus, Dallas, Detroit, Greenville, Little Rock, Miami, New York, Orlando, Philadelphia, Phoenix, Portland, Sacramento, San Diego, San Francisco, and Tampa. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2023, continued softening in radio market advertising revenue, a reduction in the future industry growth rates based on current economic indicators and rising interest rates that increase the WACC.

We also performed an interim review of broadcast license at June 30, 2023. Based on our review and analysis, we determined that the carrying value of broadcast licenses in two of our market clusters were impaired as of the interim testing period ending June 30, 2023. We recorded an impairment charge of $1.1 million to the value of broadcast licenses in Portland and San Francisco. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2023 and a reduction in the future industry growth rates based on current economic indicators.

We engaged Bond & Pecaro, an independent third-party appraisal and valuation firm, to assist us in determining the asset values associated with the acquisition of radio station WMYM-AM in Miami, Florida, which was determined to be less than the purchase price. Based on our review and analysis, we recorded an impairment charge of $2.1 million during the three months ended March 31, 2023.

As a result of declining revenue growth projections forecasted by industry analysts, we performed an interim review of broadcast licenses for impairment at September 30, 2022. Based on our review and analysis, we determined that the carrying value of broadcast licenses in twelve of our market clusters were impaired as of the interim testing period ending September 30, 2022. We recorded an impairment charge of $7.7 million to the value of broadcast licenses in Boston, Chicago, Columbus, Dallas, Greenville, Honolulu, Little Rock, Orlando, Philadelphia, Portland, Sacramento, and San Francisco. The impairment charge was driven by a decline in projected revenues for the broadcast industry impacting the remainder of 2022 and a reduction in the future industry growth rates based on current economic indicators.

We also performed an interim review of broadcast licenses for impairment at June 30, 2022. Based on our review and analysis, we determined that the carrying value of broadcast licenses in seven of our market clusters were impaired as of the interim testing period ending June 30, 2022. We recorded an impairment charge of $3.9 million to the value of broadcast licenses in Columbus, Dallas, Greenville, Honolulu, Orlando, Portland, and Sacramento. The impairment charges were driven by increases in the WACC that were partially offset with revenue growth rates that improved over year-end forecasts.

Impairment of Goodwill

	Nine Months Ended September 30,					
	2022	2023	Change $	Change %	2022	2023
	(Dollars in thousands)				% of Total Net Revenue	
Impairment of Goodwill	$127	**$2,580**	$ 2,453	1,931.5%	0.1%	**1.3**%

As a result of changes in macroeconomic conditions and revenue reforecasts, we performed an interim review of goodwill for impairment at September 30, 2023. Based on our review and analysis, we recorded an impairment charge of $0.7 million to goodwill in Townhall.com® and Salem Author Services at September 30, 2023.

We also performed an interim review of goodwill for impairment at June 30, 2023. Based on our review and analysis, we recorded an impairment charge of $1.8 million to goodwill in Townhall.com® at June 30, 2023.

As a result of changes in macroeconomic conditions and rising interest rates that increase the WACC, we performed an interim review of goodwill for impairment at June 30, 2022. Based on our review and analysis, we recorded an impairment charge of $0.1 million to goodwill in one of our broadcast markets at June 30, 2022.

Net (Gain) Loss on the Disposition of Assets

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net (Gain) Loss on the Disposition of assets	$(8,461)	$**(334)**	$ 8,127	(96.1)%	(4.3)%	**(0.2)**%

The net gain on the disposition of assets of $0.3 million for the nine-month period ending September 30, 2023, reflects a $3.3 million pre-tax gain on the sale of the economic interests in the leases at our Greenville, South Carolina to a related party and a $0.4 million estimated pre-tax gain on the sale of radio station KNTS-AM and KLFE-FM in Seattle, Washington that was offset by a $3.3 million estimated pre-tax loss on the pending sale of radio station KSAC-FM in Sacramento, California and $0.1 million of net losses from various fixed asset disposals.

The net gain on the disposition of assets of $8.5 million for the nine-month period ending September 30, 2022 reflects a $6.5 million pre-tax gain on the sale of land used in our Denver, Colorado broadcast operations, a $1.8 million pre-gain on the sale of land used in our Phoenix, Arizona broadcast operations, and a $0.5 million pre-tax gain on the sale of our radio stations in Louisville, Kentucky that was offset with $0.3 million of net losses from various fixed asset disposals.

Other Income (Expense)

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Interest Income	$ 166	$ **40**	$ (126)	(75.9)%	0.1%	— %
Interest Expense	(9,925)	**(10,596)**	(671)	6.8%	(5.0)%	**(5.5)**%
Gain (Loss) on Early Retirement of Long-Term Debt	(18)	**(60)**	(42)	233.3%	— %	— %
Earnings (loss) from equity method investment	4,015	**(4)**	(4,019)	(100.1)%	2.0%	— %
Net Miscellaneous Income and (Expenses)	(19)	**27**	46	(242.1)%	— %	— %

Interest income represents earnings on excess cash, interest due under promissory notes, and interest earned from our equity investment in OPA in the same period of the prior year.

Interest expense includes interest due on outstanding debt balances, and non-cash accretion associated with deferred installments and contingent earn-out consideration from certain acquisitions. The increase reflects the higher outstanding balance of the ABL Facility and finance lease obligations outstanding during the nine-months ended September 30, 2023.

The loss on the early retirement of long-term debt for the nine months ended September 30, 2023, reflects the repurchase of the 2024 Notes resulting in a pre-tax loss of $60,000. The loss on the early retirement of long-term debt for the nine months ended September 30, 2022, reflects $15.5 million of repurchases of the Notes at prices below face value resulting in a pre-tax loss of $18,000.

We recorded $4.0 million of earnings from our equity investment in OPA, an entity formed for the purpose of developing, producing, and distributing a documentary motion picture. The motion picture, *2000 Mules*, was released in May 2022.

Net miscellaneous income and expenses includes non-operating receipts such as usage fees and other expenses.

Benefit from Income Taxes

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Benefit from Income Taxes	$(1,234)	$**(11,619)**	$(10,385)	841.6%	(0.6)%	**(6.0)**%

Tax benefit increased by $10.4 million to $11.6 million for the nine months ended September 30, 2023, from $1.2 million for the same period of the prior year. The benefit from income taxes as a percentage of income before income taxes, or the effective tax rate, was 21.1% for the nine months ended September 30, 2023, compared to 54.5% for the same period of the prior year. The effective tax rate for each period differs from the federal statutory income rate of 21.0% due to the effect of the state income taxes, certain expenses that are not deductible for tax purposes, and changes in the valuation allowance. The effective tax rate of 21.1% is driven by projected utilization of operating loss carryforwards, along with certain expenses that are nondeductible for income tax purposes relative to pre-tax book income, and tax expense attributable to deductible amortization on indefinite lived assets for fully valued state jurisdictions for state jurisdictions in which a full valuation allowance has been recording against net operating loss carryforward.

At December 31, 2022, we had net operating loss carryforwards for federal income tax purposes of approximately $94.7 million that expire in years 2024 through 2037 and for state income tax purposes of approximately $633.9 million that expire in years 2023 through 2042. During the nine-month period ending September 30, 2023, we utilized/(generated) net operating losses of approximately $3.3 million and ($17.6) million for federal and states respectively, resulting in ending federal net operating loss carryforward of $91.4 million and state net operating loss carryforward of $651.5 million.

Net Loss

	Nine Months Ended September 30,					
	2022	**2023**	Change $	Change %	2022	**2023**
	(Dollars in thousands)				% of Total Net Revenue	
Net Loss	$(1,029)	$**(43,545)**	$(42,516)	4,131.8%	(0.5)%	**(22.6)**%

Our net loss increased $42.5 million to $43.5 million from $1.0 million during the same period of the prior year due to the factors described above.

CRITICAL ACCOUNTING ESTIMATES

Our consolidated financial statements are prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. These estimates require the use of judgment as to future events, and the effect of these events cannot be predicted with certainty. The COVID-19 pandemic created significant uncertainty and disruption in the global economy and financial markets. It is reasonably possible that these uncertainties could materially impact our estimates related to, but not limited to, revenue recognition, broadcast licenses, goodwill, and income taxes. As a result, many of our estimates and assumptions require increased judgment and carry a higher degree of variability and volatility.

Our estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in our condensed consolidated financial statements. We evaluate and update our assumptions and estimates on an ongoing basis and we may consult outside experts to assist as considered necessary. There have been no significant and material changes in our critical accounting policies as compared to those disclosed in "Management's Discussion and Analysis of Financial Conditions and Results of Operations – Critical Accounting Policies and Significant Judgments and Estimates" in our most recent Annual Report on Form 10-K, as filed with the SEC on March 10, 2023.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of funds are operating cash flows, borrowings under credit facilities and proceeds from the sale of selected assets or businesses. Historically, we have funded, and will continue to fund, expenditures for operations, administrative expenses, and capital expenditures from these sources. We have historically financed acquisitions through borrowings, including borrowings under credit facilities and, to a lesser extent, from operating cash flow and from proceeds on selected asset and business sales. We expect to fund future acquisitions from cash on hand, borrowings under our credit facilities, operating cash flow and possibly through the sale of income-producing assets or proceeds, such as the pending sales of Salem Church Products, radio station in Tampa, Florida, radio stations in Greenville, South Carolina and radio station in Sacramento, California, from debt and equity offerings. To facilitate such offerings, in December 2022, we filed a shelf registration statement with the SEC covering the offering, issuance and sale of up to $15.0 million of our Class A Common Stock or up to $40.0 million of debt securities with B. Riley Securities, Inc. acting as sales agent.

Operating Cash Flows

Our largest source of operating cash inflows are receipts from customers in exchange for advertising and programming. Other sources of operating cash inflows include receipts from customers for digital downloads and streaming, book sales, subscriptions, self-publishing fees, ticket sales, sponsorships, and vendor promotions. A majority of our operating cash outflows consist of payments to employees, such as salaries and benefits, vendor payments under facility and tower leases, talent agreements, inventory purchases and recurring services such as utilities and music license fees. Our operating cash flows are subject to factors such as fluctuations in preferred advertising media and changes in demand caused by shifts in population, station listenership, demographics, and audience tastes. In addition, our operating cash flows may be affected if our customers are unable to pay, delay payment of amounts owed to us, or if we experience reductions in revenue or increases in costs and expenses.

Net cash used in operating activities during the nine-month period ended September 30, 2023 increased by $11.5 million to $1.5 million net cash used in operating activities compared to $10.0 million of net cash provided by operating activities during the same period of the prior year. The increase in cash used in operating activities includes the impact of the following items:

- Total net revenue decreased by $5.4 million;
- Operating expenses exclusive of depreciation, amortization, changes in the estimated fair value of contingent earn-out consideration, impairments and net gain (loss) on the disposition of assets, increased by $9.6 million;
- Trade accounts receivables, net of allowances, decreased by $1.2 million compared to an increase of $4.8 million for the same period of the prior year;
- Unbilled revenue decreased $0.5 million;
- Our Day’s Sales Outstanding, or the average number of days to collect cash from the date of sale, remained consistent at 53 days at September 30, 2023 compared to the same period of the prior year;
- Net accounts payable and accrued expenses increased $0.9 million to $35.2 million from $34.3 million as of the prior year; and
- Net inventories on hand decreased $0.1 million to $1.4 million at September 30, 2023 compared to a $0.5 million increase to $1.5 million for the same period of the prior year.

Investing Cash Flows

Our primary source of investing cash inflows is proceeds from the sale of assets or businesses. Investing cash outflows include cash payments made to acquire businesses, to acquire property, equipment, and intangible assets, and to make investments that we believe are beneficial to our business.

We undertake projects from time to time to upgrade our radio station technical facilities and/or FCC broadcast licenses, expand our digital and web-based offerings, improve our facilities, and upgrade our computer infrastructures. The nature and timing of these upgrades and expenditures can be delayed or scaled back at the discretion of management. Based on our current plans, we expect to incur capital expenditures of approximately $2.8 million during the remainder of 2023. Additionally, we expect to receive approximately $30.9 million in proceeds from pending asset sales by the end of the year.

While our focus continues to be on deleveraging, we remain committed to the exploration and pursuit of strategic acquisitions and investments. We plan to fund any future investing outflows from cash on hand, borrowings under our credit facilities, operating cash flow and possibly through the sale of income-producing assets or proceeds from debt and equity offerings.

Net cash used in investing activities during the nine-month period ended September 30, 2023 increased $14.6 million to $10.2 million net cash used in investing activities compared to $4.4 million of net cash provided by investing activities during the same period of the prior year. The increase in net cash used in investing activities was the result of:

- Cash paid for capital expenditures decreased $1.7 million to $7.5 million from $9.2 million;
- Cash paid for acquisitions was $5.6 million for the nine months ended September 30, 2023 compared to $0.7 million during the same period of the prior year;
- Cash paid for investments decreased $2.0 million to $1.5 million from $3.5 million;
- Cash received from return of investments was $4.5 million in the prior year; and
- Cash received from the sale of assets decreased to $4.3 million from $14.2 million.

Financing Cash Flows

Financing cash inflows include borrowings under our credit facilities and any proceeds from the exercise of stock options issued under our stock incentive plan. Financing cash outflows include repayments of our credit facilities, the payment of equity distributions and payments of amounts due under deferred installments, and contingency earn-out consideration associated with acquisition activity.

During the nine-month period ended September 30, 2023, the principal balances outstanding under the Notes and ABL Facility ranged from $159.9 million to $212.3 million. These outstanding balances were ordinary and customary based on our operating and investing cash needs during this time.

Net cash provided by financing activities during the nine-month period ended September 30, 2023 increased $27.1 million to $11.7 million net cash provided by financing activities compared to $15.4 million of net cash used in financing activities during the same period of the prior year. The increase in cash provided by financing activities includes:

- A $1.2 million increase in the book overdraft;
- $44.7 million of cash used to redeem the remaining $36.5 million of 6.75% Senior Secured Notes due; and
- Net proceeds drawn on our ABL Facility of $11.6 million during the nine months ended September 30, 2023.

Salem Media Group, Inc. has no independent assets or operations, the subsidiary guarantees relating to certain debt are full and unconditional and joint and several, and any subsidiaries of Salem Media Group, Inc. other than the subsidiary guarantors are minor.

Long-term debt consists of the following:

	December 31, 2022	September 30, 2023
	(Dollars in thousands)	
2028 Notes	$ 114,731	$ **159,416**
Less unamortized discount and debt issuance costs	(3,253)	**(6,805)**
2028 Notes, net carrying value	111,478	**152,611**
2024 Notes	39,035	—
Less unamortized debt issuance costs	(146)	—
2024 Notes, net carrying value	38,889	—
Asset-Based Revolving Credit Facility principal outstanding (1)	8,958	**20,524**
Long-term debt less unamortized discount and debt issuance costs	$ 159,325	$ **173,135**
Less current portion	8,958	**20,524**
Long-term debt less unamortized discount and debt issuance costs, net of current portion	$ 150,367	$ **152,611**

(1) As of September 30, 2023, the Asset-Based Revolving Credit Facility ("ABL"), had a borrowing base of $23.9 million, $20.5 million in outstanding borrowings, and $0.3 million of outstanding letters of credit, resulting in a $3.1 million borrowing base availability.

Our weighted average interest rate was 6.85% and 7.43% at December 31, 2022, and September 30, 2023, respectively.

In addition to the outstanding amounts listed above, we also have interest obligations related to our long-term debt as follows as of September 30, 2023:

- $159.4 million aggregate principal amount of 2028 Notes with semi-annual interest payments at an annual rate of 7.125%;
- $20.5 million outstanding borrowings under the ABL facility, with interest payments due at SOFR plus 4.0% per annum or prime rate plus 3.0% per annum; and
- Commitment fee of 0.25% to 0.375% per annum on the unused portion of the ABL Facility.

2028 Notes

On March 20, 2023, we issued $44.7 million in new 7.125% Senior Secured Notes due in 2028 at a discount of $41.9 million resulting in an effective yield of 8.625%. We used a portion of the proceeds of this borrowing to redeem the remaining $36.5 million of 6.75% Senior Secured Notes due. The redemption of the 2024 Notes closed on March 27, 2023.

The 2028 Notes are guaranteed on a senior secured basis. We may redeem the 2028 Notes, in whole or in part, at any time prior to June 1, 2024, at a price equal to 100% of the principal amount of the 2028 Notes plus a “make-whole” premium and accrued and unpaid interest, if any, up to, but not including, the redemption date. At any time on or after June 1, 2024, we may redeem some or all of the 2028 Notes at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth in the 2028 Notes indenture, plus accrued and unpaid interest, if any, up to, but not including the redemption date. In addition, we may redeem up to 35% of the aggregate principal amount of the 2028 Notes before June 1, 2024, with the net cash proceeds from certain equity offerings at a redemption price of 107.125% of the principal amount plus accrued and unpaid interest, if any, up to, but not including the redemption date. We may also redeem up to 10% of the aggregate original principal amount of the 2028 Notes per twelve-month period, in connection with up to two redemptions in such twelve-month period, at a redemption price of 101% of the principal amount plus accrued and unpaid interest up to, but not including, the redemption date.

The 2028 Notes mature on June 1, 2028, unless earlier redeemed or repurchased. Interest accrues on the 2028 Notes from September 10, 2021, and is payable semi-annually, in cash in arrears, on June 1 and December 1 of each year, commencing December 1, 2021. Based on the balance of the 2028 Notes outstanding at September 30, 2023, we are required to pay $11.4 million per year in interest. As of September 30, 2023, accrued and unpaid interest on the 2028 Notes was $3.9 million.

The indenture to the 2028 Notes contains covenants that, among other things and subject in each case to certain specified exceptions, limit the ability to: (i) incur additional debt; (ii) declare or pay dividends, redeem stock or make other distributions to stockholders; (iii) make investments; (iv) create liens or use assets as security in other transactions; (v) merge or consolidate, or sell, transfer, lease or dispose of substantially all assets; (vi) engage in transactions with affiliates; and (vii) sell or transfer assets. At September 30, 2023, we were, and we remain, in compliance with all of the covenants under the indenture.

We recorded debt issuance costs of $9.3 million, of which $0.2 million of third-party debt modification costs were expensed during the three months ended March 31, 2022. During the three and nine months ended September 30, 2023, $0.4 million and $1.2 million, respectively, of debt issuance costs and delayed draw fees associated with the Notes were amortized to interest expense. During the three and nine months ended September 30, 2022, $0.2 million and $0.5 million, respectively, of debt issuance costs and delayed draw fees associated with the Notes were amortized to interest expense.

2024 Notes

On May 19, 2017, we issued 6.75% Senior Secured Notes (“2024 Notes”) in a private placement. The 2024 Notes were guaranteed on a senior secured basis by our existing subsidiaries (“Subsidiary Guarantors”). The 2024 Notes accrued interest at a rate of 6.75% per year and were maturing on June 1, 2024, unless they were earlier redeemed or repurchased. Interest was payable semi-annually, in cash in arrears, on June 1 and December 1 of each year.

The 2024 Notes are secured by a first-priority lien on substantially all assets of ours and the Subsidiary Guarantors other than the ABL Facility Priority Collateral as described below. There is no direct lien on our FCC licenses to the extent prohibited by law or regulation other than the economic value and proceeds thereof.

We recorded debt issuance costs of $6.3 million as a reduction of the debt proceeds being amortized to non-cash interest expense over the life of the Notes using the effective interest method. During the three and nine months ended September 30, 2023, $0 and $20,000, respectively, of debt issuance costs associated with the Notes was amortized to interest expense. During the three and nine months ended September 30, 2022, $35,000 and $0.1 million, respectively, of debt issuance costs associated with the Notes was amortized to interest expense.

On March 27, 2023, we redeemed the remaining $36.5 million of 2024 Notes and paid $0.8 million in accrued but unpaid interest through the redemption date.

Based on the then existing market conditions, we completed repurchases of our 2024 Notes as follows:

Date	Principal Repurchased	Cash Paid	% of Face Value	Bond Issue Costs	Net Gain (Loss)
			(Dollars in thousands)		
January 19, 2023	$ 2,500	$ 2,431	98.95%	$ 30	$ 39
December 19, 2022	4,650	4,557	98.00%	57	36
December 14, 2022	1,000	965	96.50%	5	30
June 13, 2022	5,000	4,947	98.95%	35	18
June 10, 2022	3,000	2,970	99.00%	21	9
June 7, 2022	2,464	2,446	99.25%	17	1
May 17, 2022	2,525	2,500	99.00%	18	7
January 12, 2022	2,500	2,531	101.26%	22	(53)
December 10, 2021	35,000	35,591	101.69%	321	(912)
October 25, 2021	2,000	2,020	101.00%	19	(39)
October 12, 2021	250	251	100.38%	2	(3)
October 5, 2021	763	766	100.38%	7	(10)
October 4, 2021	628	629	100.13%	6	(7)

September 24, 2021	4,700	4,712	100.25%	44	(56)
January 30, 2020	2,250	2,194	97.50%	34	22
January 27, 2020	1,245	1,198	96.25%	20	27
December 27, 2019	3,090	2,874	93.00%	48	167
November 27, 2019	5,183	4,548	87.75%	82	553
November 15, 2019	3,791	3,206	84.58%	61	524
March 28, 2019	2,000	1,830	91.50%	37	134
March 28, 2019	2,300	2,125	92.38%	42	133
February 20, 2019	125	114	91.25%	2	9
February 19, 2019	350	319	91.25%	7	24
February 12, 2019	1,325	1,209	91.25%	25	91
January 10, 2019	570	526	92.25%	9	35
December 21, 2018	2,000	1,835	91.75%	38	127
December 21, 2018	1,850	1,702	92.00%	35	113
December 21, 2018	1,080	999	92.50%	21	60
November 17, 2018	1,500	1,357	90.50%	29	114
May 4, 2018	4,000	3,770	94.25%	86	144
April 10, 2018	4,000	3,850	96.25%	87	63
April 9, 2018	2,000	1,930	96.50%	43	27
	$105,639	$102,902		$1,310	$1,427

Asset-Based Revolving Credit Facility

On May 19, 2017, we entered into the ABL Facility pursuant to a Credit Agreement ("Credit Agreement") by and among us and our subsidiaries, parties thereto as borrowers, Wells Fargo Bank, National Association, as administrative agent and lead arranger, and the lenders that are parties thereto. We used the proceeds of the ABL Facility, together with the net proceeds from the Notes offering, to repay outstanding borrowings under our previously existing senior credit facilities and related fees and expenses. Current proceeds from the ABL Facility are used to provide ongoing working capital and for other general corporate purposes, including permitted acquisitions.

The ABL Facility is a $30.0 million revolving credit facility due March 1, 2024, which includes a $5.0 million subfacility for standby letters of credit and a $7.5 million subfacility for swingline loans. All borrowings under the ABL Facility accrue interest at a rate equal to a base rate or LIBOR plus a spread. The spread, which is based on an availability-based measure, ranges from 0.50% to 1.00% for base rate borrowings and 1.50% to 2.00% for LIBOR borrowings. If an event of default occurs, the interest rate may increase by 2.00% per annum. Amounts outstanding under the ABL Facility may be paid and then reborrowed at our discretion without penalty or premium. Additionally, we pay a commitment fee on the unused balance from 0.25% to 0.375% per year based on the level of borrowings. The April 7, 2020 amendment also allows for an alternative benchmark rate that may include SOFR due to LIBOR being scheduled to be discontinued.

Availability under the ABL Facility is subject to a borrowing base consisting of (a) 90% of the eligible accounts receivable plus (b) a calculated amount based on the value of certain real property. As of September 30, 2023, the amount available under the ABL Facility was $25.1 million of which $20.5 million was outstanding. The ABL Facility has a first-priority lien on our and the Subsidiary Guarantors' accounts receivable, inventory, deposit and securities accounts, certain real estate and related assets, and by a second-priority lien on the notes priority collateral. There is no direct lien on our FCC licenses to the extent prohibited by law or regulation other than the economic value and proceeds thereof.

The Credit Agreement includes a springing fixed charge coverage ratio of 1.0 to 1.0, which is tested during the period commencing on the last day of the fiscal month most recently ended prior to the date on which Availability (as defined in the Credit Agreement) is less than the greater of 15% of the Maximum Revolver Amount (as defined in the Credit Agreement) and $4.5 million and continuing for a period of 60 consecutive days after the first day on which Availability exceeds such threshold amount. The Credit Agreement also includes other negative covenants that are customary for credit facilities of this type, including covenants that, subject to exceptions described in the Credit Agreement, restrict or limit our ability and the ability of our subsidiaries to (i) incur additional indebtedness; (ii) make investments; (iii) make distributions, loans or transfers of assets; (iv) enter into, create, incur, assume or suffer to exist any liens, (v) sell assets; (vi) enter into transactions with affiliates; (vii) merge or consolidate with, or dispose of all assets to a third party, except as permitted thereby; (viii) prepay indebtedness (which does not include bond repurchases); and (ix) pay dividends.

The Credit Agreement provides for the following events of default: (i) non-payment of any principal or letter of credit reimbursement when due or any interest, fees, or other amounts within five days of the due date; (ii) the failure by any borrower or any subsidiary to comply with any covenant or agreement contained in the Credit Agreement or any other loan document, in certain cases subject to applicable notice and lapse of time; (iii) any representation or warranty made pursuant to the Credit Agreement or any other loan document is incorrect in any material respect when made; (iv) certain defaults of other indebtedness of any borrower or any subsidiary of indebtedness of at least $10 million; (v) certain events of bankruptcy or insolvency with respect to any borrower or any subsidiary; (vi) certain judgments for the payment of money of $10 million or more; (vii) a change of control; and (viii) certain defaults relating to the loss of FCC licenses, cessation of broadcasting and termination of material station contracts. If an event of default occurs and is continuing, the administrative agent and the Lenders may accelerate the amounts outstanding under the ABL Facility and may exercise remedies in respect of the collateral.

Because the availability was less than $4.5 million during the quarter, we were required to test against the fixed charge coverage ratio covenant. The fixed charge coverage ratio was below the required 1.0 to 1.0 level during the quarter and therefore, we were not in compliance with that covenant. During the quarter, we signed multiple monthly forbearance agreements for which the recent forbearance agreement was dated November 2, 2023, whereby the bank agreed not to exercise remedies on the default. Additionally, the notional amount of the revolver was reduced from $30.0 million to $25.0 million with a minimum availability of $1.0 million. Finally, the interest rate on the ABL Facility was increased to Secured Overnight Financing Rate ("SOFR") plus 4% or base rate plus 3.0% effective July 1, 2023.

We recorded debt issue costs of $1.1 million as an asset being amortized to non-cash interest expense over the term of the ABL Facility using the effective interest method. During the three and nine months ended September 30, 2023, $54,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL Facility was amortized to interest expense. During the three and nine months ended September 30, 2022, $25,000 and $0.1 million, respectively, of debt issuance costs associated with the ABL Facility was amortized to interest expense. At September 30, 2023, the blended interest rate on amounts outstanding under the ABL Facility was 9.83%.

We report outstanding balances on the ABL Facility as short-term regardless of the maturity date based on use of the ABL Facility to fund ordinary and customary operating cash needs with frequent repayments. We believe that our borrowing capacity under the ABL Facility allows us to meet our ongoing operating requirements, fund capital expenditures and satisfy our debt service requirements for at least the next twelve months.

Maturities of Long-Term Debt

Principal repayment requirements under all long-term debt agreements outstanding at September 30, 2023 for each of the next five years and thereafter are as follows:

For the Year Ended September 30,	Amount (Dollars in thousands)
2024	$ 20,524
2025	—
2026	—
2027	—
2028	159,416
Thereafter	—
	$ 179,940

Impairment Losses on Goodwill and Indefinite-Lived Intangible Assets

We have incurred significant impairment losses with regards to our indefinite-lived intangible assets. We believe that the impairments are indicative of trends in the industry as a whole and are not unique to our company or operations. While impairment charges are non-cash in nature and do not violate the covenants on our debt agreements, the potential for future impairment charges can be viewed as a negative factor with regard to forecasted future performance and cash flows.

The valuation of intangible assets is subjective and based on estimates rather than precise calculations. The fair value measurements of our indefinite-lived intangible assets use significant unobservable inputs that reflect our own assumptions about the estimates that market participants would use in measuring fair value including assumptions about risk. If actual future results are less favorable than the assumptions and estimates we used, we are subject to future impairment charges, the amount of which may be material. Given the current economic environment and uncertainties that can negatively impact our business, there can be no assurance that our estimates and assumptions made for the purpose of our indefinite-lived intangible fair value estimates will prove to be accurate.

OFF-BALANCE SHEET ARRANGEMENTS

Standby Letter of Credit

As of September 30, 2023, we have an outstanding standby letter of credit of $0.3 million. The standby letter of credit is deducted against our unused revolving loan commitment under our ABL and reduces the amount available for withdrawal.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. Our management, including our principal executive and financial officers, have conducted an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures,” as such term is defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act, to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive and financial officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We and our subsidiaries, incident to our business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance. We maintain insurance that may provide coverage for such matters. Consequently, we are unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters. We believe, at this time, that the final resolution of these matters, individually and in the aggregate, will not have a material adverse effect upon our annual consolidated financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS.

Not required for smaller reporting companies.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULT UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

See “Exhibit Index” below.

Table of Contents

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Form	File No.	Date of First Filing	Exhibit Number	Filed Herewith
10.1	Asset Purchase Agreement dated September 29, 2023 to sell Salem Church Products.	—	—	—	—	X
31.1	Certification of David P. Santrella Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.	—	—	—	—	X
31.2	Certification of Evan D. Masyr Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.	—	—	—	—	X
32.1	Certification of David P. Santrella Pursuant to 18 U.S.C. Section 1350.	—	—	—	—	X
32.2	Certification of Evan D. Masyr Pursuant to 18 U.S.C. Section 1350.	—	—	—	—	X
101	The following financial information from the Quarterly Report on Form 10Q for the three and nine months ended September 30, 2023, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Condensed Consolidated Balance Sheets (ii) Condensed Consolidated Statements of Operations (iii) the Condensed Consolidated Statements of Cash Flows (iv) the Notes to the Condensed Consolidated Financial Statements.	—	—	—	—	X
104	The cover page of this Quarterly Report on Form 10-Q, formatted in inline XBRL	—	—	—	—	X

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Salem Media Group, Inc. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SALEM MEDIA GROUP, INC.

November 13, 2023

By: /s/ DAVID P. SANTRELLA
David P. Santrella
Chief Executive Officer
(Principal Executive Officer)

November 13, 2023

By: /s/ EVAN D. MASYR
Evan D. Masyr
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.1

Execution Version

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement ("**Agreement**") is made as of this 29th day of September, 2023 by and between Salem Web Network, LLC, a Delaware limited liability company ("**Seller**"), Gloo Acquisition Corp I, LLC, a Delaware limited liability company ("**Buyer**"), and, solely with respect to Section 8.2 and Section 11.16, Salem Media Group, Inc. ("**Parent**"), and solely with respect to Section 11.17, Gloo Holdings, LLC ("**Gloo**").

RECITALS:

WHEREAS, Seller operates the Business; and

WHEREAS, Seller desires to transfer to Buyer, and Buyer desires to acquire from Seller, substantially all of the assets of the Business including, without limitation, certain assets and Intellectual Property relating to the Business.

NOW THEREFORE, in exchange for good and valuable consideration, including the mutual covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer hereby agree as follows:

ARTICLE I

PURCHASE AND SALE

1.1 **Sale Assets**. On the "**Closing Date**" (as that term is defined in Section 2.1 herein), Seller shall sell, transfer, assign, convey and deliver to Buyer, and Buyer will purchase or acquire from Seller, free and clear of all "**Liens**" (as that term is defined in Section 3.3(a) herein), except for Permitted Liens, all right, title and interest, legal and equitable, in and to all properties, assets and rights used, useful or otherwise relating to the ownership, development and operation of the Business, other than the "**Excluded Assets**", (as defined in Section 1.2) (collectively, the "**Sale Assets**") as follows:

(a) **Tangible Personal Property**. All office equipment, computers, monitors, servers, modems, desk, chairs, software, parts, supplies, furniture, furnishings, tools, fixtures, leasehold improvements, inventory, and other tangible personal property used in the conduct of the Business including but not limited to the items set forth on Schedule 3.6 (collectively, "**Tangible Personal Property**");

(b) **Licenses and Permits**. All rights associated with the "**Licenses**" (as that term is defined in Section 3.17) necessary to operate the Business as it is currently operated except for the Excluded Licenses;

(c) **Contracts**. All rights and interests of Seller in, to, or under those agreements, leases, contracts, orders and other commitments set forth on Schedule 1.1(c), which Schedule shall be updated by Buyer promptly following its receipt of the Updated Contracts Schedule from Seller pursuant to Section 3.7(a) (all such agreements, leases, contracts, orders and other commitments being hereinafter referred to collectively as the "**Assumed Contracts**");

(d) **Internet Domains, Social Media Accounts**. All websites, Internet domains, social media accounts, and their related Uniform Resource Locators ("**URLs**") used in the operation of the Business ("**Websites**", "**Domain Names**" and "**Social Media Accounts**", respectively) listed on Schedule 1.1(d);

(e) **Content and Software**. All content on the Websites (including all rights and interests of Seller to content created by third parties which is not owned by Seller), including e-mail addresses of registered users, technology, and any master media files in Seller's possession, as well as all functionality of the Websites, including content management systems, and software codes and enhancements, other than the Shared Code (defined in Section 8.9);

(f) **Intellectual Property**. All Business Intellectual Property (as that term is defined herein);

(g) **Records**. The originals (where available) or true and complete copies (if originals are not available) of all of the email subscriber/customer records, customer lists, customer contact information, registered user lists, databases, access codes, books, records, files, videos, logs and ledgers pertaining to the Sale Assets or used in the operation of the Business as set forth on Schedule 1.1(g) (collectively, "**Records**"); provided, that Seller may keep a copy of the Records for its internal recordkeeping and other legal and accounting purposes;

(h) **Purchase Orders and Marketing Materials**. All purchase orders, forms, labels, stationery, materials, catalogs, brochures, art work, photographs and advertising materials held by Seller (collectively, the "**Purchase Orders and Marketing Materials**");

(i) **Real Property Leases**. Seller's leasehold interest in the real property used in operating the Business located at 111 Virginia Street, Fourth Floor, Richmond, Virginia 23219 (the "**Leased Property**");

(j) **Work in Progress**. All work in progress, backlog, and books of business of the Business;

(k) **Goodwill**. All goodwill of the Business; and

(l) **Miscellaneous Assets**. Any other tangible or intangible assets, properties or rights of any kind or nature not otherwise described above in this Section 1.1 and relating to the Business as set forth, if any, on Schedule 1.1(l).

1.2 **Excluded Assets**. Notwithstanding any provision of this Agreement to the contrary, there shall be excluded from the Sale Assets the following assets in existence on the Closing Date (the "**Excluded Assets**"):

(a) **Cash**. Any and all cash, cash equivalents, cash deposits to secure contract obligations, bank deposits and securities held by Seller at the Closing Date; provided that any such cash that is for services or obligations of the Business after the Closing Date (to the extent Seller receives a credit therefor) other than the Fulfillment Liability shall be included as part of the Sale Assets;

(b) **Personal Items**. All personal items owned by employees or independent contractors of Seller and located at Seller's place of business (the "**Personal Items**");

(c) **Certain Records**. Any books and records related to Seller's corporate organization and any records of Seller not related to the Business or that Seller is required to retain by law; provided, however, with respect to any such records that Seller is reasonably required: (i) to retain by law; or (ii) to disclose for financial reporting purposes and, in each case, that constitute Records, Buyer shall be entitled to complete and correct copies thereof;

(d) **Fiduciary Assets**. Any assets of Seller relating to any employee benefit plan, arrangement, policy or commitment (including any employee benefit plan within the meaning ascribed to such term in ERISA including, without limitation, any employment, consulting or deferred compensation agreement, executive compensation, bonus, incentive, pension, profit sharing, savings, retirement, stock option, stock purchase or severance pay plan, any life, health, disability, accident or insurance plan or any holiday, vacation or other employee practice, policy or benefit);

(e) **Unassumed Contracts**. All rights and interests of Seller in, to or under any Contract other than the Assumed Contracts;

(f) **Real Property**. The real property of Seller used by Seller located at 111 Virginia Street, Second Floor, Richmond, VA 23219;

(g) **Accounts Receivable.** The Seller Accounts Receivable (as that term is defined in Section 8.4 herein);

(h) **Other Excluded Assets**. Any tangible or intangible asset listed on Schedule 1.2(h) hereof;

(i) **Insurance and Indemnity Policies**. All rights and interests of Seller under any policy or agreement of insurance or indemnity to the extent and only to the extent such rights and interests relate to losses, damages, claims, liabilities, debts, obligations or expenses arising out of or relating to the ownership of the Sale Assets or operation of the Business prior to the Closing Date and such losses, damages, claims, liabilities, debts, obligations or expenses are not Assumed Liabilities;

(j) **Equity Interests**. All outstanding shares in, and other equity and member interests in, Seller or its Affiliates;

(k) **Corporate Records**. All minute books, stock (and similar) ledgers and corporate seals of Seller;

(l) **Transaction Rights**. All rights of Seller under this Agreement and the other Transaction Documents (as defined in Section 3.2);

(m) **Tax Refunds**. Any tax refunds, credits, receivables or rights to payment attributable to tax assessments or payments, including any such refunds, credit, receivables or rights to payment arising out of challenges to any tax assessments or payments, and all rights and causes of action related to such prior assessments as they relate to Seller or the Business prior to the Closing Date;

(n) **Salem Names**. The name "Salem Church Products", and any other name used by the Business that includes the name "Salem" (collectively, the "**Salem Names**"), and all domain names which include the name "Salem"; provided that, as contemplated by Section 8.10, Buyer and its Affiliates shall have a reasonable period of time following the Closing to discontinue the Business's use of the Salem Names and the use of the Salem Names in the same manner as currently used by the Business by such persons during such period shall not be deemed a violation of any right(s) of Seller or any of its Affiliates with respect to such Salem Names; and

(o) **Corporate Assets**. All assets, both tangible and intangible, real, personal, or mixed, of Seller or its Affiliates relating to the other businesses of Seller or its Affiliates, including, without limitation, Business Intellectual Property and the Shared Code, computers and other similar assets and any other operating systems, software, and related assets, that, in each case are used in other business (other than the Business) or other business units of Seller and its Affiliates. Notwithstanding the foregoing, the Shared Customer Information is not an Excluded Asset.

1.3 **Assumption of Liabilities; Excluded Liabilities**.

(a) **Assumed Liabilities**. Buyer shall, on and as of the Closing Date, accept and assume, and shall become and be fully liable and responsible for, and except as expressly set forth herein, Seller shall have no further liability or responsibility for or with respect to, only the following: (i) liabilities and obligations arising out of or related to events occurring after the Closing to the extent such liabilities and obligations arise out of or relate to Buyer's ownership of the Sale Assets or Buyer's operation of the Business after the Closing (except to the extent arising out of or in connection with a breach by Seller of any of its representations and warranties set forth in this Agreement); and (ii) obligations and liabilities of Seller which are to be performed after the Closing and which arise under or relate to the Assumed Contracts (other than (I) as a result of any act or omission occurring, or state of facts existing, with respect to any such agreements (except the fact of Seller's entry into such agreements) prior to Closing) and (II) those obligations and liabilities which are not materially related to the Business even if they arise under or relate to the Contracts (collectively, the "**Assumed Liabilities**"). The Assumed Liabilities include the liability to fulfill contracts for all job listings and subscriptions to products and services on the Websites sold by Seller prior to the Closing Date, all of which liabilities are set forth on Schedule 1.3(a) (such liabilities, the "**Fulfillment Liability**"), including the liability to pay refunds to any subscribers who cancel (for whatever reason) their subscriptions to any of the Website's products and services sold by Seller.

(b) **Excluded Liabilities**. Except for the Assumed Liabilities, Buyer shall not assume, pay, or be liable for, any debt, liability, commitment or obligation of Seller of any kind or nature at any time existing or asserted, whether known, unknown, fixed, contingent or otherwise, not specifically assumed by Buyer under Section 1.3(a), including, without limitation: (i) any liability or obligation relating to, resulting from or arising out of any of Seller's properties, assets and rights not listed or referenced in Section 1.1; (ii) any liabilities or obligations of Seller or the Business arising out of any act or omission occurring, or state of facts existing, prior to the Closing; (iii) any liabilities or obligations of Seller arising out of any act or omission occurring after the Closing; and (iv) Excluded Taxes. The liabilities which are not assumed by Buyer under this Agreement are hereinafter referred to as the "**Excluded Liabilities**."

1.4 **Earnest Money**.

(a) Buyer has deposited as earnest money (the "**Earnest Money**") the amount of Five Hundred Thousand Dollars ($500,000.00) with FirstBank Escrow Services, LLC (the "**Escrow Agent**"), who shall hold the same pursuant to the terms of that certain Escrow Agreement, entered into August 30, 2023, by Seller, Gloo and the Escrow Agent, in trust for the benefit of the parties hereto.

(b) If this Agreement is properly terminated by Seller pursuant to Section 10.1(a)(ii)(A)(I) or Section 10.1(a)(ii)(B)(I), the Earnest Money shall be disbursed to Seller. If this Agreement is otherwise terminated pursuant to its terms, the Earnest Money shall be disbursed to Buyer. If Closing does occur, the Earnest Money shall be applied to payment of the Purchase Price at Closing as provided in Section 1.5.

1.5 **Purchase Price**. In consideration of the sale by Seller to Buyer of the Sale Assets, and subject to the conditions and adjustments set forth herein Buyer shall pay to Seller (a) an amount equal to (i) Thirty Million Dollars ($30,000,000) (the "**Purchase Price**") and (b) assume the Assumed Liabilities. The Purchase Price shall be paid as follows:

(a) At the Closing, an amount equal to (i) Twenty Two Million Five Hundred Thousand Dollars ($22,500,000), *minus* (ii) any amount of the Earnest Money paid to Seller, shall be paid to Seller's designated bank account by wire transfer of immediately available funds. Wire transfer instructions are provided in Schedule 1.5.

(b) By delivery of a secured promissory note (the "**Note**") having a principal amount of Seven Million Five Hundred Thousand Dollars ($7,500,000) of the Purchase Price and, the Security Agreement (the "**Security Agreement**") by Buyer at Closing, the form of which are attached hereto as Exhibit 1.5(b)(i). The Note will also be secured by a personal guarantee (the "**Guarantee**") the form of which is also attached hereto as part of Exhibit 1.5(b)(ii).

1.6 **Purchase Price Allocation**. Within one hundred twenty (120) days after the Closing, Buyer shall prepare and deliver to Seller an allocation of the sum of the Purchase Price and the Assumed Liabilities (to the extent properly taken into account as an amount realized under the Code) among the Sale Assets in accordance with Section 1060 of the Code and any similar provision of law (the "**Purchase Price Allocation**"). Seller shall have thirty (30) days to review the Purchase Price Allocation. If Seller does not notify Buyer in writing of any objections within such thirty (30) day period or if Seller and Buyer resolve all such objections, the parties agree that the Purchase Price Allocation, as finally determined, shall be binding on the parties for all Tax purposes. Buyer and Seller further agree to timely file all applicable tax returns, I.R.S. Form 8594 and any other reports required by Section 1060 of the Internal Revenue Code in accordance with such agreed upon Purchase Price Allocation. If prior to the end of such thirty (30) day period, Buyer and Seller are unable to so agree on the Purchase Price Allocation then such Purchase Price Allocation shall not be binding on the parties.

1.7 **Sales and Transfer Taxes**. All sales taxes, transfer taxes, use taxes, recordation fees and taxes, documentary taxes, stamp taxes, excise taxes, personal property taxes, fees and duties under applicable law incurred in connection with this Agreement and the "**Transaction Documents**" (as that term is defined in Section 3.2 herein) or the transactions contemplated hereby and thereby will be borne and paid one half by Seller and one half by Buyer. Each of Buyer and Seller shall pay one half of any transfer, registration or similar fees due to Seller's URL registrar or similar company, in connection with the assignments of Domain Names incident to the transactions contemplated hereby; Buyer shall pay any domain registration renewal fees charged in connection with such assignments. Otherwise, each party hereto shall pay any and all taxes incurred by such party in connection with the transactions contemplated by this Agreement.

1.8 **Adjustment of Purchase Price.**

(a) Except as otherwise provided in this Agreement with respect to the Fulfillment Liability, all operating income and operating expenses of the Business shall be adjusted and allocated between Seller and Buyer, and an adjustment in the Purchase Price shall be made as provided in this Section 1.8, to the extent necessary to reflect the principle that all income and expenses attributable to the operation of the Business before the Closing Date shall be for the account of Seller, and all income and expenses attributable to the operation of the Business on or after the Closing Date shall be for the account of Buyer. Any cost or obligation related to any Permitted Lien shall also be included as part of the adjustment and allocation between Buyer and Seller.

(b) To the extent not inconsistent with the express provisions of this Agreement, the allocations made pursuant to this Section 1.8 shall be made in accordance with generally accepted accounting principles, consistently applied.

(c) For purposes of making the adjustments pursuant to this Section, Buyer shall prepare and deliver an initial Adjustment List to Seller within sixty (60) days following the Closing Date, or such later date as shall be mutually agreed to by Seller and Buyer. Buyer may also prepare and deliver to Seller additional Adjustment Lists as Buyer becomes aware of additional Adjustment List items. In the event Buyer does not submit an Adjustment List and Seller becomes aware of any Adjustment List items, Seller shall submit Adjustment List(s) to Buyer. The Adjustment List(s) 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 fifteen (15) days of receipt of the Adjustment List(s) if both parties agree on the amount, and if the Adjustment Amount is a charge to the account of Buyer, Buyer shall pay such amount to Seller within fifteen (15) days of delivery of the Adjustment List(s) if both parties agree on the amount. In the event one party disagrees with the Adjustment Amount determined by the other party, or with any other matter arising out of this subsection, and Buyer 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. The fees and expenses of such accountants shall be paid by the party who does not prevail on the disputed matters decided by the accountants.

1.9 **Withholding**. Notwithstanding any provision hereof to the contrary, Buyer shall be entitled to deduct and withhold from any consideration otherwise payable under the terms of this Agreement such amounts as they are required to deduct and withhold pursuant to any provision of law, including those related to or regarding Taxes. To the extent that amounts are so withheld under any provision of this Agreement, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the recipient in respect of which such deduction and withholding was made by Buyer. If Buyer intends to deduct and withhold any amounts from payment of any consideration otherwise payable under the terms of this Agreement pursuant to this Section 1.9, Buyer will notify Seller of the amount and basis for such deduction and withholding at least five (5) business days prior to such payment.

ARTICLE II

THE CLOSING

2.1 **Closing**. The consummation of the transactions contemplated by this Agreement (the "**Closing**") shall take place on the date that is two (2) Business Days following the satisfaction of the closing conditions and deliverables in Article V and Article VI of this Agreement, at the offices of Seller's counsel or by exchange of signature pages to all Transaction Documents and documentation via email, or on such other date as is mutually agreed by Buyer and Seller (the "**Closing Date**"). The Closing shall be deemed effective as of 12:01 a.m., Eastern Time, on the Closing Date (the "**Effective Time**"). If the conditions and deliverables in Article V and Article VI of this Agreement have not been satisfied by the Outside Date (as defined in Section 10.1(b), then the parties may terminate this Agreement as provided in Section 10.1.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer, as of the date hereof and as of the Closing Date (or, to the extent a representation or warranty is made as of a specific date, as of such date), as follows:

3.1 **Organization**. Seller is a limited liability company duly organized and validly existing under the laws of the State of Delaware. Seller has all requisite power to own, operate and lease its properties and carry on the Business as it is currently being conducted and as the same will be conducted until the Closing. Seller is duly qualified to do business and is in good standing in Delaware in each and every jurisdiction in which the nature of its business or ownership or use of the properties or assets owned or used by it, or the nature of the activities conducted by it, makes such qualification necessary, except for any such failures to be so qualified or license and in good standing that would not, individually or in the aggregate have a Material Adverse Effect on the

Business. For purposes of this Agreement, a "**Material Adverse Effect**" or "**Material Adverse Condition**" shall mean a material cost, burden or other adverse effect upon the assets, business, properties, prospects, condition (financial or otherwise) or results of operations of the Business, taken as a whole, occurring before, on or after the Closing Date, in the amount of (or which would reasonably be expected to be in the amount of) Two Hundred Fifty Thousand Dollars ($250,000.00) or more.

3.2 **Authorization and Binding Effect of Agreements**. The execution and delivery of, and the performance of its obligations under, this Agreement and each of the other agreements to be delivered at Closing (collectively, the "**Transaction Documents**") 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. This Agreement has been, and each of the other Transaction Documents to which Seller is a party will be, duly executed and delivered by Seller at the Closing. This Agreement constitutes, and each of the other Transaction Documents, when so executed and delivered, will constitute, legal and valid obligations of Seller, enforceable against it in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and or other 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**. The execution, delivery, and the performance by Seller of its obligations under, this Agreement and each of the other Transaction Documents to which Seller is a party, and the consummation by Seller of the transactions contemplated hereby and thereby:

(a) Do not and will not (with or without the giving of notice or the passage of time or both) violate (or result in the creation of any Lien) any provision of a rule or regulation or any order, law, judgment, injunction, decree or ruling applicable to Seller in any manner. For purposes of this Agreement, a "**Lien**" shall be defined as any mortgage, pledge, security interest, charge, restriction, hypothecation and encumbrance 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 as in effect in an applicable jurisdiction or comparable law of any jurisdiction; and

(b) Do not and will not (i) conflict with, or result in a material breach or termination of, or constitute a material default or give rise to a right of termination or acceleration under, (A) any provision of the organizational documents of Seller, (B) any of the terms or requirements of any License held by Seller or that otherwise is granted with respect to the Business, or (C) any provision of any Assumed Contract or any other Contract by which any of the Sale Assets may be bound, or (ii) result in the creation of any Lien upon any of the Sale Assets.

3.4 **Consent of Third Parties**. Except as set forth on Schedule 3.4, the execution, delivery and performance by Seller of its obligations under, this Agreement and each of the other Transaction Documents, and the consummation by Seller of the transactions contemplated hereby and thereby, do not and will 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 Assumed Contract to which Seller is a party, or any other Contract by which any Sale Asset is bound, the failure of which to obtain, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect. Seller is not 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, proceeding or other action seeking to obtain any such ruling, decree, order or injunction is pending or has been threatened in writing.

3.5 **Sale Assets**.

(a) Except (x) for the services provided pursuant to the TSA, (y) the Shared Services, or (z) as set forth on Schedule 3.5, the Sale Assets include all of the assets, properties and rights of every type and description, personal and mixed, tangible and intangible, that are: (i) used or held exclusively in the operation of the Business in the manner in which it is now operated; or (ii) material to the ongoing operation of the Business as it is currently operated. Seller has good, valid and marketable title to all of the Sale Assets, free and clear of any Liens except for Permitted Liens. Seller has the right to transfer the Sale Assets pursuant to the terms of this Agreement and the other Transaction Documents.

(b) Upon (i) the delivery of the instruments of transfer described in Section 5.5(a) below to Buyer at the Closing and (ii) Buyer's payment of the Purchase Price to Seller, the Sale Assets shall have been transferred to Buyer, free and clear of any Liens of any kind whatsoever except for Permitted Liens.

3.6 **Tangible Personal Property.** Except as set forth on Schedule 3.6, as of Closing:

(a) the Tangible Personal Property is in good operating condition, subject to ordinary wear and tear, and is maintained in accordance with normal industry practice;

(b) there is no material defect in the condition or operation of any item of the Tangible Personal Property which is reasonably likely to have a Material Adverse Effect;

(c) is suitable for the purposes for which it is presently used and reasonably sufficient for the operation of the Business as currently conducted; and

(d) no Personal Item is material to the conduct of the Business.

3.7 **Contracts**. Schedule 1.1(c) lists all of the Contracts currently in effect between Seller and advertisers, customers, sponsors, vendors, and suppliers of the Business, other than Contracts which relate to operations of Seller unrelated to the Business. Said Schedule 1.1(c) shall be updated by Seller two Business Days prior to Closing (as so updated by Seller pursuant to this Section 3.7 and then further updated by Buyer in accordance with Section 1.1, the "**Updated Contracts Schedule**"), and if the content thereof changes between any such update and Closing Date, shall be updated within five (5) days after Closing by Seller. Except as set forth on Schedule 3.7, as applicable: (i) all Assumed Contracts are legal, binding, valid and enforceable in accordance with their terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting creditors'/debtors' 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 Assumed Contract material to the operation of the Business; (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 Assumed Contract material to the operation of the Business; and (iv) Seller holds the right to enforce and receive the benefits under all of the Assumed Contracts, free and clear of all Liens. For purposes of this Agreement, "**Contract**" means any written, oral, implied, or other agreement, contract, instrument, note, guaranty, option, indemnity, representation, warranty, assignment, power of attorney, certificate, sale or purchase order, work order, lease, license, commitment, covenant, assurance, indemnity, or undertaking, understanding, or arrangement of any kind or nature to which any person or entity is a party, by which it or its assets are bound or subject or under which it has or may have any current or future liability or obligation.

3.8 **Litigation**. Except as otherwise provided in Schedule 3.8, there are no claims, investigations, or administrative proceedings, arbitrations, or other proceedings pending or, to Seller's knowledge, threatened against Seller relating to the Business. To Seller's knowledge, there is no basis for any such claim, investigation, action, suit or proceeding. To the knowledge of Seller, there are no existing or pending orders, judgments or decrees of any court or governmental agency to which the Seller is a party. There is no action by Seller pending or threatened against others with respect to the Business.

3.9 **Labor Matters**.

(a) Schedule 3.9(a) sets forth a true and complete list of each employee of the Business (including any employee who is on a leave of absence or on layoff status), containing the following information with respect to each such employee: (i) name, title, and employment classification; (ii) location of employment; (iii) length of employment; and (iv) whether the employee is receiving workers compensation or disability payments or who is on leave or layoff status, and the anticipated date of return.

(b) 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.

(c) Except as set forth on Schedule 3.9(c): (i) there are no labor strikes, disputes, slowdowns or stoppages pending or, to the knowledge of Seller, threatened against the Business; (ii) there are neither any pending nor, to the knowledge of Seller, any threatened suits, actions, administrative proceedings, union organizing activities, arbitrations, grievances or other proceedings relating to any employee of the Business (in their capacity as such); (iii) there are no existing labor or employment or other controversies or grievances to which the Seller is a party involving employees of the Business; (iv) with respect to the Business: (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 without limitation 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.

3.10 **Compliance with Law**. The conduct and operation of the Business complied in the past, and now complies in all material respects with all applicable statutes, laws, ordinances, rules and regulations of all federal, state, local or other governmental authorities, and all applicable orders, writs, injunctions or decrees of any court, commission, board, agency or other instrumentality. Seller has not been charged with or, to the knowledge of Seller, threatened with any charge concerning or under investigation with respect to any violation of any provision of law applicable to, or materially affecting, the Business.

3.11 **Tax Matters**. Except as expressly required by Section 1.7, Buyer shall not have any liability for payment or otherwise with respect to any taxes arising out of, attributable to or affecting the Sale Assets or the conduct of the Business through the Closing because of the transactions contemplated under this Agreement and as a result of any action, inaction, error or omission by Seller before, on or after the Closing Date. Seller has filed, or caused to be filed, on a timely basis all Tax Returns required to be filed, and such Tax Returns are true, correct and complete. There are no Liens for Taxes upon any Sale Assets and no such Liens are anticipated, other than Liens for Taxes not yet due and payable. Seller has timely and properly withheld and paid all Taxes required to have been withheld and paid in connection with any amounts paid or owing to any employee, independent contractor, creditor, shareholder, member or other third party, including amounts required to be withheld under Sections 1441 and 1442 of the Code, or similar provisions of state, local or foreign Law, and all IRS Forms W-2 and 1099 required with respect thereto have been properly completed and timely filed. Seller has properly collected and timely remitted to the appropriate Tax authority all sales, valued added and similar Taxes required by Law to be collected and remitted. Seller has properly and timely collected and properly maintained all resale certificates, exemption certificates and other documentation required to qualify for any exemption from the collection of such Taxes. No claim has ever been made by a taxing authority in a jurisdiction where Seller does not file Tax Returns that Seller is or may be subject to taxation by that jurisdiction that would be covered by such Tax Returns. Buyer will not be required to include any item of income in, or exclude any item of deduction from, taxable income for any Tax period (or portion thereof) beginning after the Closing Date as a result of any of the Sale Assets constituting a prepaid amount, deferred revenue, or advance payment received on or prior to the Closing Date. Except as set forth in Section 1.7 and on Schedule 3.11, there does not exist and would not reasonably be expected to exist any liability for Taxes that may be asserted by any taxing authority against the Sale Assets or the conduct of the Business through the Closing for which Buyer will have any liability for payment or otherwise because of the transactions contemplated under this Agreement and as a result of any action, inaction, error or omission by Seller before, on or after the Closing Date. As used in this Agreement:

"**Taxes**" means all taxes, charges, fees, levies, voluntary disclosure agreements, or other like assessments, including all federal, possession, province, state, city, county, local, municipal and foreign (or governmental unit, agency, or political subdivision of any of the foregoing) corporate, income, profits, license, withholding, payroll, employment (including Social Security, unemployment insurance, employer health and employee income tax withholding), franchise, gross receipts, sales, use, transfer, stamp, environmental, alternative minimum, occupation, property, net worth, capital gains, severance, premium, windfall profits, customs, duties, ad valorem, recapture, value added, excise, PBGC premiums, unclaimed property, escheat, and any other governmental charges of the same or similar nature to any of the foregoing; including any interest, penalty, or addition to any of the foregoing, whether disputed or not, and including any obligations to indemnify or otherwise assume or succeed to the Tax liability of any other Person, whether pursuant to Treasury Regulation Section 1.1502-6 (or any similar provision of Law), as a transferee, successor, by Contract or pursuant to any Law.

"**Tax Returns**" means all returns, declarations, reports, estimates, claims for refund, information returns and statements, elections, notices, statements of foreign bank and financial accounts, and other returns relating to or filed in connection with any Taxes, including any schedule or attachment thereto, and including any related or supporting information with respect to any of the foregoing, and any amendment thereof, whether tangible or electronic format.

3.12 **Environmental Matters**. Seller has not, and to the knowledge of Seller, no other person has, caused materials to be present, generated, released, stored or disposed of on, under or at Seller's current places of business or at any of Seller's former places of business during or prior to the time of Seller's occupancy thereof, which materials, if known to be present, would result in liability or require remedial or responsive action under Environmental Laws that could be reasonably expected to affect the Sale Assets, including without limitation the Leased Property. For purposes of this Agreement, "**Environmental Laws**" shall be defined as 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 concerning the environment, including the treating, producing, handling, storing, releasing, spilling, leaking, pumping, pouring, emitting or dumping of hazardous materials.

3.13 **Absence of Insolvency**. No insolvency proceeding of any character including, without limitation, bankruptcy, receivership, reorganization, composition or arrangement with creditors, voluntary or involuntary: (i) is pending against Seller or any of the Sale Assets; (ii) to the knowledge of Seller, is affecting or would reasonably be expected to affect Seller or any of the Sale Assets; or (iii) to the knowledge of Seller, is threatened with respect to the Business or any of the Sale Assets. Seller has made no assignment for the benefit of creditors, nor taken any action with a view to, or which would reasonably be expected to constitute the basis for the institution of, any such insolvency proceedings.

3.14 **Intellectual Property**.

(a) Except for any Excluded Asset, all Intellectual Property (as that term is defined below) (i) used, held for use, or useful in the operation of the Business; or (ii) related or material to the Business ("**Business Intellectual Property**"), together with its applicable registration or application information, is set forth on Schedule 3.14(a) attached hereto. All right, title, and interest in and to all Business Intellectual Property will be transferred to Buyer, free and clear of all Liens except for Permitted Liens, at Closing. For purposes hereof, the term "**Intellectual Property**" shall include all intellectual property and proprietary rights of any type in any jurisdiction throughout the world, and all associated rights therein and related thereto, including, without limitation: (A) all patents, patent applications, and patent rights (including all continuations, continuations-in-part, divisions, provisional and non-provisional applications, reexaminations, reissues and extensions) and all inventions and discoveries and invention disclosures (whether or not patented or patentable) (collectively, the "**Patents**"); (B) all Domain Names and all trademarks, service marks, trade names, brand names, trade dress, logos, packaging design, slogans, titles, themes and other indicia of origin, whether or not registered, including all common law rights thereto, all registrations and applications for registration thereof, together with the goodwill of the business represented thereby (collectively, the "**Marks**"); (C) all copyrights and other works of authorship and creative works, in both published and unpublished works, and all registrations and applications for registration thereof (collectively, the "**Copyrights**"); (D) all know-how, trade secrets, confidential or proprietary information, customer lists, user and visitor names, e-mail addresses and other personal user and visitor information (collectively, the "**Trade Secrets**"); (E) all data and information, including Personal Information, Processed in the conduct of the Business or by or on behalf of the Seller ("**Company Data**") and all rights in data, databases, data sets, and compilation of data; (F) rights of publicity and privacy; (G) all computer software of any kind, in any form (including source code, object code or other form), format or programming language ("**Software**"); (H) all goodwill, franchises, licenses, permits, consents, approvals, technical information, telephone numbers, and claims of infringement against third parties (collectively, the "**Rights**"); (I) all right and power to protect, assert, defend, and recover title to any of the foregoing; and (J) all rights to assert, defend, and recover for any past, present, and future infringement, misuse, misappropriation, impairment, unauthorized use, or other violation of any of the foregoing.

(b) All Contracts relating to any Business Intellectual Property and/or relating to the Products to which Seller is a party or is bound ("**Business IP Contracts**") are listed as such on Schedule 1.1(c), including, without limitation, all nondisclosure and/or confidentiality agreements entered into by persons in connection with disclosures by or to Seller relating to any Business Intellectual Property, and all rights of Seller in end user license agreements entered into by Seller. All Business IP Contracts are valid, enforceable, and in full force and effect. Neither Seller nor, to the knowledge of Seller, any other party, is in breach of any Business IP Contract.

(c) Except for all rights in Intellectual Property related to the Business that are owned by a third party and licensed to Seller under a Business IP Contract listed as such on Schedule 1.1(c) ("**Licensed Business IP**"), Seller has sole and exclusive ownership of all right, title, and interest in and to, and has good, valid and marketable title to, all other Business Intellectual Property ("**Owned Business IP**"), free and clear of any Liens, and has the sole and exclusive right to use and otherwise exploit such Intellectual Property without payment to any third party. Each item of Owned Business IP is valid, subsisting, and enforceable. There is no pending order, action, proceeding, or any allegation thereof, asserting the invalidity or unenforceability of any item of Owned Business IP or, to the knowledge of Seller, any other Business Intellectual Property. In no instance have any rights in any Owned Business IP been abandoned, cancelled, invalidated, allowed to expire, or permitted to enter the public domain.

(d) Seller's rights in all Business Intellectual Property are freely transferable, subject to filing any applicable closing documents referred to in Section 5.5(a)(3). Seller has the exclusive right to use, license, distribute, transfer and bring infringement actions with respect to the Owned Business IP. Except for the Licensed Business IP, Seller is not obligated to pay and does not pay royalties or other fees to anyone for its ownership, use, license or transfer of any of any Business Intellectual Property. No Owned Business IP or, to the knowledge of Sellers, any Licensed Business IP, is or has been subject to any order, action, proceeding, or any allegation thereof that restricts, impairs or otherwise imposes any obligation with respect to the validity, enforceability, disclosure, use, enforcement, prosecution, maintenance, transfer, licensing, or other exploitation of, or that otherwise relates to or affects, such Intellectual Property. The consummation of the transactions contemplated by this Agreement will not alter, impair or extinguish any such rights in any Owned Business IP. Following Closing, Buyer shall have all such rights in and to all such Owned Business IP. There exists no condition, restriction, or reservation affecting the title to, rights in, or utility of the Owned Business IP or Licensed Business IP that could prevent Buyer from enforcing or exploiting any rights with respect to any such Intellectual Property after the Closing to the same full extent that Seller might do so if the sale and transfer contemplated hereby did not take place.

(e) To the knowledge of Seller, none of the Owned Business IP is copied from, based upon, or derived from any other source in violation of the rights of any third party. Any substantial similarity of the Owned Business IP to any Intellectual Property owned by any third party did not result from the Owned Business IP being copied from, based upon, or derived from such similar Intellectual Property of such third party in violation of the rights of such third party or from any other violation of the rights of a third party.

(f) Neither Seller (including, without limitation, directly, as a contributory infringer, through inducement or otherwise), nor any of the Products or the use, operation, or exploitation thereof, nor the Business or the operation thereof, has infringed, misappropriated or otherwise violated or does infringe, misappropriate, or otherwise violate, any Intellectual Property of any third party. There has been no claim made, or to the Seller's knowledge, threatened, against Seller (and Seller has not been a party to any order, action, proceeding, or any allegation thereof including such a claim), and Seller has not received or provided notice of any such claim, nor is there any basis for any such claim, asserting any infringement, misappropriation or other violation of Intellectual Property. To Seller's knowledge, there is not and has not been any unauthorized use or disclosure, infringement, misappropriation or other violation of any Owned Business IP. There has been no claim made or threatened by Seller (and Seller has not been a party to any order, action, proceeding, or any allegation thereof including such a claim) asserting any unauthorized use, disclosure, infringement, misappropriation, or violation of any Owned Business IP, nor is there any basis for any such order, action, or proceeding.

(g) Seller has taken all actions required under applicable Law or Contract to protect (i) the rights of Seller in and to all Business Intellectual Property; and (ii) the secrecy, confidentiality and value of all Trade Secrets, if any, related to the Business and other confidential or proprietary information and the Trade Secrets and other confidential or proprietary information of third party related to the Business ("**Seller Confidential Information**"). To the knowledge of Seller, there has not been any breach by any party to any such confidentiality or non-disclosure agreement. The Trade Secrets have not been disclosed by Seller to any person or entity other than employees or contractors of Seller who had a need to know and use the Trade Secrets in the course of their employment or contract performance.

(h) All current and former employees of Seller have each executed binding written agreements with Seller: (i) preventing them from disclosing any Seller Confidential Information or making unauthorized use of any Seller Confidential Information and otherwise protecting the confidentiality and secrecy of all Seller Confidential Information; and (ii) irrevocably assigning, without additional consideration, to Seller complete and exclusive ownership of all right, title, and interest in and to all Intellectual Property authored, invented, created, or developed by each employee of Seller during the course of their employment for Seller. To the knowledge of Seller, no current or former employee of Seller is in breach of any such agreement. No current or former employee, officer, consultant or contractor of Seller has any claim, right or interest in or to any Business Intellectual Property.

(i) The Company has complied at all times with each license or agreement applicable to any Software distributed or made available as, or containing or derived from any Software distributed or made available as, "freeware", "shareware", or "open source" software or under any license or distribution model described by the Open Source Initiative as set forth on www.opensource.org (or any successor thereto) ("**Public Software**").

(j) The Software owned or purported to be owned by Seller and used or held solely for use in the operation of the Business ("**Business Software**") owned or purported to be owned by Seller ("**Owned Business Software**") includes, and Seller has possession and control of complete copies of, all current and past versions of and revisions made to such Software. Seller owns or has the right to exploit, and, except for any Excluded Asset, after Closing, Buyer will continue to own or have the right to exploit, each item of the Business Software in the same manner and to the same extent as it was used immediately prior to the Closing. Neither Seller nor anyone acting on behalf of Seller has provided, disclosed or delivered, or permitted the disclosure or delivery to any third party of any source code for any Owned Business Software. No event has occurred, and no breach or similar condition exists, that (with or without notice or lapse of time, or both) could require the disclosure or delivery to any third party of any source code for any Owned Business Software. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby could be expected to result in the release of any source code for any Owned Business Software from or into escrow.

(k) All computers, devices, equipment, networks, systems, Software, and other information technology owned by Seller, included in the Sale Assets, and used in, enabling, or relating to the Business or the Processing of data or information related to the Business ("**Business Systems**") operate in all material respects in accordance with their documentation and specifications (including any documentation or specifications provided to customers and potential customers of Seller. Seller has used commercially reasonable efforts to protect the integrity and security of the Business Systems and all Business Data (as defined herein) Processed by such Business Systems from unauthorized use, access, or modification by third parties. All Business Systems have been maintained by technically competent personnel in accordance with standards set by the manufacturers or otherwise in accordance with reasonable industry standards. There are no material problems or defects in any Business Systems that prevent or would prevent such Business Systems from operating substantially as described in its applicable documentation or specifications. The Business Systems have not experienced any material malfunction or failure. The Business Systems include commercially reasonable data storage, system redundancy, and disaster avoidance and recovery systems. To Seller's knowledge, the Business Systems are free from any software designed to disable any other systems or any other computer or system automatically, with the passage of time, under the positive control of any person, or otherwise, including any back door, time bomb, drop dead device or similar software, or any software enabling unauthorized access to or operation of any such system or any computer or system, including any virus, trojan horse, worm, or other similar software. For purposes hereof, "**Process**" means collect, process, use, analyze, disclose, distribute, make available, transfer, transmit, store, retain, host, manage, control, secure, dispose of, or otherwise handle. "**Processing**" and "**Processed**" shall have analogous meanings.

3.15 **Data Protection.**

(a) True, correct, and complete copies of the privacy and data security policies of Seller applicable to the Business in effect as of or prior to the date hereof have been delivered or made available to the Buyer. Seller maintains comprehensive privacy and data security policies as required by and in compliance with applicable Data Protection Requirements (as defined herein). Seller has at all times been in compliance in all material respects with all privacy and data security policies relating to the Business in effect from time to time. Without limiting the generality of the foregoing, the Seller as at all times been in material compliance with all Data Protection Requirements. For purposes hereof, "**Business Data**" means all data or information included in the Sale Assets, including personal data as defined by applicable law, Processed by the Seller in or relating to the Business, including any data or information collected, generated, or received or obtained in connection with any Products. Neither the execution, delivery, or performance of this Agreement will cause, constitute, or result in a breach or violation of any Data Protection Requirement. For purposes hereof, "**Data Protection Requirements**" means all of the following, applicable to or binding upon the Seller, or that could subject the Seller to liability, in each case in connection with the Business, concerning the privacy, security, confidentiality, or nondisclosure of Business Data or the Processing thereof: (a) any applicable laws of the United States or individual states; (b) privacy or security policies of Seller, or (c) Contracts.

(b) Seller is not prohibited by Data Protection Requirements from providing Buyer with, or transferring to Buyer, all or any portion of the Business Data Processed in the conduct of the Business.

(c) To the extent required by Data Protection Requirements, the Seller has valid and subsisting consents, permissions, authorizations, and other rights necessary to Process or to have Processed all Business Data howsoever Processed by or for Seller in the manner that it is Processed by or for Seller. Seller has all rights and permissions to Business Data under all Data Protection Requirements as necessary for the conduct of the Business. Seller has granted Third Parties rights to, as the case may be, all Business Data as necessary for the conduct of the Business.

(d) Without limiting the foregoing, Seller has (i) implemented and maintained security programs and policies to protect and safeguard Business Data, including ongoing review and updating of all such plans and policies, that comply with all applicable security requirements under Data Protection Requirements. To the knowledge of the Seller, no Third Party Processor has violated Data Protection Requirements with respect to its Processing of personal data included in the Sale Assets on behalf of the Seller. "**Third Party Processor**" means a third party provider, service provider, or other third party that Processes any Business Data for or on behalf of the Seller.

(e) Seller has implemented reasonable and appropriate administrative, physical and technical safeguards to protect the privacy, security, confidentiality, availability, and integrity of all Business Data and Business Systems, in material compliance with all applicable Data Protection Requirements. Except as set forth on Schedule 3.15(e) (any such description setting forth a description of the applicable Security Incident, the actions taken by Seller to address such incident and all applicable steps taken to remediate such incident), during the past five years there has been no Security Incident involving (i) any Business Systems operated or controlled by the Seller or (ii) any Business Data under the custody or control of Seller. To Seller's knowledge during the past five years there has been no Security Incident involving any Business System operated or controlled by any Third Party Processor or any Business Data under the custody or control of any Third Party Processor. "**Security Incident**" means a (x) breach of personal data under applicable state law, (y) material unauthorized access, use, destruction, loss, denial, or loss of use, alteration, acquisition, encryption, or disclosure of personal data, or (z) material interference with a Business System.

3.16 **Transactions with Interested Persons**. Except as set forth on Schedule 3.16 hereto, neither Seller nor any member, manager, director, officer or supervisory employee of Seller, or to the knowledge of Seller, any of their respective spouses or family members, owns directly or indirectly on an individual or joint basis any material interest in, or serves as an officer or director or in another similar capacity of, (a) any competitor or supplier of the Business, or any organization which has a material contract or arrangement with the Business or (b) any of the Sale Assets.

3.17 **Licenses, Permits**. Schedule 3.17(a) lists all the licenses, permits, registrations, applications and authorizations (and any renewals, extensions, amendments or modifications thereof) (collectively, the "**Licenses**") required from federal, state or local authorities in order for Seller to conduct the Business consistent with past practice. Schedule 3.17(b) lists all Licenses that are not transferable in connection with the consummation of the consummation of the transactions contemplated by this Agreement (the "**Excluded Licenses**"). Seller has obtained all such Licenses, to Seller's knowledge, which are valid and in full force and effect as of the Closing Date, and, to Seller's knowledge, is operating in compliance therewith. Such Licenses include, but are not limited to, those required under federal, state or local statutes, ordinances, orders, requirements, rules, regulations, or laws pertaining to environmental protection, public health and safety, worker health and safety, buildings, highways or zoning.

3.18 **Customers and Suppliers**.

(a) Schedule 3.18(a) sets forth a correct and complete list of the Business's top ten (10) suppliers for the most recent completed fiscal year of Seller and for the eight (8) month period ending August 31, 2023, as calculated by gross dollar amount of purchases.

(b) Schedule 3.18(b) sets forth a correct and complete list of the Business's top ten (10) customers for the most recent completed fiscal year of Seller and for the eight (8) month period ending August 31, 2023, as calculated by gross dollar amount of revenues.

(c) Except as set forth on Schedule 3.18(c) there are no pending or, to the knowledge of Seller, threatened claims from, or controversies (i) with any customer or supplier that are material to the Sale Assets or the Business or (ii) that could reasonably be expected to have a Material Adverse Effect on Buyer's or any of its Affiliates' operation of the Business.

3.19 **Broker's or Finder's Fees**. No agent, broker, investment banker or other person or entity 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.

3.20 **Products; Product Warranties**. Set forth on Schedule 3.20 attached hereto is a list of all products, services, and other offerings sold, licensed, offered, provided, made available, or marketed by, on behalf of, or through Seller or any of its Affiliates in connection with the Business (collectively, the "**Products**"). Except as set forth on Schedule 3.20, (a) there are no warranties express or implied, written or oral, with respect to the Products of the Business and (b) there are no pending or, to the knowledge of Seller, threatened claims with respect to any such warranty, and Seller has no liability with respect to any such warranty, whether known or unknown, absolute, accrued, contingent or otherwise and whether due or to become due.

3.21 **Compliance with Patriot Act.** Seller is not nor will it become: (a) a person whose property or interests in property are blocked pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)); or (b) a person or entity that knowingly engages in any dealings or transactions, or be otherwise knowingly associated, with any such person. Seller is not in violation of the Uniting And Strengthening America By Providing Appropriate Tools Required To Intercept And Obstruct Terrorism (USA Patriot Act) Act of 2001.

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 Business 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 of the date hereof and as of the Closing Date (or, to the extent a representation or warranty is made as of a specific date, as of such date) as follows:

4.1 **Organization and Good Standing**. Buyer is a limited liability corporation that was duly formed, is validly existing and in good standing under the laws of the State of Delaware. Buyer has full limited liability company power and authority to own, lease or otherwise hold and operate its assets and properties and to carry on its business as presently conducted. Buyer is, or at Closing will be, qualified to do business in each other jurisdiction in which it is required to so qualify due to the character of the property owned or leased by it or the nature of the business transacted by it.

4.2 **Authorization and Binding Effect of Agreements**. As to Buyer: (i) the execution and delivery, and the performance of its obligations under, this Agreement and each of the other Transaction Documents to which it is a party and the consummation by it of the transactions applicable to it have been duly authorized and approved by all necessary action on its part; (ii) it has the power and authority to execute, deliver and perform its obligations under this Agreement and each of the other Transaction Documents to which it is a party and to consummate the transactions applicable to it; (iii) this Agreement and each of the other Transaction Documents to which it is a party have been, or at the Closing will be, duly executed and delivered by it; and (iv) this Agreement constitutes (and each of the other Transaction Documents to which it is a party, when so executed and delivered by it, will constitute) legal and valid obligations of it enforceable against it in accordance with their 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 such enforceability is sought in a proceeding in equity or at law).

4.3 **Absence of Conflicts**. The execution, delivery and the performance of the obligations of Buyer under this Agreement, and each of the other Transaction Documents, to which Buyer may be a party and the consummation by Buyer of the transactions contemplated hereby and thereby:

(a) Do not and will not (with or without the giving of notice or the passage of time or both) violate (or result in the creation of any Lien except for a Permitted Lien on any of the assets or properties of it, any provision of law, rule or regulation or any order, law, judgment, injunction, decree or ruling applicable to it in any manner which could have a Material Adverse Effect on its assets, business, operation or financial condition or results of operations; and

(b) Do not and will 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, (i) any provisions of the organizational documents of Buyer or (ii) any lease, agreement, commitment or other instrument to which it is a party or by which it or any material portion of its assets or properties may be bound.

4.4 **Consent of Third Parties**. The execution, delivery, and the performance of Buyer's obligations under, this Agreement and each of the other Transaction 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, or notice to, 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 it is a party or by which it or any material portion of its assets or properties is bound. Buyer is not 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, proceeding or other action seeking to obtain any such ruling, decree, order or injunction is pending or has been threatened in writing.

4.5 **Broker's or Finder's Fees**. No agent, broker, investment banker or other person or entity acting on behalf of or under the authority of 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 the transactions contemplated by this Agreement.

4.6 **Compliance with Patriot Act.** Buyer is not nor will it become: (a) a person whose property or interests in property are blocked pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)); or (b) a person or entity that knowingly engages in any dealings or transactions, or be otherwise knowingly associated, with any such person. Buyer is not in violation of the Uniting And Strengthening America By Providing Appropriate Tools Required To Intercept And Obstruct Terrorism (USA Patriot Act) Act of 2001.

4.7 **Disclosures**. No representation or warranty by Buyer contained in this Agreement or any other Transaction Document furnished by or on behalf of Buyer to Seller contains or will contain any untrue statement or omits or will omit to state any material fact required to make the statements contained herein and therein not misleading.

ARTICLE V

CONDITIONS PRECEDENT TO THE OBLIGATION OF BUYER TO CLOSE

Buyer's obligation to close the transactions 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:

5.1 **Accuracy of Representations and Warranties**. The representations and warranties of Seller contained in this Agreement or any other document shall be complete and correct in all material respects on the Closing Date.

5.2 **Performance of Agreement**. Seller shall have performed in all material respects all of its covenants, agreements and obligations required by this Agreement and each of the other Transaction Documents to be performed, or complied with, by it on the Closing Date.

5.3 **Adverse Proceedings**. Buyer 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, proceeding or other action seeking to obtain any such ruling, decree, order or injunction shall be pending or shall have been threatened in writing.

5.4 **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. For purposes hereof, "**Permitted Lien**" means (i) liens for taxes not due and payable or, that are being contested in good faith by appropriate proceedings; (ii) 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; and (iii) liens or mortgages that will be released at Closing. To Seller's knowledge, all Permitted Liens other than those that will be released at or before Closing are set forth on Schedule 5.4.

5.5 **Seller's Deliveries**. At the Closing, Seller shall deliver or cause to be delivered to Buyer, in form and substance reasonably satisfactory to Buyer and its counsel, the following:

(a) such bills of sale, assignments, powers of attorney, certificates and other good and sufficient instruments of transfer duly executed by Seller as shall be effective to vest in Buyer all of Seller's right, title and interest in, to and under the Sale Assets, including, without limitation, the following:

(1) A bill of sale conveying the Tangible Personal Property, and all other personal property not otherwise included in any other conveyance document;

(2) An instrument or instruments assigning to Buyer all right, title and interest of Seller in and to the Assumed Contracts;

(3) Instruments transferring and assigning to Buyer all right, title and interest in and to the Business Intellectual Property except for the Excluded Intellectual Property and the Post-Closing Transfer Items (as defined in Section 8.7); and

(4) An assignment and assumption agreement assigning the Assumed Liabilities.

(b) A Transition Services Agreement in substantially the form attached hereto as Exhibit 5.5(b) (the "**TSA**"), signed by Salem Communications Holding Corporation, an Affiliate of Seller;

(c) The Records;

(d) Subject to Section 5.4, releases, in suitable form for filing and otherwise in form and substance reasonably satisfactory to Buyer, duly executed and delivered, of any security interests granted in the Sale Assets as security for payment of loans and other obligations and of any other Liens;

(e) A certificate executed by the Secretary of Seller's Managing Member certifying consent of the board of directors of Seller's Managing Member to the consummation of the transactions contemplated by this Agreement and authorizing the execution and delivery by Seller of this Agreement and the other Transaction Documents to which Seller is a party, (including a certificate of incumbency) the performance by Seller of its obligations hereunder and thereunder and the consummation by it of the transactions contemplated hereby and thereby;

(f) (i) A certificate as of a recent date of the corporate existence of Seller under the laws of its jurisdiction of organization, from the Secretary of State (or comparable governmental authority) of such jurisdiction , (ii) a certificate as of a recent date of the qualification of Seller to conduct business as a foreign entity in each jurisdiction where it is so qualified as of the Closing Date, from the Secretary of State (or comparable governmental authority) of such jurisdiction, and (iii) a tax clearance certificate, a tax good standing certificate, a certificate of no tax due, or similar certificate or letter as to Seller, from the Department of Revenue (or comparable governmental authority) in each applicable jurisdiction under (i) and (ii) above;

(g) A certificate, signed by an officer of the Seller, certifying that the conditions specified in Section 5.1 and Section 5.2 are satisfied as of the Closing Date;

(h) Estoppel certificates or other verifications from advertisers, customers, and third-party vendors, each in a form acceptable to Buyer;

(i) All required approvals and third-party consents, including those of customers, advertisers/sponsors, lenders and regulatory authorities;

(j) Master media files posted on the Websites that are in the Seller's possession, and any other files necessary to transfer the content on and functionality of the Websites, including content management systems and software codes and enhancements (including a copy of the Shared Code);

(k) Authorization codes, passwords, and any other information necessary to transfer ownership and control of the Domain Names, Websites, and Social Media Accounts;

(l) The Purchase Orders and Marketing Materials;

(m) A sublease for the Leased Property, signed by Seller, or new lease for the Leased Property, signed by Seller's landlord;

(n) The Series A Preferred Membership Unit Purchase Agreement between Buyer and Salem Media Group, Inc., an Affiliate of Seller , in the form attached hereto as Exhibit 5.5(n) (the "**Unit Purchase Agreement**"), signed by Salem Media Group, Inc;

(o) The Put Agreement, in the form agreed by the parties thereto (the "**Put Agreement**"), signed by Salem Media Group, Inc;

(p) Such additional documents, information and materials as Buyer shall have reasonably requested;

(q) If requested by Buyer (or any then-current or prospective third party lender to Buyer or any of its Affiliates) (each, a "**Requesting Party**"), a subordination and/or intercreditor agreement in form and substance acceptable to the Requesting Party (and in any event no less favorable to the third party lender than as contemplated by Exhibit 5.5(q)) with respect to the obligations of Buyer under the Note and the security interest granted under the Security Agreement; and

(r) A properly executed and completed IRS Form W-9 from Seller.

5.6 **Buyer's Satisfaction**. All legal matters, documentation or other proceedings incident to the transactions contemplated hereby shall be reasonably satisfactory in form and substance to Buyer; all consents shall have been obtained, and all related filings, if any, shall have been made, and all Licenses shall be in full force and effect and Buyer shall have received such copies thereof as it shall have requested; all applicable waiting periods shall have expired without any adverse action being taken by any governmental authority having jurisdiction.

5.7 **Due Diligence Reviews**. Buyer shall, in its sole discretion, be satisfied with its business, accounting, financial, sales, legal and other due diligence reviews of Seller and the Business.

ARTICLE VI

CONDITIONS PRECEDENT TO THE OBLIGATION OF SELLER TO CLOSE

Seller'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 Seller in writing:

6.1 **Accuracy of Representations and Warranties**. The representations and warranties of Buyer contained in this Agreement or any other Transaction Document shall be complete and correct in all material respects on the Closing Date.

6.2 **Performance of Agreement**. Buyer shall have performed in all material respects all of its covenants, agreements and obligations required by this Agreement and each of the Transaction Documents to be performed, or complied with, by it on the Closing Date.

6.3 **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, proceeding or other action seeking to obtain any such ruling, decree, order or injunction shall be pending or shall have been threatened in writing.

6.4 **Buyer's Deliveries**. At the Closing, Buyer shall deliver or cause to be delivered to Seller, in form and substance satisfactory to Seller's counsel, the following:

(a) The Purchase Price pursuant to the requirements of Section 1.5;

(b) Duly executed assignment and assumption agreements assuming the Assumed Liabilities (to the extent any such Assumed Liabilities are not in default);

(c) Resolutions of Buyer authorizing the execution and delivery by Buyer of this Agreement and the other Transaction Documents to which it is a party, the performance by it of its obligations hereunder and thereunder and the consummation by it of the transactions contemplated hereby and thereby;

(d) The Note and Security Agreement, signed by Buyer, in the form attached hereto as Exhibit 1.5(b)(i), the Guarantee signed by the guarantor, in the form attached hereto as Exhibit 1.5(b)(ii), and all documents commercially reasonably necessary for Seller to perfect its security interest in the collateral for the Note;

(e) The TSA, signed by Buyer;

(f) A sublease for the Leased Property or new lease for the Leased Property, signed by Buyer;

(g) a certificate that the conditions specified in Section 6.1 and Section 6.2 are satisfied as of the Closing Date;

(h) the Unit Purchase Agreement, signed by Buyer;

(i) the Put Agreement, signed by the parties thereto; and

(j) Such additional information and materials as Seller shall have reasonably requested.

ARTICLE VII

PRE-CLOSING COVENANTS

7.1 **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 the transactions contemplated by this Agreement; provided, however, that no party shall be required to make any payments to any third party in order to obtain the consent of any third party (except as otherwise expressly contemplated by the underlying Contract).

7.2 **No Solicitation.** From the date of this Agreement until Closing or the earlier termination of this Agreement in accordance with the terms of the same, Seller will immediately cease any existing discussions or negotiations with any third parties conducted prior to the date hereof with respect to any Acquisition Proposal (as defined below). Until the Closing or the earlier termination of this Agreement in accordance with the terms of the same, Seller shall not, directly or indirectly, through any officer, director, employee, representative or agent, or otherwise:

(a) solicit, initiate, continue or encourage any inquiries, proposals or offers that constitute, or could reasonably be expected to lead to, a proposal or offer for a merger, consolidation, business combination, sale of the Sale Assets (or any of them), sale of substantially all the assets or a sale of at least a majority of capital stock (including, without limitation, by way of a tender offer) involving Seller, other than the transactions contemplated by this Agreement and other than the sale of assets in the ordinary course of business, (any of the foregoing inquiries or proposals are being referred to in this Agreement as an "**Acquisition Proposal**");

(b) solicit, initiate, continue or engage in negotiations or discussions concerning, or provide any information or data to any person or entity relating to, or otherwise cooperate in any way with, or assist or participate in, or facilitate or encourage any Acquisition Proposal; or

(c) agree to, approve or recommend any Acquisition Proposal.

7.3 **Access; Information; Confidentiality; Publicity**.

(a) Prior to the Closing or the earlier termination of this Agreement in accordance with the terms of the same, Seller shall give Buyer and its representatives full and reasonable access during normal business hours to all of Seller's properties, books, contracts, reports and records including financial information, in each case relating to the Business, so that Buyer has the full opportunity to make such investigation as it desires of the Sale Assets, the Assumed Liabilities, and the Business, and Seller shall furnish Buyer with such information Buyer may reasonably request in connection therewith. The parties will exercise commercially reasonably efforts to ensure that the rights of Buyer under this Section 7.3 are exercised in such a manner as not to interfere unreasonably with the ongoing operation of the Business.

(b) Between the date of this Agreement and the Closing or the earlier termination of this Agreement in accordance with the terms of the same, the Seller shall: (i) keep Buyer reasonably informed of all material operational matters and business developments with respect to the Business; and (ii) furnish Buyer with any information customarily prepared by Seller concerning the financial condition of the Business that the Buyer may request.

(c) Subject to the requirements of applicable law, each party shall keep confidential all information obtained by it with respect to the other party hereto in connection with this Agreement and the negotiations preceding this Agreement ("**Confidential Information**"); provided that, each party hereto may furnish such Confidential Information to its employees, agents and representatives who need to know such Confidential Information (including its financial and legal advisers, its banks and other lenders) (collectively, "**Representatives**"). Each party hereto shall, and shall cause each of such party's Representatives to, use the Confidential Information solely in connection with the transactions contemplated by this Agreement. If the transactions contemplated hereby are not consummated for any reason, each party shall, at the written request of the other party, return to such other party hereto, without retaining a copy thereof, any schedules, documents or other written information obtained from such other party in connection with this Agreement and the transactions contemplated hereby. Notwithstanding anything contained in this Section 7.3, no party shall be required to keep confidential or return any Confidential Information which: (i) is known or available through other lawful sources, not bound by any confidentiality agreement with the disclosing party; (ii) is or becomes publicly known through no fault of the receiving party or its agents; (iii) is required to be disclosed pursuant to an order or request of a judicial or governmental authority (provided the disclosing party is given reasonable prior notice of the order or request and the purpose of the disclosure); or (iv) is developed by the receiving party independently of the disclosure by the disclosing party. The obligations of the parties under this Section 7.3(c) shall survive the Closing or earlier termination of this Agreement.

(d) No news release or other public announcement pertaining to the transactions contemplated by this Agreement will be made by or on behalf of any party hereto without the prior written approval of the other party (such consent not to be unreasonably withheld or delayed). Notwithstanding the provisions of the preceding sentence, either party hereto or its Affiliates (a "**Releasing Party**") may, in accordance with its legal obligations, including but not limited to filings permitted or required by the Securities Act of 1933, the Securities and Exchange Act of 1934, the New York Stock Exchange and other similar regulatory bodies, make: (i) such press releases and other public statements and announcements ("**Releases**") as the Releasing Party deems necessary or appropriate in connection with this Agreement and the transactions contemplated hereby; and (ii) any and all statements the Releasing Party deems in its sole judgment to be appropriate in any and all filings, prospectuses and other similar documents. The Releasing Party shall use reasonable efforts to provide the other parties hereto with a copy of any Releases before any publication of same, provided that, if the content of the Release is, in the sole judgment of the Releasing Party reasonably exercised, substantially similar to the content of a Release previously provided to the other parties, the Releasing Party shall have no obligation to provide the other party with a copy of such Release. The other party may make comments to the Releasing Party with respect to any such Releases provided to them; provided, however, that the Releasing Party is not required to incorporate any such comments into the Releases.

7.4 **Cooperation**. Each party shall cooperate fully with each other and its respective counsel and accountants in connection with any actions required to be taken as part of its obligations under this Agreement. In furtherance of the foregoing, to the extent reasonably requested by the other party, and at such party's expense, Buyer and Seller agree to furnish or cause to be furnished to each other as promptly as practical, such information (including reasonable access to books and records, Tax Returns and Tax filings) and assistance as is reasonably necessary for the filing of any Tax Return, the conduct of any Tax audit, and for the prosecution or defense of any claim, suit or proceeding relating to any Tax matter. Buyer and Seller shall cooperate with each other in the conduct of any Tax audit or other Tax proceedings and each shall execute and deliver such documents as are necessary to carry out the intent of this Section 7.4.

7.5 **Risk of Loss**. The risk of any loss, damage, impairment, confiscation, or condemnation of any of the Sale Assets from any cause whatsoever shall be borne by Seller at all times prior to the Closing. If there is any loss, damage, impairment, confiscation, or condemnation of or to any material part of such assets, Seller shall repair, replace or restore such assets (the "**Damaged Assets**") to their prior condition as represented in this Agreement as soon thereafter as possible; provided, however, that Seller shall have no obligation to repair or replace any immaterial or obsolete asset no longer necessary or useful for the continued operation of a Business consistent with past practice. If Seller is unable to repair or replace the Damaged Assets by the Closing Date, then Buyer shall be entitled to a credit against the Purchase Price in an amount reasonably estimated to equal the costs to repair or replace the Damaged Assets after the Closing.

7.6 **Third Party Consents**. Between the date of this Agreement and the Closing, Buyer and Seller shall each use its reasonable efforts to obtain the consent of any third party necessary for the assignment of any Assumed Contract. In the event of a consent required with respect to the assignment of an Assumed Contract that has not been obtained before the Closing, then such Assumed Contract will be deemed not assigned until such consent shall have been obtained and, following the Closing Seller shall provide Buyer with the benefits of any such Assumed Contract until such consent is obtained, provided that Buyer shall undertake to pay or satisfy the corresponding liabilities for the enjoyment of such benefits to the extent Buyer would have been responsible therefor if such consent had been obtained and such Assumed Contract assigned and assumed by Buyer as of the Closing Date.

7.7 **Conduct of the 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, Seller shall:

(a) Keep the Business operating in a manner substantially consistent with its historic operations;

(b) Operate the Business in all material respects with all rules and regulations, laws, statutes, ordinances and orders of all governmental authorities having jurisdiction over any aspect of the operation of the Business; provided, however, that nothing herein contained shall be interpreted to require Seller to maintain any certain level of sales or revenue;

(c) Maintain the Records of the Business in Seller's customary manner on a basis materially consistent with prior years;

(d) Comply in all material respects with all agreements now or hereafter existing which are material, individually or in the aggregate, to the operation of the Business;

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

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

(g) 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;

(h) Not amend or terminate any Contract material to the operation of the Business, other than in the ordinary course of business consistent with past practice;

(i) Not introduce any material change with respect to the Business;

(j) Notify Buyer of any material litigation pending or threatened against the Business or Seller of which Seller has actual knowledge, or any material damage to or material destruction of any assets included or to be included in the Sale Assets; and

(k) Maintain insurance upon all of the tangible Sale Assets in such amounts and of such kind materially comparable to that in effect on the date hereof with respect to such Sale Assets with insurers of substantially the same or better financial condition.

7.8 **Tax Returns and Payments**.

(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; and

(b) All Taxes pertaining to ownership of the Sale Assets or operation of the Business 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.

ARTICLE VIII

CERTAIN POST-CLOSING COVENANTS

8.1 **Confidentiality**. From and after the Closing, Seller and its Affiliates shall not use or disclose to anyone except as may be required by law or as otherwise expressly permitted or expressly contemplated herein, any trade secrets or confidential matters concerning the Business, including without limitation, secrets, customer lists and credit records, employee data, sales representatives and their territories, mailing lists, consultant arrangements, pricing policies, operational methods, marketing plans or strategies, product development and techniques or plans, product formulas and designs, research and development programs and plans, business acquisition plans, new personnel acquisition plans, designs and design projects, any intellectual property and any other research or business information concerning the Business which Seller currently treats as confidential (whether or not trade secret under applicable law). If Seller or any of its Affiliates is or may be obligated to disclose any such trade secret or confidential information as may be required by law, regulation or legal process, then Seller shall provide Buyer with prompt written notice before any such disclosure sufficient to enable Buyer to either seek a protective order or other appropriate remedy preventing or prohibiting such disclosure, to waive compliance with the provision of Section 8.1, or both; provided, that any information that is otherwise publicly available, without breach of this provision, or has been obtained post-closing from a third party without a breach of such third party's duties, shall not be deemed confidential information; further provided that this Section 8.1 shall not be deemed to prohibit any disclosure of such information that is legally required or reasonably necessary for financial or tax reporting purposes or any information relating to the Excluded Assets.

8.2 **Non-Competition**. Each of Seller and Parent hereby expressly acknowledges (i) Buyer's substantial investment in the Business and the Sale Assets and the transactions contemplated by this Agreement (including the goodwill inherent therein) and (ii) that each of them will receive substantial benefit from the sale of the Sale Assets hereunder. Each of Seller and Parent further acknowledges and agrees that the covenants, restrictions and obligations contained in this Section 8.2 are a material inducement to Buyer to enter into this Agreement, and Buyer is doing so in reliance upon each of Seller and Parent agreeing to be bound by such covenants, restrictions and obligations. For a period of five (5) years from and after the Closing Date (the "**Restricted Period**"), neither Seller nor Parent, nor any of their respective Affiliates, shall, directly or indirectly, (i) engage in or assist others in engaging in the Business or any business that, directly or indirectly competes with the Business, anywhere within the United States or any other jurisdiction in which the Business currently operates (the "**Territory**") at any time during the Restricted Period; (ii) own, manage, operate, assist, join, control or participate in the ownership, management, operation or control of, or be connected as an owner, shareholder, member, manager, director, partner, employee or independent contractor or otherwise with, any business anywhere in the Territory that directly or indirectly, competes with the Business regardless of the channel through which such competition occurs and regardless of the persons whom such competition targets; or (iii) cause, induce or encourage any material actual or prospective client, strategic partner, customer, vendor, supplier, consultant, contractor, licensee or licensor of the Business (including any existing client or customer of Seller and any person or entity that becomes a client or customer of the Business after the Closing, only to the extent that Seller is aware that any such Person is a client or customer of the Business after reasonable inquiry), or any other person or entity who has a material business relationship with the Business, to terminate or modify any such actual or prospective relationship, or otherwise intentionally interfere with any such material business relationship. During the Restricted Period, neither Seller nor Parent shall directly or indirectly, solicit or entice, or attempt to solicit or entice, any clients or customers of the Business or potential clients or customers of the Business (only to the extent that a Seller is aware that such person or entity is a potential client or customer of the Business after reasonable inquiry), for purposes of diverting their business or services from the Business. A business that "directly or indirectly competes with the Business" is defined as a business that conducts any of the activities conducted by the Business set forth in the definition of "Business". Notwithstanding the foregoing, nothing in this Section shall restrict or otherwise limit Seller, Parent, or any of their respective Affiliates, from continuing their existing operations (other than the Business) in the manner they now conduct their business, including but not limited to the sale of advertising, digital marketing services, and program time to anyone, or from offering and providing their services to competitors of the Business in the ordinary course of business provided that such activities do not compete with the Business as defined in the previous sentence.

8.3 **Further Assurances**. In addition to the actions, documents and instruments specifically required to be taken or delivered by this Agreement at the Closing or from time to time thereafter, and without further consideration, from and after the Closing the parties hereto shall take such other actions, and execute and deliver such other documents and instruments, including, without limitation, resale certificates for inventory, as the other party or parties hereto or their respective counsel may reasonably request in order to effectuate and perfect the transactions contemplated by this Agreement.

8.4 **Accounts Receivable**. Buyer acknowledges that Seller is retaining ownership of all accounts receivable of the Business for goods sold and services rendered by Seller prior to the Closing Date and that such accounts receivable are Excluded Assets (the "**Seller Accounts Receivable**"). From and after the Closing Date, Seller shall be permitted to contact account debtors with respect to any of the Seller Accounts Receivable for purposes of collection thereof and to instruct account debtors to remit payments for the Seller Accounts Receivable directly to Seller. Buyer shall promptly remit, turnover and endorse to Seller any payments representing Seller Accounts Receivable received by Buyer after the Closing Date. From and after the Closing Seller shall promptly remit, turnover and endorse to Buyer any payments representing accounts receivable arising from the sale of goods or services by the Business after the Closing Date.

8.5 **Third Party Consents**. Seller shall use its reasonable efforts to obtain the consent of any third party necessary for the assignment of any Assumed Contracts or agreements to be assigned hereunder. In the event of a consent required with respect to the assignment of an Assumed Contract that has not been obtained before the Closing, then such Assumed Contract will be deemed not assigned until such consent shall have been obtained and, following the Closing Seller shall provide Buyer with the benefits of any such Assumed Contract until such consent is obtained, provided that Buyer shall undertake to pay or satisfy the corresponding liabilities for the enjoyment of such benefits to the extent Buyer would have been responsible therefor if such consent had been obtained and such Assumed Contract assigned and assumed by Buyer as of the Closing Date.

8.6 **Tax Returns and Payments**.

(a) All tax returns, estimates, and reports relating to periods prior to the Closing Date required to be filed by Seller will be timely filed with the appropriate governmental agencies unless valid extensions therefor shall have been obtained; and

(b) All Taxes pertaining to ownership of the Sale Assets or operation of the Business prior to the Closing Date will be timely paid by Seller; 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.

8.7 **Post-Closing Transfer Items**. Promptly following the Closing, Seller shall provide a notarized assignment of all registered trademarks of Seller and all documentation or certifications required by the current registrar to Buyer of all of the Domain Names used in the Business (the "**Post-Closing Transfer Items**").

8.8 **Migration of Content to Buyer's Hardware**. Seller will cooperate with Buyer to transfer title to all of Seller's files and content purchased by Buyer and stored at Closing on Seller's servers from those servers to servers selected by Buyer as soon as reasonably practicable following the Closing.

8.9 **Shared Code and Databases**. Seller and Buyer acknowledge that there has been shared use of certain assets, including certain shared code, design and functionality of the Websites, and the software code, design, and functionality of other of Seller's websites (the "**Shared Code**"), which is an Excluded Asset and which ownership shall remain with Seller following the Closing Date. Buyer shall have the royalty-free, perpetual, noncancellable worldwide license to use the Shared Code with respect to the Websites and the Business. Seller and Buyer also acknowledge that there has been shared use of certain customer databases between the Business and Seller's and its Affiliates' other businesses, including databases of churches customer email addresses and other contact information (the "**Shared Customer Information**"), which is a Sale Asset and which ownership shall belong to Buyer following the Closing Date. Seller shall have the royalty-free, perpetual, noncancellable worldwide license to use the Shared Customer Information with respect to its and its Affiliates' other businesses.

8.10 **No Use of Salem Name**. To the extent any Sale Asset includes the name "Salem" in its title or description, including but not limited to website names, social media account names, product names, and marketing materials, Buyer will discontinue use of the "Salem" name in its operation of the Business as soon as reasonably practicable and, in any event, within ninety (90) days following the Closing.

ARTICLE IX

SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

9.1 **Survival of Representation and Warranties**. Notwithstanding the making of this Agreement, any examination or investigation of any party hereto and the Closing hereunder, all representations and warranties contained in this Agreement or the other Transaction Documents (excluding any employment agreement constituting a Transaction Document) shall survive the Closing and continue for a period of eighteen (18) months, except that such expiration shall have no effect on: (a) any representation or warranty of Buyer or Seller as to (i) such party's qualification and authority to consummate the transactions contemplated hereby, (ii) title of the parties to the Sale Assets, or (iii) any tax obligation of Seller, (collectively, the "**Fundamental Representations**" and all other representations and warranties, collectively, the "**General Representations**") which Fundamental Representations shall continue indefinitely (the period of time for which any representation and warranty will survive hereunder being the applicable "**Survival Period**"); or (b) any claim alleging fraud. No claim with respect to any representation or warranty contained in this Agreement may be brought under this Agreement 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 applicable Survival Period. In the event such notice is given, the right to indemnification with respect thereto under this Article IX shall survive beyond the Survival Period until such claim is finally resolved and any obligations with respect thereto are fully satisfied. Notwithstanding the foregoing, the provisions for survival and the making of claims shall not apply to the covenants and obligations of the parties under this Agreement (unless otherwise expressly provided) and the obligations associated with the Contracts, which agreements shall be governed by their own terms.

9.2 **Indemnification in General**. Except with respect to fraud, Buyer and Seller agree that the rights to indemnification and to be held harmless set forth in this Article IX shall, as between the parties hereto and their respective successors and assigns, be the sole and exclusive remedy after the Closing with respect to any breach of any representation, warranty, covenant or agreement under this Agreement; provided, however, that nothing herein shall be construed or interpreted as limiting or impairing the rights or remedies that the parties hereto may have at equity for injunctive relief or specific performance.

9.3 **Indemnification by Seller**.

(a) Seller shall defend, indemnify and hold harmless Buyer and its Affiliates, and its and their respective shareholders, members, officers, managers, directors, partners, employees, successors, assigns, and representatives (collectively, "**Buyer Indemnified Parties**") with respect to any and all Losses incurred or to be incurred by any of them relating to or arising out of, but only to the extent caused (directly or indirectly) by:

(i) Any breach, inaccuracy or nonperformance by Seller of any of its General Representations;

(ii) Any breach, inaccuracy or nonperformance by Seller of any of its Fundamental Representations;

(iii) Any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement or any other Transaction Document;

(iv) The ownership, use, possession or operation of the Business and Sale Assets by Seller prior to the Closing (other than the Assumed Liabilities);

(v) All other liabilities and obligations of Seller, including without limitation any Excluded Liabilities (other than the Assumed Liabilities);

(vi) Noncompliance by Seller with the provisions of the Bulk Sales Act, applicable, in connection with the transactions contemplated by this Agreement;

(vii) All liabilities and obligations of Seller under the Contracts required to be performed by Seller prior to the Closing, including all liability arising from Seller's breach of any Contract prior to the Closing;

(viii) Taxes (a) of Seller resulting from the ownership or operation of the Business or the Sale Assets for any period ending on or before the Closing Date, (b) of Seller or any of its Affiliates of any kind or description (including any liability of Seller and any of its Affiliates for the Taxes of any other person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or non-U.S. Law), as a transferee or successor, by Contract or pursuant to any Law), (c) that arise out of or result from the consummation of the transactions contemplated by this Agreement, including the Taxes described in Section 1.7 to the extent they are the responsibility of Seller under that Section, or (d) required to be withheld in connection with any payment to or for the benefit of Seller pursuant to this Agreement, to the extent not withheld pursuant to Section 1.9) (collectively, the "**Excluded Taxes**"); or

(ix) Any Permitted Lien on a Sale Asset which relates to an obligation of Seller.

(b) Except in the case of fraud or intentional misrepresentation, if Closing occurs, Seller shall not be obligated to indemnify the Buyer Indemnified Parties under Section 9.3(a)(i) unless and until the aggregate amount of all Losses in respect of matters covered by Section 9.3(a)(i) exceeds the Threshold Limitation, in which case, the Buyer Indemnified Parties shall then be entitled to indemnification for the entire aggregate amount of such Losses in excess of the Threshold Limitation, provided, however, that the aggregate liability of the Seller under this Section 9.3 shall not exceed Thirty Million Dollars ($30,000,000). As used in this Agreement, the term "**Threshold Limitation**" shall mean the sum of One Hundred Thousand Dollars ($100,000) for all Losses.

(c) For purposes of calculating the amount of Losses to which a Buyer Indemnified Party is entitled under this Article IX and for purposes of determining whether a representation and warranty has been breached the terms “material,” “materiality,” “Material Adverse Effect” and words of similar import will be disregarded; provided, however, that the foregoing materiality scrape shall not (i) affect any “knowledge” qualifiers or (ii) apply to limit any list within representations and warranties calling for scheduling of “material” items.

(d) For purposes of this Agreement, “**Losses**” means any and all payments, fines, penalties, interest, assessments, judgments, settlements, demands, claims, damages, losses, liabilities, Taxes, and actual and reasonable costs and expenses paid or incurred by or levied against a party entitled to indemnification, including reasonable attorney’s fees and reasonable expenses for investigation and defense, but shall ***exclude*** exemplary and punitive damages (other than any such damages that are part of any Governmental Order against such indemnified party in connection with a third-party claim). For purpose of this Agreement, “**Governmental Order**” means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any governmental authority.

9.4 **Indemnification by Buyer**.

(a) Buyer shall defend, indemnify and hold harmless Seller and any officer, director, shareholder, partner, member, agent and representative thereof, and all Affiliates of any of the foregoing, with respect to any and all Losses relating to or arising out of, but only to the extent caused (directly or indirectly) by:

(i) Any breach or nonperformance by Buyer of any of its representations and warranties (subject to the Survival Period) and covenants or agreements set forth in this Agreement or any other document;

(ii) The ownership or operation of the Business and Sale Assets by Buyer or any of its Affiliates from and after the Closing, except for matters that arise as a result of breach or nonperformance by Seller of any representations, warranties, or covenants of Seller;

(iii) Liabilities and obligations arising after the Closing related to the Assumed Liabilities; or

(iv) All other liabilities and obligations of Buyer.

(b) Notwithstanding anything contained herein to the contrary, if Closing occurs, Buyer shall not be obligated to indemnify Seller under Section 9.4(a)(i) unless and until the aggregate amount of all claims, liabilities, damages, losses, costs and expenses exceeds the Threshold Limitation, in which case, Seller shall then be entitled to indemnification of the entire aggregate amount in excess of the Threshold Limitation, provided, however, that the aggregate liability of Buyer under this Section 9.4 shall not exceed Thirty Million Dollars ($30,000,000).

9.5 **Cure Period**. Notwithstanding anything to the contrary herein, neither party hereto shall be in breach of the representations, warranties, terms or conditions of this Agreement until it has received written notice of the claimed breach from the other party and such breaching party fails to cure the claimed breach to the claiming party’s full satisfaction within thirty (30) days thereafter. In the event that the claimed breach is of a nature that is curable but cannot reasonably be cured within thirty (30) days, then the breaching party shall not be in breach of this Agreement if it commences a cure within thirty (30) days and diligently pursues the same to the claiming party's full satisfaction within one hundred twenty (120) days from the date of the original notice.

9.6 **Third Party Claims**. Any party seeking payment or indemnification under this Article IX (the "**Indemnified Party**") shall give prompt notice in reasonable detail in writing to the party against whom indemnity is to be sought (the "**Indemnifying Party**") of the assertion of any claim or the commencement of any suit, action or proceeding by any third party ("**Third Party Claim**") in respect of which indemnity may be sought. The Indemnifying Party shall be entitled to participate in such suit, action or proceeding and, subject to the limitations set forth in this Section, shall be entitled to control and appoint lead counsel, and in such event, the Indemnified Party shall have the right, at its own expense, to retain its own counsel in connection with the same. The controlling party, in the defense of any such claim, except with the written consent of the other party, shall not consent to entry of any judgment or enter into any settlement that either: (a) does not include, as an unconditional term, the grant by the claimant to the other party of a release of all liabilities in respect of such claims, or (b) otherwise adversely affects the rights of the other party. Each party shall cooperate, and cause their respective Affiliates to cooperate, in the defense or prosecution of any Third Party Claim and shall furnish or cause to be furnished such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested in connection therewith.

9.7 **Setoff**. Upon notice to Seller specifying in reasonable detail the basis therefore, Buyer may set off any amount to which it may be entitled under this Article IX against amounts otherwise payable to Seller, including without limitation under the Note, provided that Seller has agreed that such amount is due to Buyer or a judgment has been rendered by a court with appropriate jurisdiction that Seller owes such amount. Neither the exercise of nor the failure to exercise such right of setoff will constitute an election of remedies or limit Buyer in any manner in the enforcement of any other remedies that may be available to it.

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 (I) of Buyer (if such termination notice is given by Seller), or (II) of Seller (if such termination notice is given by Buyer), in each case, are inaccurate in any material respect and 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

(B) Any material obligation to be performed (I) by Buyer (if such termination notice is given by Seller) or (II) by Seller (if such termination notice is given by Buyer), in each case, 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 Section 10.1(a)(ii)(A) or Section 10.1(a)(ii)(B)) to the obligation of such party to close the transaction contemplated herein of the party giving such termination notice has not been timely satisfied, and

(iii) any such inaccuracy, failure to perform or non-satisfaction of a material 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; provided however that such opportunity to cure shall not apply to the failure of a party to perform its obligations set forth in Sections 5.5 or 6.4 herein.

(b) Written notice from Seller to Buyer, or from Buyer to Seller, at any time after October 31, 2023 (or, if Buyer and Seller have agreed upon a Closing date on or after October 31, 2023, then the date one day after that Closing date) (such date, the "**Outside Date**"); provided, that either Buyer or Seller may, by written notice to the other Parties, extend the Outside Date to no later than November 30, 2023 (which new date will become the "**Outside Date**").

10.2 **Obligations Upon Termination**.

(a) In the event this Agreement is terminated pursuant to Section 10.1(a)(ii)(A)(I) or Section 10.1(a)(ii)(B)(I), the aggregate liability of Buyer for breach hereunder shall be limited as provided in Section 10.2(b) below, and the aggregate liability for Seller for breach hereunder shall be limited as provided in Section 10.2(c). In the event this Agreement is terminated for any other reason, neither party shall have any liability hereunder.

(b) If this Agreement is terminated by Seller's giving of valid written notice to Buyer pursuant to Section 10.1(a)(ii)(A)(I) or Section 10.1(a)(ii)(B)(I), Buyer agrees that Seller shall be entitled to payment from Buyer, and to keep upon such termination, as liquidated damages and not as a penalty, the Earnest Money ("**Liquidated Damages Amount**"). THE DELIVERY OF THE LIQUIDATED DAMAGES AMOUNT TO SELLER SHALL BE CONSIDERED LIQUIDATED DAMAGES AND NOT A PENALTY, AND SHALL BE THE RECIPIENT'S SOLE REMEDY AT LAW OR IN EQUITY FOR A BREACH HEREUNDER IF CLOSING DOES NOT OCCUR. BUYER AND SELLER EACH ACKNOWLEDGE AND AGREE THAT THIS LIQUIDATED DAMAGE AMOUNT IS REASONABLE IN LIGHT OF THE ANTICIPATED HARM WHICH WILL BE CAUSED BY A 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. If Seller is entitled to the Liquidated Damages, Buyer shall cooperate with Seller in taking such action as is required under the Escrow Agreement in order to effect such payment.

(c) 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.

ARTICLE XI

MISCELLANEOUS

11.1 **Payment of Expenses**. Each of the parties hereto shall bear its own expenses, including the fees of any attorneys and accountants engaged by such party, in connection with this Agreement and the other Transaction Documents and the consummation of the transactions contemplated herein and therein.

11.2 **Notices**. All notices, demands or other communications given hereunder shall be in writing and shall be sufficiently given if delivered by overnight delivery service or sent by registered or certified mail, first class, postage prepaid, addressed as follows (to the extent applicable for such delivery):

(a) If to Seller, to:

Salem Web Network, LLC
4880 Santa Rosa Road
Camarillo, California 93012
Attn: Christopher J. Henderson

(b) If to Buyer, to:

Gloo Acquisition Corp I, LLC
831 Pearl St.
Boulder, CO 80302
Attention: John Fowle
Email: jfowle@gloo.us

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 so mailed, and (ii) if personally delivered or otherwise sent as provided above, on the date received.

11.3 **Entire Agreement**. This Agreement and the other Transaction Documents, and the schedules and exhibits hereto and thereto, 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 hereto with respect to the subject matter hereof.

11.4 **Binding Effect; Benefits**. Except as otherwise provided herein, this Agreement and all other Transaction Documents 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.

11.5 **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 assign its rights and obligations under this Agreement to any Affiliate thereof without obtaining Seller's consent.

11.6 **Governing Law; Jurisdiction; Service of Process**. This Agreement and the transactions contemplated hereby, and all disputes between the parties under or relating to this Agreement or the facts and circumstances leading to its execution, whether in contract, tort or otherwise, shall in all respects be governed by and construed and interpreted in accordance with the internal laws of the State of Delaware, without giving effect to any conflicts of law rule or principle that might result in the application of the laws of another jurisdiction. Any proceeding arising out of or relating to this Agreement or the transactions contemplated hereby shall be brought in the courts of the State of Delaware or, if it has or can acquire jurisdiction, in the United States District Court for any geographic areas which include Wilmington, Delaware, and each of the parties irrevocably submits to the exclusive jurisdiction of each such court in any such proceeding, waives any objection it may now or hereafter have based on improper venue or *forum non conveniens,* agrees that all claims in respect of the proceeding shall be heard and determined only in such court and agrees not to bring any proceeding arising or relating to this Agreement or the transactions contemplated hereby in any other court. The parties hereby further consent and agree to the exercise of personal jurisdiction over them by such courts with respect to any such proceedings and waive any objection to the assertion or exercise of such jurisdiction. Process in any proceeding referred to above may be served on any party anywhere in the world.

11.7 **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.

11.8 **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 provisions 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.

11.9 **Headings**. The captions in this Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

11.10 **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement (and any other document delivered in connection with this Agreement) may be executed via electronic or digital signature and signature pages may be exchanged by facsimile or other electronic transmission, (including via DocuSign or a similar program) with the same legal effect as if the signatures had appeared in original handwriting on the same physical document. At the request of either Party hereto or to any such agreement or instrument, each other Party hereto or thereto shall re-execute original forms thereof and deliver them to the other Party. No Party hereto or to any such agreement or instrument shall raise the fact execution of such document by digital or electronic signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of a facsimile machine or other electronic means as a defense to the formation of a contract and each such Party forever waives any such defense.

11.11 **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.

11.12 **Definition of "Business**." For purposes of this Agreement, "**Business**" means the Salem Church Products church resources ecommerce retail business (the "**Business**") consisting of the offering for sale of the following products or services: (i) job listings to churches and other Christian organizations or places of worship; (ii) sermons and/or sermon illustrations; (iii) Sunday School curricula, games, and activities to churches; or (iv) minimovies, backgrounds (motion or still), video worship song tracks, countdowns, church software, or videos for small groups, or creation of those or substantially similar materials for sale to churches or other Christian organizations or places of worship via an ecommerce website. Seller conducts the Business via the following websites: Centerline Studios, Children's Ministry Deals, ChristianJobs.com, Church Staffing.com, Lift Curriculum, Playbackmedia.com, Preaching.com, SermonSearch.com, Shift Worship, WorshipHouseKids.com, and WorshipHouseMedia.com (which includes SermonSpice.com).

11.13 **Definition of "Knowledge.**" With respect to any representation or warranty contained in this Agreement which is made to the "**knowledge**" or "**best knowledge**" of a party, such terms shall be limited to mean only the actual knowledge of such party after reasonable inquiry or investigation only of such party's: (i) officers; (ii) directors; (in the case of Seller, Seller's managing member's officers and directors) and (iii) employees responsible for the subject matter corresponding to such representation or warranty.

11.14 **Definition of "Affiliate**." For purposes of this Agreement, an affiliate of, or person affiliated with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified.

11.15 **<u>Definition of "Shared Services"</u>**. For purposes of this Agreement, "Shared Services" the following services provided to the Business by Seller or its Affiliates (directly or through vendors) and also provided to other businesses of Seller or its Affiliates, including executive management; accounting/finance/audit; legal; tax; payroll; human resources; recruiting; record retention; real estate management/administration; payment processing; office services and office administration; information technology including but not limited to system and data protection and hardware and software support; creative services; wifi, phone, and internet access; equipment procurement; and all Contracts, data, documents, real property, personal property, and Intellectual Property created or used in connection with such shared services that are not used solely in the Business.

11.16 **<u>Parent Guarantee</u>**. For good and valuable consideration, and as a material inducement to Buyer to enter into and consummate the transactions contemplated by this Agreement and the other Transaction Documents, Parent hereby unconditionally and irrevocably guarantees to Buyer the prompt performance, payment, and discharge of each obligation of Seller under this Agreement, including without limitation under <u>Article IX</u>.

11.17 **<u>Gloo Guarantee</u>**. For good and valuable consideration, and as a material inducement to Seller to enter into and consummate the transactions contemplated by this Agreement and the other Transaction Documents, Gloo hereby unconditionally and irrevocably guarantees to Seller the prompt performance, payment, and discharge of each obligation of Buyer under this Agreement, including without limitation under <u>Article IX</u>.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed as of the date first written above.

SELLER:

Salem Web Network, LLC,
a Delaware limited liability company

By: /s/ DAVID A. R. EVANS
David A. R. Evans
Chief Operating Officer of SCA License Corporation, Its Managing Member

BUYER:

Gloo Acquisition Corp I, LLC
a Delaware limited liability company

By: /s/ SCOTT BECK
Scott Beck
CEO/President

PARENT:

Salem Media Group, Inc.,
a Delaware corporation

By: /s/ DAVID A. R. EVANS
David A. R. Evans
Chief Operating Officer

GLOO:

Gloo Holdings, LLC,
a Delaware limited liability company

By: /s/ SCOTT BECK
Scott Beck
CEO/President

SIGNATURE PAGE TO SALEM CHURCH PRODUCTS ASSET PURCHASE AGREEMENT

INDEX OF SCHEDULES AND EXHIBITS

Schedule 5.4	Permitted Liens
Exhibit 1.5(b)(i)	Form of Secured Promissory Note and Security Agreement
Exhibit 1.5(b)(ii)	Form of Guarantee
Exhibit 5.5 (b)	Form of Transition Services Agreement
Exhibit 5.5(n)	Form of Unit Purchase Agreement
Exhibit 5.5(q)	Form of Subordination Agreement

Schedules to the Asset Purchase Agrement
(see attached)

Exhibit 1.5(b)(i)

Form of Promissory Note and Security Agreement

(see attached)

<u>Exhibit 1.5(b)(ii)</u>

Form of Guarantee

(see attached)

<u>Exhibit 5.5(b)</u>

Form of Transition Services Agreement

(see attached)

Exhibit 5.5(n)

Form of Unit Purchase Agreement

(see attached)

Exhibit 5.5(o)

Form of Put Agreement

(see attached)

Exhibit 5.5(q)

Form of Subordination Agreement

(see attached)

EXHIBIT 31.1

I, David P. Santrella, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Salem Media Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

/s/ DAVID P. SANTRELLA
David P. Santrella
Chief Executive Officer

EXHIBIT 31.2

I, Evan D. Masyr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Salem Media Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 13, 2023

/s/ EVAN D. MASYR
Evan D. Masyr
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies, in his capacity as President and Chief Executive Officer of Salem Media Group, Inc. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on his knowledge:

- the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 13, 2023

By: /s/ DAVID P. SANTRELLA
David P. Santrella
Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, in his capacity as Executive Vice President and Chief Financial Officer of Salem Media Group, Inc. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on his knowledge:

- the Quarterly report of the Company on Form 10-Q for the period ended September 30, 2023 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 13, 2023

/s/ EVAN D. MASYR
Evan D. Masyr
Executive Vice President and Chief Financial Officer