AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 4, 1999

REGISTRATION NO. 333-76649

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

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

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

<TABLE>
<S> <C> <C>

DELAWARE	4832	77-0121400
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

</TABLE>

4880 SANTA ROSA ROAD
SUITE 300
CAMARILLO, CALIFORNIA 93012
(805) 987-0400
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S AND CO-REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

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

WITH COPIES TO:

<TABLE>
<S> <C>

THOMAS D. MAGILL, ESQ.	PETER J. LOUGHRAN, ESQ.
GIBSON, DUNN & CRUTCHER LLP	DEBEVOISE & PLIMPTON
4 PARK PLAZA, SUITE 1400	875 THIRD AVENUE
IRVINE, CALIFORNIA 92614	NEW YORK, NEW YORK 10022
(949) 451-3800	(212) 909-6000

</TABLE>

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

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

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

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

for the same offering. [ ]

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

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

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

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

SUBJECT TO COMPLETION

JUNE 4, 1999

7,500,000 SHARES

[SALEM LOGO]

CLASS A COMMON STOCK

This is Salem's initial public offering. We are offering 6,000,000 shares of Class A common stock and the selling stockholders of Salem are offering 1,500,000 shares of Class A common stock.

We expect the public offering price to be between $19.00 and $21.00 per share. We expect that the Class A common stock will be quoted on the Nasdaq National Market under the symbol "SALM."

INVESTING IN OUR CLASS A COMMON STOCK INVOLVES RISKS WHICH ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 8 OF THIS PROSPECTUS.

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	PER SHARE	TOTAL
<S>	<C>	<C>
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Salem	$	$
Proceeds, before expenses, to selling stockholders	$	$

</TABLE>

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

The underwriters may also purchase from the selling stockholders up to an

additional 1,125,000 shares of Class A common stock within 30 days from the date of this prospectus to cover over-allotments.

Joint Lead Managers and Joint Bookrunners

BT ALEX. BROWN ING BARING FURMAN SELZ LLC

SALOMON SMITH BARNEY

, 1999.

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

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

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

SUMMARY

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

SALEM

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

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

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

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

- Our net broadcasting revenue increased 14.7% from 1997 to 1998 and grew at a compound annual rate of 19.2% from 1994 to 1998.

- Our broadcast cash flow increased 25.1% from 1997 to 1998 and grew at a compound annual rate of 21.2% from 1994 to 1998.

- On a "same station" basis, our net broadcasting revenue improved 12.7% from 1997 to 1998 and our broadcast cash flow increased 21.4% from 1997 to 1998.

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

OUR AUDIENCE

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

- Religious formats constitute the third largest radio format in the U.S. after country and news/talk/business/sports formats, as of November 1998 (The M Street Journal).

- Over the last ten years, the number of radio stations identified as having primarily a religious format has increased by 79% to 1,785 (The M Street Journal).

- From 1997 to 1998, listeners to religious format radio increased by 1.3 million adults to 27.9 million weekly listeners (Religion & Media Monthly).

- The Christian retail industry had $3 billion in sales in 1998 (Christian Booksellers Association).

- Sales of Christian music grew an average of 17% each year from 1989 to 1998 (The Recording Industry Association of America).

GROWTH AND OPERATING STRATEGIES

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

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

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

programmers and advertisers. We continually look for new block program producers. We provide advice to both prospective and existing block program customers on program content and structure, staffing, engineering and programming delivery options. Our national radio network will continue to compete aggressively for talk show talent that will be attractive to affiliates,

expand and refine our music formats, and develop compelling news and public affairs features. In addition, our newly acquired publishing, Internet and information technology businesses will develop creative content offerings.

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

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

RECENT DEVELOPMENTS

RADIO

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

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

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

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

In October 1998, we purchased KTEK-AM, Houston, Texas, and KYCR-AM, Minneapolis, Minnesota, for a total purchase price of $2.6 million, retained the stations' religious talk formats and combined their operations with our other Houston and Minneapolis radio stations, respectively.

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

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

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

OTHER MEDIA

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

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

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

THE OFFERING

Class A common stock offered by:	
Salem	6,000,000 shares
Selling stockholders	1,500,000 shares
Total	7,500,000 shares
Common stock outstanding after the offering:	
Class A common stock	17,182,392 shares
Class B common stock	5,553,696 shares
Over-allotment option	1,125,000 shares
Use of proceeds	We intend to use the estimated net proceeds to Salem of $111.3 million as follows: - to redeem a portion of our senior subordinated notes, - to repay all indebtedness outstanding under our credit facility, and - for general corporate purposes, including acquisitions and working capital requirements.

	We will not receive any proceeds from the sale by the selling stockholders of shares of Class A common stock.
Voting rights.....	- Holders of Class A common stock are entitled to one vote per share and holders of Class B common stock are entitled to ten votes per share, except for specified related party transactions. See "Description of Capital Stock -- Common Stock."
	- Holders of Class A common stock and Class B common stock vote together as a single class on all matters submitted to a vote of stockholders, except that holders of Class A common stock vote separately for two independent directors.
	- Existing stockholders hold all of the shares of Class B common stock and, after this offering, will own shares having approximately 90% of the combined votes of Salem's Class A and Class B common stock.
Risk Factors.....	See "Risk Factors" for a discussion of factors you should carefully consider before deciding to invest in the shares of Class A common stock.
Proposed Nasdaq National Market symbol.....	"SALM"

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

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

<TABLE>
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	YEAR ENDED DECEMBER 31					THREE MONTHS ENDED MARCH 31	
	1994	1995	1996	1997	1998	1998	1999
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA AND RATIOS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:							
Net broadcasting revenue.....	$ 38,575	$ 48,168	$ 59,010	$ 67,912	$ 77,891	$ 17,702	$ 20,425
Other media revenue.....	--	--	--	--	--	--	-- 1,095
Total revenue.....	38,575	48,168	59,010	67,912	77,891	17,702	21,520
Operating expenses:							
Broadcasting operating expenses.....	22,179	27,527	33,463	39,626	42,526	9,930	11,379
Other media operating expenses.....	--	--	--	--	--	--	-- 1,298
Corporate expenses.....	3,292	3,799	4,663	6,210	7,395	1,503	

1,796								
Tax reimbursements to S corporation shareholders(1).....	977	2,057	2,038	1,780	--	--	--	--
Depreciation and amortization.....	7,633	7,884	8,394	12,803	14,058	3,337	4,111	--
Total operating expenses.....	34,081	41,267	48,558	60,419	63,979	14,770	18,584	--
Net operating income.....	4,494	6,901	10,452	7,493	13,912	2,932	2,936	
Other income (expense):								
Interest income.....	230	319	523	230	291	103	25	
Gain (loss) on disposal of assets.....	(482)	(7)	16,064	4,285	236		(22)	--
Interest expense.....	(3,668)	(6,646)	(7,361)	(12,706)	(15,941)	(3,772)	(4,375)	
Other expense.....	(135)	(255)	(270)	(389)	(422)		(105)	(120)
Total other income (expense).....	(4,055)	(6,589)	8,956	(8,580)	(15,836)	(3,796)	(4,470)	
Income (loss) before income taxes and extraordinary item.....	439	312	19,408	(1,087)	(1,924)		(864)	(1,534)
Provision (benefit) for income taxes...	(247)	(204)	6,655	106	(343)		(290)	(226)
Income (loss) before extraordinary item.....	686	516	12,753	(1,193)	(1,581)		(574)	(1,308)
Extraordinary loss(2).....	--	(394)	--	(1,185)	--	--	--	
Net income (loss).....	$ 686	$ 122	$ 12,753	$ (2,378)	$ (1,581)	$	(574)	$ (1,308)
Pro forma net income (loss)(1).....	$ 848	$ 1,024	$ 12,838	$ (770)				
Basic and diluted income (loss) per share before extraordinary item.....	$ 0.04	$ 0.03	$ 0.77	$ (0.07)	$ (0.09)	$	(0.03)	$ (0.08)
Basic and diluted net income (loss) per share(3).....	$ 0.04	$ 0.01	$ 0.77	$ (0.14)	$ (0.09)	$	(0.03)	$ (0.08)
Pro forma basic and diluted income (loss) per share before extraordinary item.....	$ 0.05	$ 0.09	$ 0.77	$ 0.02				
Pro forma basic and diluted net income (loss) per share.....	$ 0.05	$ 0.06	$ 0.77	$ (0.05)				
Basic and diluted weighted average shares outstanding(3).....	16,661,088	16,661,088	16,661,088	16,661,088	16,661,088	16,661,088	16,661,088	
OTHER DATA:								
Broadcast cash flow(4).....	$ 16,396	$ 20,641	$ 25,547	$ 28,286	$ 35,365	$ 7,772	$ 9,046	
Broadcast cash flow margin(5).....	42.5%	42.9%	43.3%	41.7%	45.4%		43.9%	44.3%
EBITDA(4).....	$ 13,104	$ 16,842	$ 20,884	$ 22,076	$ 27,970	$ 6,269	$ 7,047	
After-tax cash flow(4).....	8,770	9,306	11,594	10,647	12,335	2,776	2,803	
Cash flows related to:								
Operating activities.....	$ 7,482	$ 7,681	$ 10,495	$ 7,314	$ 11,015	$	(519)	$ (1,255)
Investing activities.....	(18,806)	(27,681)	(18,923)	(26,326)	(31,762)	(1,935)	(10,023)	

Financing activities.....	11,827	19,227	9,383	18,695	21,019	2,248
11,398						
ADJUSTED STATEMENT OF OPERATIONS AND OTHER DATA(6):						
Interest expense.....					$ (9,939)	
$ (2,534)						
Net income (loss).....					2,167	
(43)						
Basic and diluted net income (loss) per share(7).....					0.10	
(0.00)						
After-tax cash flow(4).....					$ 16,083	
$ 4,068						
Basic and diluted after-tax cash flow per share(4)(7).....					0.71	
0.18						
Basic and diluted weighted average shares outstanding(7).....					22,736,088	
22,736,088						

(footnotes on following page)

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

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

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

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

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

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

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

(5) Broadcast cash flow margin is broadcast cash flow as a percentage of net broadcasting revenue.

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

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

RISK FACTORS

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

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

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

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

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

OUR STRATEGY TO GROW THROUGH ACQUISITIONS INVOLVES NUMEROUS RISKS

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

- We may be unable to generate cash flow from reformatted radio stations as effectively as we have in the past or in amounts sufficient to offset associated acquisition costs.
- Our management may be unable to manage a larger organization or may be

unable to effectively assimilate newly acquired radio stations into our organization.

- We may be unable to identify attractive radio station acquisition opportunities, or may be forced to pay higher prices, due to increased competition with other buyers in the rapidly consolidating radio broadcasting industry. General format broadcast companies may be able to outbid us because they may have greater financial resources or can justify paying higher prices for radio stations broadcasting in their desired format or otherwise meeting their acquisition strategies.

- We may be unable to obtain additional financing on terms that are both acceptable to our management and in compliance with covenants in our credit facility or senior subordinated notes.

- Our core group of national block program customers, which have historically accounted for a substantial portion of our revenue, may not be willing to support our further expansion into new markets due in part to:

  - their high initial costs required to create a listener base in a new market capable of generating revenue sufficient to cover programming costs, and

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

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

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

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

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

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

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

INDUSTRY COMPETITION MAY INCREASE DUE TO NEW TECHNOLOGIES AND SERVICES

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

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

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

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

LOSS OF KEY EXECUTIVES COULD NEGATIVELY IMPACT OUR BUSINESS

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

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

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

GOVERNMENT REGULATION OF THE BROADCASTING INDUSTRY MAY NEGATIVELY IMPACT OUR BUSINESS

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

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

WE DO NOT INTEND TO PAY CASH DIVIDENDS

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

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

Upon completion of the offering, Edward G. Atsinger III, Stuart W. Epperson and Nancy A. Epperson will own or control approximately 90% of the combined

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

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

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

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

- A provision of Delaware corporation law could prohibit us from engaging in a business transaction with any interested stockholder, as defined in the Delaware corporation law, for three years.

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

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

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

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

INVESTORS WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL DILUTION

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

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. In some cases, you can identify forward-looking statements by

terminology such as "may," "will," "intend," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue" or the negative of such terms or other comparable terminology.

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

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

USE OF PROCEEDS

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

- Redeem $50 million principal amount of our 9 1/2% senior subordinated notes due 2007, 30 days following the offering, plus a $4.75 million redemption premium and accrued and unpaid interest.

- Repay all indebtedness outstanding under our credit facility ($38.8 million as of June 2, 1999).

- Provide for general corporate purposes, including acquisitions and working capital requirements.

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

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

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

DIVIDEND POLICY

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

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

CAPITALIZATION

The following table sets forth cash and cash equivalents and capitalization of Salem as of March 31, 1999 (i) on an actual historical basis and (ii) on a

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

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

<TABLE>
<CAPTION>

	AS OF MARCH 31, 1999	
	ACTUAL	PRO FORMA AS ADJUSTED
	(IN THOUSANDS)	
<S>	<C>	<C>
Cash and cash equivalents	$ 2,037	$ 19,592
Capital lease obligations, less current portion	$ 290	$ 290
Long-term debt:		
Unsecured note to stockholder(1)	800	--
Senior subordinated notes	150,000	100,000
Credit facility(2)	36,750	--
Total long-term debt, less current portion	187,550	100,000
Stockholders' equity:		
Class A common stock, $.01 par value; authorized 80,000,000 shares; issued and outstanding 11,107,392 shares, actual; 17,182,392 shares, as adjusted(3)	111	172
Class B common stock, $.01 par value; authorized 20,000,000 shares; issued and outstanding 5,553,696 shares, actual 5,553,696 shares, as adjusted	56	56
Additional paid-in capital	5,665	118,404
Retained earnings (accumulated deficit)(4)	1,961	(3,561)
Total stockholders' equity	7,793	115,071
Total capitalization	$195,633	$215,361

</TABLE>

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(1) We repaid this note in full in April 1999.

(2) As of June 2, 1999, $38.8 million was outstanding under our credit facility. Subject to completion of this offering, we are amending our credit facility to increase our borrowing capacity from $75 million to $150 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

(3) As adjusted amounts exclude 1,000,000 shares of Class A common stock reserved for grants under Salem's 1999 stock incentive plan, but include 75,000 shares of Class A common stock issued in May 1999 to an officer of Salem as a stock bonus.

(4) Reflects the charges associated with the one time payment of the redemption premium ($4.8 million), the write-off of a portion of the unamortized bond issue costs ($1.5 million) and the charges associated with the award of 75,000 shares of Class A common stock to an officer of Salem and the bonus to be paid to the officer for individual federal and state income taxes associated with the award, all net of the applicable estimated tax effects.

DILUTION

Our net tangible book value (deficit) as of March 31, 1999 was $(142.1)

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

<TABLE>

<S>	<C>	<C>
Assumed initial public offering price per share.....		$20.00
Net tangible book value (deficit) per share before the offering.....	$(8.53)	
Increase per share attributable to new investors.....	7.21	
Net tangible book value (deficit) per share after the offering.....		(1.32)
Dilution per share to new investors.....		$21.32

</TABLE>

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

<TABLE>
<CAPTION>

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

</TABLE>

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31					THREE MONTHS ENDED MARCH 31	
	1994	1995	1996	1997	1998	1998	1999
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA AND RATIOS)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:							
Net broadcasting revenue	$ 38,575	$ 48,168	$ 59,010	$ 67,912	$ 77,891	$ 17,702	$ 20,425
Other media revenue	--	--	--	--	--	--	1,095
Total revenue	38,575	48,168	59,010	67,912	77,891	17,702	21,520
Operating expenses:							
Broadcasting operating expenses	22,179	27,527	33,463	39,626	42,526	9,930	11,379
Other media operating expenses	--	--	--	--	--	--	1,298
Corporate expenses	3,292	3,799	4,663	6,210	7,395	1,503	1,796
Tax reimbursements to S corporation shareholders(1)	977	2,057	2,038	1,780	--	--	--
Depreciation and amortization	7,633	7,884	8,394	12,803	14,058	3,337	4,111
Total operating expenses	34,081	41,267	48,558	60,419	63,979	14,770	18,584
Net operating income	4,494	6,901	10,452	7,493	13,912	2,932	2,936
Other income (expense):							
Interest income	230	319	523	230	291	103	25
Gain (loss) on disposal of assets	(482)	(7)	16,064	4,285	236	(22)	--
Interest expense	(3,668)	(6,646)	(7,361)	(12,706)	(15,941)	(3,772)	(4,375)
Other income expense	(135)	(255)	(270)	(389)	(422)	(105)	(120)
Total other income (expense)	(4,055)	(6,589)	8,956	(8,580)	(15,836)	(3,796)	(4,470)
Income (loss) before income taxes and extraordinary item	439	312	19,408	(1,087)	(1,924)	(864)	(1,534)
Provision (benefit) for income taxes	(247)	(204)	6,655	106	(343)	(290)	(226)
Income (loss) before extraordinary item	686	516	12,753	(1,193)	(1,581)	(574)	(1,308)
Extraordinary loss(2)	--	(394)	--	(1,185)	--	--	--
Net income (loss)	$ 686	$ 122	$ 12,753	$ (2,378)	$ (1,581)	$ (574)	$ (1,308)
Pro forma net income (loss)(1)	$ 848	$ 1,024	$ 12,838	$ (770)			
Basic and diluted income (loss) per share before extraordinary item	$ 0.04	$ 0.03	$ 0.77	$ (0.07)	$ (0.09)	$ (0.03)	$ (0.08)

Basic and diluted net income (loss) per share(3)	$	0.04	$	0.01	$	0.77	$	(0.14)	$	(0.09)	$	(0.03)	$	(0.08)
Pro forma basic and diluted income (loss) per share before extraordinary item	$	0.05	$	0.09	$	0.77	$	0.02						
Pro forma basic and diluted net income (loss) per share	$	0.05	$	0.06	$	0.77	$	(0.05)						
Basic and diluted weighted average shares outstanding(3)	16,661,088		16,661,088		16,661,088		16,661,088		16,661,088		16,661,088	
OTHER DATA:												
Broadcast cash flow(4)	$	16,396	$	20,641	$	25,547	$	28,286	$	35,365	$	7,772	$	9,046
Broadcast cash flow margin(5)	42.5%		42.9%		43.3%		41.7%		45.4%		43.9%		44.3%	
EBITDA(4)	$	13,104	$	16,842	$	20,884	$	22,076	$	27,970	$	6,269	$	7,047
After-tax cash flow(4)	8,770		9,306		11,594		10,647		12,335		2,776		2,803	
Cash flows related to:												
Operating activities	$	7,482	$	7,681	$	10,495	$	7,314	$	11,015	$	(519)	$	(1,255)
Investing activities	(18,806)		(27,681)		(18,923)		(26,326)		(31,762)		(1,935)		(10,023)	
Financing activities	11,827		19,227		9,383		18,695		21,019		2,248		11,398	
ADJUSTED STATEMENT OF OPERATIONS AND OTHER DATA(6):												
Interest expense									$	(9,939)			$	(2,534)
Net income (loss)									2,167				(43)	
Basic and diluted net income (loss) per share(7)									0.10				(0.00)	
After-tax cash flow(4)									$	16,083			$	4,068
Basic and diluted after-tax cash flow per share(4)(7)									0.71				0.18	
Basic and diluted weighted average shares outstanding(7)									22,736,088				22,736,088	

(footnotes on following page)

<CAPTION>

	AS OF DECEMBER 31					AS OF MARCH 31
	1994	1995	1996	1997	1998	1999
BALANCE SHEET DATA:						
Cash and cash equivalents	$ 1,780	$ 1,007	$ 1,962	$ 1,645	$ 1,917	$ 2,037
Total assets	82,041	104,817	159,185	184,813	207,750	219,397
Long-term debt and capital lease obligations, less current portions	60,656	81,020	121,790	154,500	178,610	187,840
Stockholders' equity	13,160	13,282	20,534	10,682	9,101	7,793

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(1) Tax reimbursements to S corporation shareholders represent the income tax liabilities of our principal stockholders created by the income of New Inspiration and Golden Gate, which were both S corporations prior to our August 1997 reorganization. Pro forma net income (loss) excludes tax reimbursements to S corporation shareholders and includes a pro forma tax provision at an estimated combined federal and state income tax rate of 40% as if the reorganization had occurred at the beginning of each period

presented. In August 1997, New Inspiration and Golden Gate became wholly-owned subsidiaries of Salem. From this date, pretax income of New Inspiration and Golden Gate is included in our computation of the income tax provision included in our consolidated statements of operations. See notes 1 and 6 to our consolidated financial statements.

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

<TABLE>
<CAPTION>

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

</TABLE>

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

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

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

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

(footnotes continued on following page)

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

(5) Broadcast cash flow margin is broadcast cash flow as a percentage of net broadcasting revenue.

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

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

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

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

OVERVIEW

The principal sources of our revenue are:

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

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31						THREE MONTHS ENDED	
	1996		1997		1998		MARCH 31, 1999	
	(DOLLARS IN THOUSANDS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Block program time:								
National	$26,610	40.8%	$27,664	37.0%	$30,337	35.5%	$ 8,165	36.6%
Local	10,869	16.7	11,392	15.2	12,558	14.7	3,279	14.7
	37,479	57.5	39,056	52.2	42,895	50.2	11,444	51.3
Advertising:								
National	4,088	6.3	3,621	4.8	4,458	5.2	1,118	5.0
Local	17,416	26.7	21,143	28.3	26,106	30.6	6,846	30.7
	21,504	33.0	24,764	33.1	30,564	35.8	7,964	35.7
Infomercials(1)	--	--	3,819	5.1	4,121	4.8	871	3.9
Salem Radio Network	5,270	8.1	6,186	8.3	6,053	7.1	1,665	7.4
Other	888	1.4	1,005	1.3	1,778	2.1	382	1.7
Gross broadcasting revenue	65,141	100.0%	74,830	100.0%	85,411	100.0%	22,326	100.0%

Less agency commissions.....	6,131	6,918	7,520	1,901
Net broadcasting revenue.....	$59,010	$67,912	$77,891	$20,425

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

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

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

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

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

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

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

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

Our consolidated statements of operations for periods prior to 1998 have included an operating expense called "tax reimbursements to S corporation shareholders." These amounts represent the income tax liabilities of our principal stockholders created by the income of New Inspiration and Golden Gate, which were both S corporations prior to our August 1997 reorganization. We

consider the nature of this operating expense to be essentially equivalent to an income tax provision. In August 1997, New Inspiration and Golden Gate became wholly-owned subsidiaries of Salem. From this date, pretax income of New Inspiration and Golden Gate is included in our consolidated income tax return and in our computation of the income tax provision included in our consolidated statements of operations.

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

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

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

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

- we own or operate for all of both periods;

- we acquire or begin to operate at any time after the beginning of the first relevant comparison period if the station or network format (i) is in a market in which we already own or operate a radio station or network format and (ii) is integrated with the existing station or network format for our internal financial reporting purposes; or

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

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

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

RESULTS OF OPERATIONS

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

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

of the increase. On a same station basis, net broadcasting revenue improved $2.1 million or 12.0% to $19.6 million in 1999 from $17.5 million in 1998. Included in this same station comparison are the results of three stations that we acquired in 1998 for a total purchase price of $3.1 million. The improvement was primarily due to an increase in revenue at the radio stations we acquired in 1996 and 1997 that previously operated with formats other than a religious and family issues format, an increase in program rates and, to a lesser extent, an increase in advertising time and improved selling efforts at both the national and local level. Revenue from advertising as a percentage of our gross broadcasting revenue increased from 33.9% for the quarter ended March 31, 1998 to 35.7% for the same quarter in 1999. Revenue from block program time as a percentage of our gross broadcasting revenue decreased from 51.6% for the quarter ended March 31, 1998 to 51.3% for the same quarter in 1999. This change in our revenue mix is primarily due to our efforts to develop more advertising sales in all of our markets.

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

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

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

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

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

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

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

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

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

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

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

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

1998 COMPARED TO 1997

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

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

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

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

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

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

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

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

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

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

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

attributable to improved net operating income.

1997 COMPARED TO 1996

Net Broadcasting Revenue. Net broadcasting revenue increased $8.9 million or 15.1% to $67.9 million in 1997 from $59.0 million in 1996. The inclusion of revenue from the acquisitions of radio stations and revenue generated from local marketing agreements entered into during 1997 and 1996 provided $5.5 million of the increase. On a same station basis, net broadcasting revenue improved $3.4 million or 6.2% to $58.4 million in 1997 from $55.0 million in 1996 due primarily to an increase in program rates and, to a lesser extent, an increase in advertising time and improved selling efforts at both the national and local level. Included in this same station comparison are the results of five stations that we acquired or began to operate in 1997 for a total purchase price of $11.9 million, one station that we sold in 1997 for $5.0 million and one station that we sold in 1996 for $1.5 million. While broadcasting revenue from advertising as a percentage of our gross broadcasting revenue was essentially unchanged from 1996 to 1997, revenue from local advertising as a percentage of our gross broadcasting revenue increased from 26.7% in 1996 to 28.3% in 1997. Revenue from block program time as a percentage of our gross broadcasting revenue decreased from 57.5% in 1996 to 52.2% in 1997. Revenue from informercials was 5.1% of gross broadcasting revenue in 1997. Prior to 1997, classification of revenue (as national program, national advertising, local program or local advertising) from infomercials was determined at the discretion of local station general managers. The change in our broadcasting revenue mix is primarily due to our efforts to develop more local advertising sales in all of our markets and to the effects of separate reporting of revenue from infomercials beginning in 1997.

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

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

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

EBITDA. EBITDA increased $1.2 million or 5.7% to $22.1 million in 1997 from $20.9 million in 1996. As a percentage of total revenue, EBITDA decreased to 32.5% in 1997 from 35.4% in 1996. The decrease was primarily attributable to lower margins achieved by recently acquired and reformatted stations and to increased corporate expenses in 1997 as compared to 1996.

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

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

Other Income (Expense). Interest income decreased $293,000 to $230,000 in 1997 from $523,000 in 1996, primarily due to interest income earned in 1996 on a $14.0 million deposit from the sale of KDBX-FM, Portland. Gain on disposal of assets decreased $11.8 million from $16.1 million in 1996 to $4.3 million in

1997. The gain in 1997 was primarily due to the sale of WPZE-AM, Boston. The gain in 1996 was primarily due to the sale of KDBX-FM, Portland and KDFX-AM, Dallas. Interest expense increased $5.3 million or 71.6% to $12.7 million in 1997 from $7.4 million in 1996, primarily due to interest expense associated with additional borrowings to fund acquisitions consummated during 1997 and 1996. Other expense was essentially unchanged for 1997 compared to 1996.

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

Amounts outstanding under our existing credit facility bear interest (and will bear interest under our amended credit facility) at a base rate, at our option, of the bank's prime rate or LIBOR, plus a spread. For purposes of determining the interest rate under our existing credit facility, the prime rate spread ranged from 0% to 2.25%, and the LIBOR spread ranged from 1% to 3.5%. Under the amended credit facility, the prime rate spread will range from 0% to 1%, and the LIBOR spread will range from 0.875% to 2.25%.

The maximum amount that we may borrow under our amended credit facility will be limited by our debt to cash flow ratio, adjusted for recent radio station acquisitions (the "Adjusted Debt to Cash Flow Ratio"). The maximum Adjusted Debt to Cash Flow Ratio allowed under our existing credit facility is 7.00 to 1 at March 31, 1999, but decreases to 5.25 to 1 by December 31, 1999 and to 4.50 to 1 by December 31, 2000. The maximum Adjusted Debt to Cash Flow Ratio allowed under our amended credit facility will be 6.00 to 1 through December, 31, 2000. Thereafter, the maximum ratio will decline periodically until January

1, 2004, at which point it will remain at 4.00 to 1 through June 2006. At March 31, 1999, the Adjusted Debt to Cash Flow Ratio, after giving effect to the offering and the application of the net proceeds, including $13.4 million for our pending acquisitions, would have been 3.59 to 1, resulting in total borrowing availability of approximately $99 million, all of which is available for acquisition purposes and $69 million of which is available for working capital purposes.

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

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

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

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

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

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

Net cash used in investing activities increased to $10.0 million for the

quarter ended March 31, 1999, compared to $1.9 million in the same quarter of the prior year, primarily due to the acquisitions during the first quarter of 1999. We did not acquire any radio stations or other businesses during the first quarter of 1998. Net cash used in investing activities increased to $31.8 million in 1998, compared to $26.3 million in 1997, primarily due to radio station acquisitions (cash used of $33.7 million to purchase four stations in 1998 compared to cash used of $19.4 million to purchase eight stations in 1997). Net cash used in investing activities increased to $26.3 million in 1997, compared to $18.9 million in

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

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

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

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

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

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

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

YEAR 2000 COMPUTER SYSTEM COMPLIANCE

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

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

key business partners to identify their exposure to the Y2K

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

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

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

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

BUSINESS

OVERVIEW

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

Our primary strategy has been, and will continue to be, to acquire and operate radio stations in large metropolitan markets. We either acquire general format radio stations and reformat them or acquire radio stations already

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

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

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

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

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

TARGET AUDIENCE AND RADIO FORMAT OVERVIEW

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

- Religious formats, featured on commercial and non-commercial radio stations, constitute the third largest radio format in the U.S. after country and news/talk/business/sports formats, as of November 1998 (The M Street Journal).

- Over the past ten years, the number of radio stations identified as having primarily a religious format has increased by 79% to 1,785 (The M Street Journal).

- From 1997 to 1998, listeners to religious format radio increased by 1.3 million adults to 27.9 million weekly listeners. In the same period, more than 120 radio stations with religious formats began broadcasting, although, as a result of this increase, the average number of weekly listeners declined on a per station basis (Religion & Media Monthly).

- The Christian retail industry, which includes books, Bibles, curriculum material, apparel, music, videos, gifts and greeting cards, had sales of $3 billion in 1998 (Christian Booksellers Association).

- Sales of Christian music grew an average of 17% each year from 1989 to 1998 (The Recording Industry Association of America).

- Wal Mart, the nation's largest music retailer, now devotes more than 20% of its music selling space to Christian music (Gospel Music Association).

While a variety of music formats, including Southern Gospel, Black Gospel, Praise and Worship and Contemporary Christian, are offered on religious format stations, the largest single category of religious format is Christian talk and teaching. Religious talk and music formats can be found on both commercial and

non-commercial stations. Commercial radio stations account for approximately two-thirds of stations with religious formats. The balance of these stations broadcast from the non-commercial educational band (88.1MHz - 91.9MHz) and are licensed to non-profit organizations.

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

GROWTH AND OPERATING STRATEGIES

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

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

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

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

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

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

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

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

addition, our newly acquired

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

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

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

RADIO STATIONS

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

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

</TABLE>

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<CAPTION>

MARKET(1)	MSA RANK(2)	STATION CALL LETTERS	YEAR ACQUIRED
<S>	<C>	<C>	<C>
Phoenix, AZ	15	KPXQ-AM	1996

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

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

(2) "MSA" means Metro Survey Area. We have obtained all Metro Survey Area rank information used in this prospectus from the Fall 1998 Radio Market Survey Schedule & Population Rankings published by The Arbitron Company. According to the Radio Market Survey, the population estimates used were based upon 1990 U.S. Bureau Census estimates updated and projected to January 1, 1999 by Market Statistics, based on the data from Sales & Marketing Management's 1997 Survey of Buying Power.

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

(4) A contract to acquire this radio station for $5.0 million has been signed and FCC approval of the acquisition is pending. This radio station was formerly known by the call letters KGME-AM and will be renamed KCTK-AM after the closing.

(5) The station is simulcast with WAVA-FM, Washington, D.C.

(6) The station is simulcast with KKLA-FM, Los Angeles.

(7) A letter of intent to acquire these two radio stations for $5.0 million has been signed and FCC approval of the acquisitions is pending.

(8) Letters of intent to acquire four radio stations for $3.4 million have been signed.

(9) The station is simulcast with WHK-AM, Cleveland.

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

base consisting primarily of geographically diverse, well-established non-profit

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

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

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

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

We believe that the listening audiences for our radio stations are responsive to advertisers that promote products and services targeted to audiences interested in religious and family issues and are receptive to direct response appeals such as those offered through infomercials. Local church groups and many community organizations such as rescue missions and family crisis support services can often effectively reach their constituencies by advertising on religious and family issues talk format radio stations. Significant advertising is also purchased by local and nationally affiliated religious bookstores, publishers specializing in inspirational and religious literature and other businesses that desire to specifically target audiences interested in religious and family issues. We also generate advertising revenue from general market retailers, including automobile dealers and grocery store chains, in many of our stations' markets. Our management believes that general market retailers are increasingly willing to use niche radio formats for advertising.

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

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

- the number of inquiries to the advertiser in which the caller reports having heard the advertiser's commercial on one of our radio stations;

- the volume of new customers for the advertiser given a designated inquiry level (for example, the advertiser may require that it experience a conversion rate of four new customers for every 10 inquiries); and

- the revenue attributable to sales that are identified as generated by the

advertiser's commercial aired on our radio stations.

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

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

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

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

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

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

SALEM RADIO NETWORK(R)

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

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

TALK PROGRAMMING. Salem Radio Network(R) offers talk programming designed to attract listeners to affiliate radio stations by addressing current national issues from a religious and family issues perspective. Our network currently produces 20 daily and weekly long-form and short-form programs including The

Michael Medved Show, The David Gold Show, Tim Kimmel Live!, Janet Parshall's America and The Cal Thomas Commentary. As of May 17, 1999, 523 affiliate radio stations carried some form of Salem Radio Network(R) talk programming.

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

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

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

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

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

SALEM RADIO REPRESENTATIVES. We established Salem Radio Representatives in 1992 as a sales representation company specializing in placing national advertising on religious and family issues format radio stations. Salem Radio Network(R) and Salem owned radio stations have agreements with Salem Radio Representatives for the sale of available advertising time. Salem Radio Representatives also contracts with radio stations not owned by Salem to sell air time to national advertisers. See "-- Radio Stations -- Advertising Revenue." Salem Radio Representatives administrative offices are located in Dallas, Texas, and its 11 commissioned sales personnel are located in field offices in Washington, D.C., Chicago, Nashville, Dallas, Seattle, St. Louis and Los Angeles.

OTHER MEDIA

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

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

- SermonSearch is a subscription based online database of sermons submitted by pastors and noted church leaders that is used by youth leaders, ministers and teachers who research and prepare sermons or lessons.

- CCIS-Membership software is designed to maintain and track church membership, contributions, pledges, attendance and activities.

- GuardiaNet(TM) is a consumer profiling, security and filtering application that allows customers to create a safe environment for families by defining access rights uniquely for each family member.

- OnePlace.com is an online community designed to offer access to church and consumer products and provide other information and resources in a family friendly Internet community. We plan to generate revenue from OnePlace.com through advertising, e-commerce and subscription services.

- The ChristianSuperstore.net is an online e-commerce "superstore" of more than 31,000 consumer Christian products, including books, music, Bibles, gift items, software and other products.

- The music superstore division of OnePlace(TM), accessible through OnePlace.com and ChristianSuperstore.net, is an online e-commerce site of Christian music. We complement the sale of music CDs with artist and concert information from CCM Magazine and streaming of audio samples, including samples from The CCM Countdown with Gary Chapman.

- OnePlace Search, located within OnePlace.com, is a "yellow pages" guide to Christian resources that include Web pages listings for churches, retail stores, retail bookstores, Christian counselors and other institutions.

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

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

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

PUBLISHING. In January 1999, we purchased CCM Communications, Inc. for $1.9 million. CCM, based in Nashville, Tennessee, has published magazines since 1978 which follow the Christian music industry and, more recently, has added publications aimed at church staff. The products of CCM include the following:

- CCM Magazine, CCM's flagship publication for over 20 years, is published monthly and follows the Contemporary Christian music format through interviews with artists, feature articles, album reviews and concert schedules.

- Worship Leader, published bi-monthly and owned in partnership with The Corinthian Group, is a resource magazine for planning worship services and features columns by recognized authorities on worship and "how-to" articles and models designed to expand understanding of current trends and issues affecting worship.

- Youthworker, published bi-monthly, is a professional journal for Christian youthworkers who desire to keep current with leadership and youth trends and issues.

- The CCM Update, a weekly newsletter directed to Christian music retailers, radio stations and record company executives, features

industry news, radio and sales charts and reviews.

- Christian Research Report, a weekly publication directed exclusively to Christian radio, includes national airplay charts and music research.

- CCM New Music Guide, published quarterly, provides listings of upcoming releases from major record labels and national product distributors and offers reviews of Contemporary Christian releases scheduled for the coming quarter.

- The CCM Radio division produces The CCM Countdown with Gary Chapman, a three-hour weekly program featuring the top 30 Adult Contemporary songs as compiled by The CCM Update, and The CCM Radio Magazine, a one-hour weekly program based on the editorial content of CCM Magazine. The programs are delivered by satellite on the Salem Radio Network(R).

- CCM Online maintains CCM's Web site that contains content from the magazines, listings of where CCM Radio programs are aired, concert schedules and links to artist-related Web sites.

COMPETITION

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

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

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

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

OTHER MEDIA. Our magazines compete for readers and advertisers with other publications that follow the religious music industry and publications that address issues of interest to church leadership. Our Internet business competes with other companies that deliver online audio programming, companies with Web sites targeted to persons interested in religious and family issues and e-commerce companies, such as Amazon.com, whose product offerings include religious books and music.

EMPLOYEES

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

In certain of our larger markets, we employ key managers and on-air talent who do not have employment contracts. While the loss of any of these individuals

could have a material adverse effect upon the operations of the applicable radio station, we do not believe that any such loss would have a material adverse effect on our financial condition or results of operations taken as a whole.

PROPERTIES AND FACILITIES

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

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

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

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

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

LITIGATION

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

FEDERAL REGULATION OF RADIO BROADCASTING

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

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

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

convenience and necessity, that there have been no serious violations by the licensee of the Communications Act or the rules and regulations of the FCC, and

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

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

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

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

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

<TABLE>
<CAPTION>

MARKET(1)	STATION CALL LETTERS	FCC CLASS	HAAT IN METERS	POWER IN KILOWATTS(2)	FREQUENCY	EXPIRATION DATE OF LICENSE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
New York, NY(3).....	WMCA-AM	B	NA	5.0/5.0	570 kHz	6/1/2006
	WWDJ-AM	B	NA	5.0/5.0	970 kHz	6/1/2006
Los Angeles, CA.....	KKLA-FM	B	878	10.5	99.5 MHz	12/1/2005
	KIEV-AM	B	NA	20/3	870 kHz	12/1/2005
	KLTX-AM	B	NA	5.0/3.6	1390 kHz	12/1/2005
Chicago, IL.....	WYLL-FM	B	91(4)	50	106.7 MHz	12/1/2004
San Francisco, CA.....	KFAX-AM	B	NA	50	1100 kHz	12/1/2005
Philadelphia, PA.....	WFIL-AM	B	NA	5.0/5.0	560 kHz	8/1/2006
	WZZD-AM	B	NA	50.0/10.0	990 kHz	8/1/2006
Dallas-Ft. Worth, TX.....	KWRD-FM	C	460	100	94.9 MHz	8/1/2005
Boston, MA.....	WEZE-AM	B	NA	5.0/5.0	590 kHz	4/1/2006
Washington, D.C.	WAVA-FM	B	165	41	105.1 MHz	10/1/2003
Houston-Galveston, TX.....	KENR-AM	B	NA	10.0/5.0	1070 kHz	8/1/2005
	KKHT-FM	C	579	100	106.9 MHz	8/1/2005
	KTEK-AM	D	NA	2.7/2.067(5)	1110 kHz	8/1/2005
Seattle-Tacoma, WA.....	KGNW-AM	B	NA	50.0/5.0	820 kHz	2/1/2006
	KLFE-AM	B	NA	5.0/5.0	1590 kHz	2/1/2006
	KKOL-AM	B	NA	5.0/5.0	1300 kHz	2/1/2006
	KKMO-AM	B	NA	5.0/5.0	1360 kHz	2/1/2006
Phoenix, AZ.....	KPXQ-AM	B	NA	5.0/5.0	960 kHz	10/1/2005
San Diego, CA.....	KPRZ-AM	B	NA	20.0/5.0	1210 kHz	12/1/2005
Minneapolis-St Paul, MN.....	KKMS-AM	B	NA	5.0/5.0	980 kHz	4/1/2005
	KYCR-AM	B	NA	3.8/0.230	1570 kHz	4/1/2005
Baltimore, MD.....	WITH-AM	C	NA	1.0/1.0	1230 kHz	10/1/2003
Pittsburgh, PA.....	WORD-FM	B	154	48	101.5 MHz	8/1/2006
	WPIT-AM	D	NA	5.0/0.024	730 kHz	8/1/2006
Denver-Boulder, CO.....	KNUS-AM	B	NA	5.0/5.0	710 kHz	4/1/2005
	KRKS-AM	B	NA	5.0/0.39	990 kHz	4/1/2005

	KRKS-FM(6)	C	300	100	94.7 MHz	4/1/2005
Cleveland, OH.....	WCCD-AM	D	NA	0.5	1000 kHz	10/1/2004
	WHK-AM	B	NA	5.0/5.0	1420 kHz	10/1/2004
Portland, OR.....	KPDQ-AM	B	NA	1.0/0.51	800 kHz	2/1/2006
	KPDQ-FM(6)	C	387	100	93.7 MHz	2/1/2006
Cincinnati, OH.....	WTSJ-AM	B	NA	1.0/0.28	1050 kHz	10/1/2004
Sacramento, CA.....	KFIA-AM	B	NA	25.0/1.0	710 kHz	12/1/2005
	KTKZ-AM	B	NA	5.0/5.0	1380 kHz	12/1/2005
Riverside-San Bernardino, CA.....	KKLA-AM	C	NA	1.0/1.0	1240 kHz	12/1/2005
Columbus, OH.....	WRFD-AM	D	NA	23/6.1(5)	880 kHz	10/1/2004
San Antonio, TX.....	KSLR-AM	B	NA	5.0/4.3	630 kHz	8/1/2005
Akron, OH.....	WHLO-AM	B	NA	5.0/0.50	640 kHz	10/1/2004
Colorado Springs, CO.....	KBIQ-FM	C	695	72	102.7 MHz	4/1/2005
	KGFT-FM	C	676	78	100.7 MHz	4/1/2005
	KPRZ-FM(7)	C3	614	0.51	96.1 MHz	4/1/2005
Oxnard, CA.....	KDAR-FM	B1	393	1.5	98.3 MHz	12/1/2005
Canton, OH.....	WHK-FM(8)	B	175	36	98.1 MHz	10/1/2004

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(1) Actual city of license may be different form the metropolitan market served.

(2) Pursuant to FCC rules and regulations, many AM radio stations are licensed to operate at a reduced power during nighttime broadcasting hours, which results in reducing the radio station's coverage during those hours of operation. Both power ratings are shown, where applicable.

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

(4) The FCC has issued a construction permit to Salem which allows the antenna for this station to be increased to 129m HAAT.

(5) Pursuant to FCC rules and regulations, many AM radio stations are licensed to operate at a reduced power during critical hours, the two-hour periods immediately following sunrise and preceding sunset. Both daytime power ratings are shown. KTEK-AM and WRFD-AM do not operate during nighttime hours.

(6) The FCC has issued a notice of proposed rulemaking that contemplates adding a new class of FM station known as C0. For further information, see "-- Proposed Changes" below.

(7) The FCC has issued a construction permit to Salem which allows the license for this station to be changed to class C2, the antenna to be increased to 670m HAAT, the power to be increased to 1.7kW.

(8) The FCC has issued a construction permit to Salem which allows the antenna for this station to be increased to 268m HAAT and the power to be changed to 15.5kW. Construction has been completed pursuant to the permit and the station is now operating with its new antenna facility. An application to license the new facility is pending before the FCC.

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

Once a station purchase agreement has been signed, an application for FCC consent to assignment of license or transfer of control (depending upon whether

the underlying transaction is an asset purchase or stock acquisition) is filed with the FCC. Approximately 10 to 15 days after this filing, the FCC publishes a notice assigning a file number to the application and advising that the application has been "accepted for filing." This begins a 30-day statutory public notice period during which third parties have the opportunity to file formal petitions to deny the proposed transaction. Informal objections to the transaction may be filed at any time prior to the grant of an application. During this 30-day period, the FCC staff generally begins its review of the application and may request additional information from the applicants in response to any questions the staff may have.

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

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

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

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

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

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

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

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

- in a market with 45 or more commercial radio stations, an entity may own

up to eight commercial radio stations, not more than five of which are in the same service (FM or AM);

- in a market with between 30 and 44 (inclusive) commercial radio stations, an entity may own up to seven commercial radio stations, not more than four of which are in the same service;

- in a market with between 15 and 29 (inclusive) commercial radio stations, an entity may own up to six commercial radio stations, not more than four of which are in the same service;

- in a market with 14 or fewer commercial radio stations, an entity may own up to five commercial radio stations, not more than three of which are in the same service, except that an entity may not own more than 50% of the stations in such market.

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

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

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

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

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

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

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

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

PROGRAMMING AND OPERATION. The Communications Act requires broadcasters to serve the "public interest." The FCC has gradually relaxed or eliminated many of the more formalized procedures it had developed in the past to promote the broadcast of certain types of programming responsive to the needs of a station's community of license. Licensees continue to be required, however, to present programming that is responsive to community problems, needs and interests and to maintain certain records demonstrating such responsiveness. Complaints from listeners concerning a station's programming will be considered by the FCC when it evaluates the licensee's renewal application, but such complaints may be filed and considered at any time.

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

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

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

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

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

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

- raising the basic benchmark for attributing ownership in a corporate licensee from 5% to 10% of the licensee's voting stock;

- increasing from 10% to 20% of the licensee's voting stock the attribution benchmark for "passive investors" in corporate licensees; and

- restricting the availability of the attribution exemption when a single party controls more than 50% of the voting stock.

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

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

- proposals to impose spectrum use or other fees on FCC licensees;

- the FCC's equal employment opportunity rules and matters relating to political broadcasting;

- technical and frequency allocation matters;

- changes in the FCC's cross interest policies;

- changes in multiple ownership and cross-ownership rules;

- changes to broadcast technical requirements;

- proposals to allow telephone or cable television companies to deliver audio and video programming to the home through existing phone lines;

- proposals to limit the tax deductibility of advertising expenses by advertisers; and

- proposals to auction the right to use the radio broadcast spectrum to the highest bidder, instead of granting FCC licenses and subsequent license renewals without such bidding.

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

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

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

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

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

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

might have on our business.

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

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

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

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

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

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

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

MANAGEMENT

EXECUTIVE AND OTHER KEY OFFICERS AND DIRECTORS

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

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
Edward G. Atsinger III.....	59	President, Chief Executive Officer and Director
Stuart W. Epperson.....	62	Chairman of the Board
Eric H. Halvorson.....	50	Executive Vice President, Chief Operating Officer, General Counsel and Director
Greg R. Anderson.....	52	President, Salem Radio Network
Dirk Gastaldo.....	43	Vice President and Chief Financial Officer
Kenneth L. Gaines.....	60	Vice President - Operations
Dave Armstrong.....	53	Vice President - Operations and General

		Manager/KKLA-FM/AM, KLTX-AM and KIEV-AM
Joe D. Davis.....	55	Vice President - Operations and General Manager/WMCA-AM and WWDJ-AM
Kenneth W. Sasso.....	52	Vice President - Operations and General Manager/KGFT-FM, KPRZ-FM and KBIQ-FM
David Ruleman.....	52	Vice President - Operations and General Manager/WAVA-FM and WITH-AM
W. Douglas Young.....	48	Chief Executive Officer, OnePlace, Ltd.
John W. Styll.....	47	President, CCM Communications, Inc.
Richard A. Riddle.....	54	Director
Roland S. Hinz.....	60	Director
Joseph S. Schuchert.....	70	Director
Donald P. Hodel.....	64	Director

</TABLE>

All directors hold office until the next annual meeting of stockholders following their election, or until their successors are elected and qualified. Officers are elected annually by the board of directors and serve at the discretion of the board.

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

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

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

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

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

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

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

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

Mr. Sasso has been Vice President - Operations of Salem since 1996 and General Manager of Salem's Colorado Springs radio stations from 1994 to present. He also served as General Manager of Salem's Denver radio stations from 1994 to

1996. Mr. Sasso is the former owner of eight radio stations in Florida, Mississippi and Louisiana which were sold in 1989. From 1969 to 1979, he served in various radio management capacities for King Broadcasting and The American Broadcasting Companies.

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

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

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

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

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

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

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

COMMITTEES OF THE BOARD OF DIRECTORS

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

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

of Salem.

EXECUTIVE COMPENSATION

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

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

		ANNUAL COMPENSATION			
NAME AND PRINCIPAL POSITIONS	YEAR	SALARY	BONUS	OTHER ANNUAL COMPENSATION	ALL OTHER COMPENSATION
<S>	<C>	<C>	<C>	<C>	<C>
Edward G. Atsinger III....	1998	$400,000	$250,000	$ --	$ --
President, Chief	1997	400,000	--	890,192(2)	--
Executive Officer and Director	1996	400,000	350,000(1)	996,372(2)	--
Stuart W. Epperson.....	1998	400,000	288,000	--	--
Chairman of the Board	1997	400,000	--	890,192(2)	--
	1996	400,000	350,000(1)	1,012,319(2)	--
Eric H. Halvorson.....	1998	285,000	87,500	--	570(3)
Executive Vice President,	1997	270,000	85,000	--	63,525(4)
Chief Operating Officer and Director	1996	255,000	85,000	--	909(3)
Dave Armstrong.....	1998	175,658	38,000	--	876(3)
Vice President -	1997	163,683	--	--	19(3)
Operations	1996	149,019	15,000	--	585(3)
Joe D. Davis.....	1998	172,362	20,000	--	1,000(3)
Vice President -	1997	163,524	--	--	950(3)
Operations	1996	159,026	--	--	950(3)

</TABLE>

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

(2) Represents tax reimbursement payments made to satisfy individual federal and state income tax liabilities generated by New Inspiration and Golden Gate as a result of their S corporation status. See note 1 to our consolidated financial statements included elsewhere in this prospectus.

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

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

COMPENSATION OF DIRECTORS

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

1999 STOCK INCENTIVE PLAN

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

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

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

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

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

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

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

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

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

required to comply with requirements of the Exchange Act.

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

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

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

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

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

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

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

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

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

EMPLOYMENT AGREEMENTS

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

an additional annual term would entitle Messrs. Atsinger and Epperson to three months of severance plus accrued bonus through the date of termination.

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

Eric H. Halvorson is a party to an employment agreement with Salem pursuant to which he serves as Executive Vice President of Salem at an annual salary of $300,000, with a term of employment through December 2003. If Mr. Halvorson is terminated without cause by Salem, he is entitled to severance payments equal to his salary for the remaining term of his agreement. Mr. Halvorson also entered into a deferred compensation agreement with Salem effective as of November 1991, pursuant to which Mr. Halvorson will receive (i) 50% of the average of his three highest years of compensation, payable for a period of ten consecutive years, if he remains employed by Salem until age 60, or (ii) a discounted amount, based upon the compensation he would have received if he had

remained employed until age 60, if his employment terminates for any reason after the term of the employment agreement or before he reaches age 60 by reason of death, disability or termination by Salem without cause.

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

401(k) PLAN

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

TRANSACTIONS INVOLVING OFFICERS, DIRECTORS AND PRINCIPAL STOCKHOLDERS

OUR 1997 REORGANIZATION

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

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

LOAN TRANSACTIONS

In December 1996, Messrs. Atsinger and Epperson, Salem's principal

stockholders, repaid Salem $4.8 million for outstanding principal and accrued interest under two promissory notes given for loans made to them in 1991. Salem made these loans, approximately $1.7 million each, to Messrs. Atsinger and Epperson, to facilitate the repayment of personal indebtedness each of them had incurred in connection with prior radio station acquisitions. The notes bore interest at a floating rate. The repayments to

Salem were made with the proceeds of a distribution to Messrs. Atsinger and Epperson from Golden Gate and New Inspiration of previously taxed S corporation income. Principal and accrued interest on these notes amounted to approximately $4.6 million at December 31, 1995. Salem earned approximately $189,000 in interest on these two notes in 1996.

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

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

In December 1997, Salem borrowed $2.0 million from Mr. Atsinger pursuant to a promissory note with a revolving principal amount of up to $2.5 million. The outstanding balance on the note as of December 31, 1998 was $1.8 million and the note was repaid in full and cancelled in April 1999. The note bore interest at a floating rate that was last set at 8%.

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

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

LEASES WITH PRINCIPAL STOCKHOLDERS

Salem leases the studios and tower and antenna sites described in the table below from Messrs. Atsinger and Epperson or trusts and partnerships created for the benefit of Messrs. Atsinger and Epperson and their families. All such leases have cost of living adjustments. Based upon management's assessment and analysis of local market conditions for comparable properties, we believe that such leases do not have terms that vary materially from those that would have been available from unaffiliated parties.

<TABLE>
<CAPTION>

MARKET	STATION CALL LETTERS	FACILITIES LEASED	CURRENT ANNUAL RENTAL	EXPIRATION DATE(1)
<S>	<C>	<C>	<C>	<C>
LEASES WITH BOTH MESSRS. ATSINGER AND EPPERSON:				
Los Angeles, CA.....	KKLA-AM	Antenna/Tower/Studios	$ 46,260	2002
	KLTX-AM	Antenna/Tower	140,172	2002
Chicago, IL.....	WYLL-FM	Antenna/Tower	42,048	2002
San Francisco, CA.....	KFAX-AM	Antenna/Tower	145,680	2003

</TABLE>

<TABLE>
<CAPTION>

	STATION CALL		CURRENT	EXPIRATION

MARKET	LETTERS	FACILITIES LEASED	ANNUAL RENTAL	DATE(1)
<S>	<C>	<C>	<C>	<C>
Philadelphia, PA.....	WFIL-AM/ WZZD-AM	Antenna/Tower/Studios	112,044	2004
Houston-Galveston, TX.....	KKHT-FM	Antenna/Tower	150,000	2008
	KENR-AM	Antenna/Tower	32,184	2005
	KTEK-AM	Antenna/Tower	16,800	2009
Seattle-Tacoma, WA.....	KGNW-AM	Antenna/Tower	36,444	2002
	KLFE-AM	Antenna/Tower	26,484	2004
Minneapolis-St. Paul, MN.....	KKMS-AM	Antenna/Tower/Studios	135,120	2006
Pittsburgh, PA.....	WORD-FM	Antenna/Tower	27,156	2003
Denver-Boulder, CO.....	KNUS-AM	Antenna/Tower	18,816	2006
Cleveland, OH.....	WHK-AM	Antenna/Tower	34,080	2008
Portland, OR.....	KPDQ-AM/FM	Studios	61,680	2002
		Antenna/Tower	14,016	2002
Cincinnati, OH.....	WTSJ-AM	Antenna/Tower/Studios	24,096	2007
Sacramento, CA.....	KFIA-AM	Antenna/Tower	80,916	2006
San Antonio, TX.....	KSLR-AM	Antenna/Tower	34,730	2007
Akron, OH.....	WHLO-AM	Antenna/Tower	12,162	2007
Canton, OH.....	WHK-FM	Antenna/Tower	12,162	2007
			$1,203,050	
LEASE WITH MR. ATSINGER:				
San Diego, CA.....	KPRZ-FM	Antenna/Tower	46,812	2002
			$1,249,862	

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

Rental expense paid by Salem to Messrs. Atsinger and Epperson or trusts or partnerships created for the benefit of their families for 1998, 1997 and 1996 amounted to approximately $1,000,000, $1,000,000 and, $800,000, respectively. Rental expense paid by Salem solely to Mr. Atsinger or trusts created for the benefit of his family for 1998, 1997 and 1996 amounted to approximately $60,000, $57,000 and $57,000, respectively. Rental expense paid by Salem to Messrs. Atsinger and Epperson in 1998, 1997 and 1996 represented payment under substantially the same leases as currently in effect, however, leases for radio station properties disposed of by Salem during 1996, 1997 and 1998 are not included in the preceding summary table.

KKOL-AM

In April 1999, Salem purchased KKOL-AM, Seattle, Washington for $1.4 million from Sonsinger, Inc., a corporation owned by Messrs. Atsinger and Epperson. Prior to the acquisition, pursuant to a local marketing agreement with Sonsinger entered into on June 13, 1997, Salem programed KKOL-AM and sold all the airtime. Under that local marketing agreement we retained all of the revenue (approximately $82,000 and $20,400 for 1998 and 1997, respectively) and incurred all of the expenses related to our operation of KKOL-AM and incurred approximately $164,000 and $64,000 in local marketing fees under the agreement in 1998 and 1997, respectively. We also agreed to purchase the real estate and transmitter site for KKOL-AM for $400,000 from Sonsinger.

TOWER CONSTRUCTION CONTRACT

In August 1997, in order to reduce the indebtedness under our credit facility, we assigned our contract with a tower construction company to build a broadcast tower in

Houston to a corporation owned by Messrs. Atsinger and Epperson. Messrs. Atsinger and Epperson reimbursed us for our costs and expenses of $3.7 million on December 31, 1997. The antenna for our station in Houston, KKHT-FM, is located on the tower and we pay rent to Messrs. Atsinger and Epperson at an annual rate of $150,000.

RADIO STATIONS OWNED BY THE EPPERSONS

Mrs. Epperson has personally acquired four radio stations in the Norfolk-Virginia Beach-Newport News, Virginia market. Additionally, Mr. Epperson has personally acquired certain radio stations in the Greensboro-Winston-Salem, North Carolina market. These Virginia and North Carolina markets are not

currently served by Salem's radio stations. Acquisitions in these markets are not part of our current business and acquisition strategies. Under his employment agreement, Mr. Epperson is required to offer Salem a right of first refusal on opportunities related to Salem's business.

TRANSPORTATION SERVICES SUPPLIED BY PRINCIPAL STOCKHOLDER

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

SECURITY OWNERSHIP OF SELLING STOCKHOLDERS, BENEFICIAL OWNERS AND MANAGEMENT

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

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

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

<TABLE>
<CAPTION>

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

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* Less than 1%.

(1) These shares of Class A and Class B common stock are held by trusts of which Mr. Atsinger is trustee.

(2) Includes shares of Class A common stock held by a trust of which Mr. Epperson is trustee and held directly by Mr. Epperson. As husband and wife, Mr. and Mrs. Epperson are each deemed to be the beneficial owner of shares held by the other and, therefore, their combined beneficial ownership is shown in the table.

(3) Includes shares of Class B common stock held directly by Mr. Epperson and held directly by Mrs. Epperson.

DESCRIPTION OF CAPITAL STOCK

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

COMMON STOCK

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

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

- in the case of a proposed acquisition of a company where any director, officer, holder of 10% or more of any class of common stock or any of their affiliates has an interest in the company, the assets to be acquired or in the proceeds from the transaction, holders of both classes of common stock are entitled to one vote for each share held of record; and

- in the case of a proposed going private transaction involving Salem or Edward G. Atsinger III, Stuart W. Epperson or Nancy A. Epperson or any of their affiliates, holders of both classes of common stock are entitled to one vote for each share held of record.

The Class A common stock and the Class B common stock vote together as a single class on all matters submitted to a vote of stockholders, including the election of directors by proxy, except as required by law and except as follows. Beginning with Salem's first annual meeting following the offering, the holders of Class A common stock will vote as a separate class for two independent directors, in addition to voting together with holders of Class B common stock for the remaining directors. Shares of common stock do not have cumulative voting rights with respect to the election of directors.

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

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

Dividends. Holders of the common stock are entitled to receive, as when and if declared by the board of directors from time to time, such dividends and other distributions in cash, stock or property from Salem's assets or fund

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

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

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

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

PREFERRED STOCK

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

CERTAIN CERTIFICATE OF INCORPORATION AND BYLAW PROVISIONS

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

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

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

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

repay those amounts if it is finally determined that the indemnified party is not entitled to indemnification.

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

CERTAIN PROVISIONS OF DELAWARE LAW

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

FOREIGN OWNERSHIP RESTRICTIONS

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

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

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

Specifically, Salem's foreign ownership restrictions provide:

- Salem shall not issue to an Alien any shares of its capital stock if such issuance would result in the total number of shares of such capital stock held or voted by Aliens (or for or by the account of Aliens) to exceed 25% of (i) the total number of all shares of such capital stock outstanding at any time and from time to time or (ii) the total voting power of all shares of such capital stock outstanding and entitled to vote at any time and from time to time. Salem shall not permit the transfer on its books of any capital stock to any Alien that would result in the total number of shares of such capital stock held or voted by Aliens (or for or by the account of Aliens) exceeding such 25% limits.

- No Alien or Aliens, individually or collectively, shall be entitled to vote or direct or control the vote of more than 25% of (i) the total number of all shares of capital stock of Salem outstanding at any time and from time to time or (ii) the total voting power of all shares of capital stock of Salem outstanding and entitled to vote at any time and from time to time. Issuance or transfer of Salem's capital stock in violation of this provision is prohibited.

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

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

- the redemption price shall be equal to the lower of (i) the fair market value of the shares to be redeemed, as determined by the board of directors in good faith, and (ii) such Alien's purchase price for such shares;

- the redemption price may be paid in cash, securities or any combination thereof;

- if less than all the shares held by Aliens are to be redeemed, the shares to be redeemed shall be selected in any manner determined by the board of directors to be fair and equitable;

- at least 10 days' prior written notice of the redemption date shall be given to the holders of record of the shares selected to be redeemed (unless waived in writing by any such holder), provided that the redemption date may be the date on which written notice shall be given to holders if the cash or securities necessary to effect the redemption shall have been deposited in trust for the benefit of such holders and subject to immediate withdrawal by them upon surrender of the stock certificates for their shares to be redeemed duly endorsed in blank or accompanied by duly executed proper instruments of transfer;

- from and after the redemption date, the shares to be redeemed shall cease to be regarded as outstanding and any and all rights of the holders in respect of the

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

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

LIMITATION OF LIABILITY

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

- for any breach of such person a duty of loyalty;

- for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law;

- for the payment of unlawful dividends and certain other actions prohibited by Delaware corporate law; and

- for any transaction resulting in receipt by such person of an improper personal benefit.

TRANSFER AGENT AND REGISTRAR

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

SHARES ELIGIBLE FOR FUTURE SALE

SHARES OUTSTANDING AND FREELY TRADEABLE AFTER OFFERING

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

RULE 144

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

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

EFFECT OF SUBSTANTIAL SALES ON MARKET PRICE OF COMMON STOCK

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

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

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

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

DIVIDENDS

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

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

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

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

Under the New Regulations, Form W-8 will replace Form 4224.

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

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

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

GAIN ON DISPOSITION OF CLASS A COMMON STOCK

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

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

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

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

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

FEDERAL ESTATE TAX

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

UNDERWRITING

We intend to offer our Class A common stock through a number of underwriters. BT Alex. Brown Incorporated, ING Baring Furman Selz LLC and Salomon Smith Barney Inc. are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in a

purchase agreement among Salem, the selling stockholders and the underwriters, we and the selling stockholders have agreed to sell to the underwriters, and each of the underwriters severally and not jointly has agreed to purchase from Salem and the selling stockholders, the number of shares of Class A common stock set forth opposite its name below.

<TABLE>
<CAPTION>

UNDERWRITER	NUMBER OF SHARES
<S>	<C>
BT Alex. Brown Incorporated.....	
ING Baring Furman Selz LLC.....	
Salomon Smith Barney Inc.....	
Total.....	7,500,000

</TABLE>

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

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

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

COMMISSIONS AND DISCOUNTS

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

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

<TABLE>
<CAPTION>

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

</TABLE>

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

OVER-ALLOTMENT OPTION

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

RESERVED SHARES

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

LOCK-UP

We and our executive officers and directors and all existing stockholders have agreed, subject to certain exceptions, without the prior written consent of BT Alex. Brown Incorporated and ING Baring Furman Selz LLC on behalf of the underwriters for a period of 180 days after the date of this prospectus, not to directly or indirectly:

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

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

NASDAQ NATIONAL MARKET QUOTATION

We expect our Class A common stock to be approved for quotation on the Nasdaq National Market under the symbol "SALM."

Before this offering, there has been no public market for our Class A common stock. The initial public offering price will be determined through negotiations among us, the selling stockholders and the representatives. The factors considered in determining the initial public offering price, in addition to prevailing market conditions, are the valuation multiples of publicly traded companies that the representatives believe to be comparable to us, certain of our financial information, our history, our prospects, the industry in which we compete, and an assessment of our management, its past and present operations, the prospects for, and timing of, our future revenue, the present state of our development, and the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours. There can be no assurance that an active trading market will develop for our Class A common stock or that our Class A common stock will trade in the public market subsequent to the offering at or above the initial public offering price.

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

PRICE STABILIZATION, SHORT POSITIONS AND PENALTY BIDS

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

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

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

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

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

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

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

LEGAL MATTERS

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

EXPERTS

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

ADDITIONAL INFORMATION

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

information with respect to Salem and our Class A common stock offered hereby, reference is made to the registration statement, including the exhibits and the financial statements, notes and schedules filed as part of the registration statement. Statements contained in this prospectus regarding the contents of any contract or other document referred to in the prospectus or registration statement are not necessarily complete. In each instance, reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference.

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

INDEX TO FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

</TABLE>

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Salem Communications Corporation

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

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

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

ERNST & YOUNG LLP

Woodland Hills, California
March 24, 1999, except for
Note 10, as to which

the date is May 26, 1999

SALEM COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

<TABLE>
<CAPTION>

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

	========	========	========		

</TABLE>

See accompanying notes.

SALEM COMMUNICATIONS CORPORATION

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

<TABLE>
<CAPTION>

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

Net income (loss)	$ 12,753	$ (2,378)	$ (1,581)	$ (574)	$ (1,308)
Basic and diluted income (loss) per share before extraordinary item	$ 0.77	$ (0.07)	$ (0.09)	$ (0.03)	$ (0.08)
Extraordinary loss	--	(0.07)	--	--	--
Basic and diluted net income (loss) per share	$ 0.77	$ (0.14)	$ (0.09)	$ (0.03)	$ (0.08)
Basic and diluted weighted average shares outstanding	16,661,088	16,661,088	16,661,088	16,661,088	16,661,088

Pro forma information for 1996 and 1997 (unaudited):

Income (loss) before income taxes and extraordinary item as reported above	$ 19,408	$ (1,087)
Add back tax reimbursements to S Corporation shareholders	2,038	1,780
Pro forma income (loss) before income taxes and extraordinary item	21,446	693
Pro forma provision (benefit) for income taxes	8,608	278
Pro forma income (loss) before extraordinary item	12,838	415
Extraordinary loss	--	(1,185)
Pro forma net income (loss)	$ 12,838	$ (770)
Pro forma basic and diluted income (loss) per share before extraordinary item	$ 0.77	$ 0.02
Extraordinary loss per share	--	(0.07)
Pro forma basic and diluted net income (loss) per share	$ 0.77	$ (0.05)
Basic and diluted weighted average shares outstanding	16,661,088	16,661,088

</TABLE>

See accompanying notes.

SALEM COMMUNICATIONS CORPORATION

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

<TABLE>
<CAPTION>

	CLASS A COMMON STOCK		CLASS B COMMON STOCK				
	SHARES	AMOUNT	SHARES	AMOUNT	ADDITIONAL PAID-IN-CAPITAL	RETAINED EARNINGS	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Stockholders' equity, January 1, 1996	11,107,392	$111	5,553,696	$56	$5,665	$ 7,450	$13,282
Net income	--	--	--	--	--	12,753	12,753
Stockholder distributions	--	--	--	--	--	(5,501)	(5,501)
Stockholders' equity, December 31, 1996	11,107,392	111	5,553,696	56	5,665	14,702	20,534
Net loss	--	--	--	--	--	(2,378)	(2,378)
Stockholder distributions	--	--	--	--	--	(7,474)	(7,474)
Stockholders' equity, December 31, 1997	11,107,392	111	5,553,696	56	5,665	4,850	10,682
Net loss	--	--	--	--	--	(1,581)	(1,581)
Stockholders' equity, December 31, 1998	11,107,392	111	5,553,696	56	5,665	3,269	9,101
Net loss (unaudited)	--	--	--	--	--	(1,308)	(1,308)

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

</TABLE>

See accompanying notes.

SALEM COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

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

Fair market value of assets acquired	$ 40,100	$ --	$ 33,210	$ --	$ --
Debt to seller	(30,500)	--	(2,810)	--	--
Fair market value of assets exchanged	(8,000)	--	--	--	--
Acquisition of other media businesses					
Fair market value of assets acquired	--	--	--	--	14,365
Fair market value of liabilities assumed	--	--	--	--	(5,993)
Cash paid	$ 1,600	$ --	$ 30,400	$ --	$ 8,372

</TABLE>

See accompanying notes.

SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(INFORMATION AT MARCH 31, 1999 AND FOR

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Reorganization

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

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

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

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

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

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

Description of Business

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

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

Segments

The Company operates in one reportable segment.

Revenue Recognition

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

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

Cash Equivalents

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

Property, Plant and Equipment

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

<TABLE>
<S> <C>

Buildings	40 years
Office furnishings and equipment	5 - 10 years
Antennae, towers and transmitting equipment	20 years
Studio and production equipment	10 years
Computer software	3 - 5 years
Record and tape libraries	20 years

Automobiles	5 years
Leasehold improvements	15 years

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

Intangible Assets

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

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

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

Bond Issue Costs

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

Tax Reimbursements to S Corporation Shareholders

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

Income Taxes

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

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

Basic and Diluted Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common stock shares outstanding. Diluted net

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

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

<TABLE>
<CAPTION>

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

</TABLE>

Concentrations of Business and Credit Risks

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

Use of Estimates

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

Reclassifications

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

2. ACQUISITIONS AND DISPOSITIONS OF ASSETS

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

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

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

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

<TABLE>
<CAPTION>

ACQUISITION DATE	STATION	MARKET SERVED	PURCHASE PRICE
			(IN THOUSANDS)
<S>	<C>	<C>	<C>
August 21, 1998	KKMO-AM	Seattle-Tacoma, WA	$ 500
August 26, 1998	KIEV-AM	Los Angeles, CA	33,210
October 30, 1998	KYCR-AM	Minneapolis-St. Paul, MN	500
October 30, 1998	KTEK-AM	Houston-Galveston, TX	2,061
			$36,271

</TABLE>

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

<TABLE>
<CAPTION>

ASSET	AMOUNT
	(IN THOUSANDS)
<S>	<C>
Property and equipment	$ 4,507
Broadcast licenses	29,627
Goodwill and other intangibles	2,137
	$36,271

</TABLE>

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

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

<TABLE>
<CAPTION>

ACQUISITION DATE	STATION	MARKET SERVED	PURCHASE PRICE
			(IN THOUSANDS)
<S>	<C>	<C>	<C>
January 21, 1997	WHK-AM	Cleveland, OH	$ 6,220
February 20, 1997	WHK-FM	Canton, OH	5,903
February 20, 1997	WHLO-AM	Akron, OH	1,995
February 28, 1997	WEZE-AM	Boston, MA	7,030
April 2, 1997	KTKZ-AM	Sacramento, CA	1,385
July 18, 1997	WITH-AM	Baltimore, MD	1,114
July 18, 1997	WTSJ-AM	Cincinnati, OH	1,114
October 24, 1997	WCCD-AM	Cleveland, OH	700
			$25,461

</TABLE>

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

<TABLE>
<CAPTION>

ASSET	AMOUNT
	(IN THOUSANDS)
<S>	<C>
Property and equipment	$ 3,634
Broadcast licenses and other intangibles	21,827
	$25,461

</TABLE>

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

During the year ended December 31, 1996, the Company purchased the assets (principally intangibles) (and in the case of KBIQ-FM, all of the outstanding shares of common stock) of the following radio stations:

<TABLE>
<CAPTION>

ACQUISITION DATE	STATION	MARKET SERVED	PURCHASE PRICE
			(IN THOUSANDS)
<S>	<C>	<C>	<C>
February 1, 1996	KTSL-FM	Spokane, WA	$ 900
February 1, 1996	KLTE-FM	Kirksville, MO	550
February 1, 1996	KPRZ-FM	Colorado Springs, CO	1,400
March 1, 1996	KGFT-FM	Colorado Springs, CO	3,000
March 15, 1996	KNUS-AM	Denver-Boulder, CO	1,100
October 5, 1996	KPXQ-AM	Phoenix, AZ	6,500
October 25, 1996	KBIQ-FM	Colorado Springs, CO	2,825
December 6, 1996	KKMS-AM	Minneapolis-St. Paul, MN	1,894
December 30, 1996	KWRD-FM	Dallas-Ft. Worth, TX	40,100
April 3, 1996	Standard News Network	Washington, D.C.	--
August 1, 1996	The Word in Music([)	Colorado Springs, CO	120
August 23, 1996	Morningstar Radio Network	Nashville, TN	1,232
			$59,621

</TABLE>

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

<TABLE>
<CAPTION>

ASSET	AMOUNT
	(IN THOUSANDS)
<S>	<C>
Property and equipment	$ 3,767
Broadcast licenses	53,116
Goodwill and other intangibles	2,738
	$59,621

</TABLE>

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

3. PROPERTY, PLANT AND EQUIPMENT

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

<TABLE>
<CAPTION>

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

</TABLE>

4. LONG-TERM DEBT

Long-term debt consisted of the following at:

<TABLE>
<CAPTION>

	DECEMBER 31		MARCH 31, 1999
	1997	1998	(UNAUDITED)

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

</TABLE>

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

Revolving Line of Credit with Banks

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

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

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

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

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

9 1/2% Senior Subordinated Notes due 2007

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

Other Debt

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

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

Maturities of Long-Term Debt

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

<TABLE>

<CAPTION>

	DECEMBER 31, 1998	MARCH 31, 1999 (UNAUDITED)
	(IN THOUSANDS)	
<S>	<C>	<C>
1999	$ --	$ --
2000	2,810	2,810
2001	--	--
2002	--	5,250
2003	3,500	10,000
Thereafter	172,300	172,300
	$178,610	$190,360

</TABLE>

5. INTEREST RATE CAP AND SWAP AGREEMENTS

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

6. INCOME TAXES

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

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

<TABLE>
<CAPTION>

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

</TABLE>

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

<TABLE>
<CAPTION>

	1997	1998
	(IN THOUSANDS)	
<S>	<C>	<C>
Deferred tax assets:		
Financial statement accruals not currently deductible	$ 610	$ 665
Net operating loss, AMT credit and other carryforwards	2,224	2,367
State taxes	197	122
Total deferred tax assets	3,031	3,154
Valuation allowance for deferred tax assets	(95)	(95)
Net deferred tax assets	2,936	3,059
Deferred tax liabilities:		
Excess of net book value of property, plant and equipment for financial reporting purposes over tax basis	3,806	4,263
Excess of net book value of intangible assets for financial reporting purposes over tax basis	8,118	7,305
Other	880	629
Total deferred tax liabilities	12,804	12,197
Net deferred tax liabilities	$ 9,868	$ 9,138

</TABLE>

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

<TABLE>
<CAPTION>

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

</TABLE>

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

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

7. COMMITMENTS AND CONTINGENCIES

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

Future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 1998, are as follows:

<TABLE>
<CAPTION>

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

</TABLE>

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

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

8. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

In August 1997, the Company assigned its contract with a tower construction company to build a broadcast tower in Houston, Texas to a corporation owned by the principal stockholders subject to the principal stockholders obtaining financing. The principal stockholders obtained such financing on December 31, 1997 and reimbursed the Company for its costs and expenses under the contract, which amounted to approximately $3.7 million.

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

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

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

9. DEFINED CONTRIBUTION PLAN

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

10. STOCKHOLDERS' EQUITY

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

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

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

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

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

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

11. SUBSEQUENT EVENTS (UNAUDITED)

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

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

In April 1999, the Company entered into letters of intent to purchase radio

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

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YOU MAY RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE INFORMATION DIFFERENT FROM THAT CONTAINED IN THIS PROSPECTUS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR THE SALE OF CLASS A COMMON STOCK MEANS THAT INFORMATION CONTAINED IN THIS PROSPECTUS IS CORRECT AFTER THE DATE OF THIS PROSPECTUS. THIS PROSPECTUS IS NOT AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY THESE SHARES IN ANY CIRCUMSTANCES UNDER WHICH THE OFFER OR SOLICITATION IS UNLAWFUL.

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<TABLE>
<CAPTION>

</TABLE>

UNTIL , 1999 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS THAT BUY, SELL OR TRADE IN THESE SHARES OF CLASS A COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. DEALERS ARE ALSO OBLIGATED TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

- ----------
- ----------
- ----------
- ----------

7,500,000 SHARES

[SALEM LOGO]
CLASS A COMMON STOCK

PROSPECTUS

BT ALEX. BROWN
ING BARING FURMAN SELZ LLC

SALOMON SMITH BARNEY

, 1999

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

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

Securities and Exchange Commission registration fee	$ 55,600
NASD filing fee	20,500
Nasdaq listing fee	95,000
Accounting fees and expenses	200,000
Legal fees and expenses	600,000
Printing and engraving expenses	230,000
Transfer agent and registrar fees	15,000
Total	$1,216,100

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

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

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

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

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

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

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

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

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

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
<S>	<C>
1.01	Equity Underwriting Agreement, among Salem, the selling stockholders, and BT Alex. Brown Incorporated, ING Baring Furman Selz LLC and Salomon Smith Barney Inc.

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
2.01**	Agreement and Plan of Merger of Salem Communications Corporation, a Delaware corporation, and Salem Communications Corporation, a California corporation, dated as of March 31, 1999.
3.01	Amended and Restated Certificate of Incorporation of Salem Communications Corporation, a Delaware corporation.
3.02**	Bylaws of Salem Communications Corporation, a Delaware corporation.
4.01+	Indenture between Salem, certain named guarantors and The Bank of New York, as Trustee, dated as of September 25, 1997, relating to the 9 1/2% Series A and Series B Senior Subordinated Notes due 2007.
4.02+	Form of 9 1/2% Senior Subordinated Note.
4.03+	Form of Note Guarantee.
4.04+	Credit Agreement, dated as of September 25, 1997, among Salem, the several Lenders from time to time parties thereto, and The Bank of New York, as Administrative Agent for the Lenders (incorporated by reference to Exhibit 4.07 of the previously filed Registration Statement on Form S-4 (No. 333-41733)).
4.05+	Borrower Security Agreement, dated as of September 25, 1997, by and between Salem and The Bank of New York, as Administrative Agent (incorporated by reference to Exhibit 4.08 of the previously filed Registration Statement on Form S-4 (No. 333-41733)).
4.06+	Subsidiary Guaranty and Security Agreement dated as of September 25, 1997, by and between Salem and The Bank of New York, as Administrative Agent and the Guarantors named therein (incorporated by reference to Exhibit 4.09 of the previously filed Registration Statement on Form S-4 (No. 333-41733)).
4.07++	Amendment No. 1 and Consent No. 1, dated as of August 5, 1998, to the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent, Bank of America NT&SA, as Documentation Agent, and the Lenders named therein (incorporated by reference to Exhibit 10.02 of previously filed Current Report on Form 8-K).
4.08++	Amendment No. 2 and Consent No. 2, dated as of January 22, 1999, to the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent, Bank of America NT&SA, as Documentation Agent, and the Lenders named therein.
4.09***	Specimen of Class A common stock certificate.
4.10*	Supplemental Indenture No. 1, dated as of March 31, 1999, to the Indenture, dated as of September 25, 1997, by and among Salem Communications Corporation, a California corporation, Salem Communications Corporation, a Delaware corporation, The Bank of New York, as Trustee, and the Guarantors named therein.
4.11*	Consent No. 3, dated as of March 31, 1999, to the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as Documentation Agent, and the Lenders named therein.
4.12*	Assumption Agreement, dated as of March 31, 1999, by and between Salem Communications Corporation, a Delaware corporation, and The Bank of New York, as Administrative Agent.

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
4.13*	Amendment No. 1 to the Grant of Security Interest (Servicemarks) by Salem to The Bank of New York, as Administrative Agent, under the Borrower Security Agreement, dated as of September 25, 1997, with the Administrative Agent.
4.14	Amendment No. 3 and Consent No. 4, dated as of April 23, 1999, under the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as Documentation Agent, and the Lenders party thereto.
4.15***	First Amended and Restated Credit Agreement dated as of June , 1999, by and among Salem, The Bank of New York, as

	Administrative Agent for the Lenders, Bank of American NT&SA, as Documentation Agent, and the Lenders named therein.
5.01	Opinion and Consent of Gibson, Dunn & Crutcher LLP, regarding validity of the Class A common stock.
10.01	Amended and Restated Employment Agreement, dated as of May 19, 1999, between Salem and Edward G. Atsinger III.
10.02	Amended and Restated Employment Agreement, dated as of May 19, 1999, between Salem and Stuart W. Epperson.
10.03.01+	Employment Contract, dated November 7, 1991, between Salem and Eric H. Halvorson.
10.03.02+	First Amendment to Employment Contract, dated April 22, 1996, between Salem and Eric H. Halvorson.
10.03.03+	Second Amendment to Employment Contract, dated July 8, 1997, between Salem and Eric H. Halvorson.
10.03.04+	Deferred Compensation Agreement, dated November 7, 1991, between Salem and Eric H. Halvorson.
10.04.01	Reserved.
10.05.01+	Antenna/tower lease between Caron Broadcasting, Inc. (WHLO-AM/ Akron, Ohio) and Messrs. Atsinger and Epperson expiring 2007.
10.05.02+	Antenna/tower/studio lease between Caron Broadcasting, Inc. (WTSJ-AM/Cincinnati, Ohio) and Messrs. Atsinger and Epperson expiring 2007.
10.05.03+	Antenna/tower lease between Caron Broadcasting, Inc. (WHK-FM/ Canton, Ohio) and Messrs. Atsinger and Epperson expiring 2007.
10.05.04+	Antenna/tower/studio lease between Common Ground Broadcasting, Inc.(KKMS-AM/Eagan, Minnesota) and Messrs. Atsinger and Epperson expiring in 2006.
10.05.05+	Antenna/tower lease between Common Ground Broadcasting, Inc. (WHK-AM/Cleveland, Ohio) and Messrs. Atsinger and Epperson expiring 2008.
10.05.06+	Antenna/tower lease (KFAX-FM/Hayward, California) and Salem Broadcasting Company, a partnership consisting of Messrs. Atsinger and Epperson, expiring in 2003.
10.05.07+	Antenna/tower/studio lease between Inland Radio, Inc. (KKLA-AM/ San Bernardino, California) and Messrs. Atsinger and Epperson expiring 2002.
10.05.08+	Antenna/tower lease between Inspiration Media, Inc. (KGNW-AM/ Seattle, Washington) and Messrs. Atsinger and Epperson expiring in 2002.

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
<S>	<C>
10.05.09+	Antenna/tower lease between Inspiration Media, Inc. (KLFE-AM/ Seattle, Washington) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring in 2004.
10.05.11.01+	Antenna/tower/studio lease between Pennsylvania Media Associates, Inc. (WZZD-AM/ WFIL-AM/Philadelphia, Pennsylvania) and Messrs. Atsinger and Epperson, as assigned from WEAZ-FM Radio, Inc., expiring 2004.
10.05.11.02+	Antenna/tower/studio lease between Pennsylvania Media Associates, Inc. (WZZD-AM/ WFIL-AM/Philadelphia, Pennsylvania) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2004.
10.05.12+	Antenna/tower lease between Radio 1210, Inc. (KPRZ-AM/Olivenhain, California) and The Atsinger Family Trust expiring in 2002.
10.05.13+	Antenna/tower lease between Salem Media Corporation (WYLL-FM/ Arlington Heights, Illinois) and Messrs. Atsinger and Epperson expiring in 2002.
10.05.14+	Antenna/turner/studio leases between Salem Media Corporation (KLTX-AM/Long Beach and Paramount, California) and Messrs. Atsinger and Epperson expiring in 2002.
10.05.15+	Antenna/tower lease between Salem Media of Colorado, Inc. (KNUS-AM/Denver-Bolder, Colorado) and Messrs. Atsinger and Epperson expiring 2006.
10.05.16+	Antenna/tower lease between Salem Media of Ohio, Inc. (WRFD-AM/ Columbus, Ohio) and Messrs. Atsinger and Epperson expiring 2002.
10.05.17.01+	Studio Lease between Salem Media of Oregon, Inc. (KPDQ-AM/FM/ Portland, Oregon) and Edward G. Atsinger III, Mona J. Atsinger, Stuart W. Epperson, and Nancy K. Epperson expiring 2002.
10.05.17.02+	Antenna/tower lease between Salem Media of Oregon, Inc.

	(KPDQ-AM/FM/Raleigh Hills, Oregon and Messrs. Atsinger and Epperson expiring 2002.
10.05.18+	Antenna/tower lease between Salem Media of Pennsylvania, Inc. (WORD-FM/WPIT-AM/ Pittsburgh, Pennsylvania) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2003.
10.05.19+	Antenna/tower lease between Salem Media of Texas, Inc. (KSLR-AM/ San Antonio, Texas) and Epperson-Atsinger 1983 Family Trust expiring 2007.
10.05.20+	Antenna/tower lease between South Texas Broadcasting, Inc. (KENR-AM/Houston-Galveston, Texas) and Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2005.
10.05.21+	Antenna/tower lease between Vista Broadcasting, Inc. (KFIA-AM/ Sacramento, California) and The Atsinger Family Trust and Stuart W. Epperson Revocable Living Trust expiring 2006.
10.05.22++	Antenna/tower lease between South Texas Broadcasting, Inc. (KKHT-FM/Houston-Galveston, Texas) and Sonsinger Broadcasting Company of Houston, LP expiring 2008.
10.05.23++	Antenna/tower lease between Inspiration Media of Texas, Inc. (KTEK-AM/Alvin, Texas) and the Atsinger Family Trust and The Stuart W. Epperson Revocable Living Trust expiring 2009.

</TABLE>

<TABLE>
<CAPTION>

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

</TABLE>

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

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

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

* Previously filed.

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

*** To be filed by amendment.

(b) FINANCIAL STATEMENT SCHEDULES:

Schedule II -- Valuation and Qualifying Accounts

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

ITEM 17. UNDERTAKINGS

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

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

(c) The undersigned Registrant undertakes:

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 1 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in

Camarillo, California on June 2, 1999.

SALEM COMMUNICATIONS CORPORATION

By: *

Edward G. Atsinger III
President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 to Registration Statement has been signed by the following persons in the capacities indicated on June 2, 1999.

<TABLE>
<CAPTION>

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

</TABLE>

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

<TABLE>
<C> <S>

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

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each person whose signature appears below constitutes and appoints Eric H. Halvorson and Dirk Gastaldo, his true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in

any and all capacities, to sign any or all amendments to this Amendment No. 1 to Registration Statement, including post-effective amendments, and any registration statement related thereto filed pursuant to Rule 462(b) under the Securities Act, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, and hereby ratifies and confirms all that said attorneys-in-fact and agents, each acting alone, or their substitute or substitutes, may lawfully do or cause to be done.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on June 2, 1999.

<TABLE>
<CAPTION>

NAME	TITLE
<C>	<S>
/s/ ROLAND S. HINZ Roland S. Hinz	Director
/s/ DONALD P. HODEL Donald P. Hodel	Director
/s/ JOSEPH S. SCHUCHERT Joseph S. Schuchert	Director

</TABLE>

SALEM COMMUNICATIONS CORPORATION

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
<CAPTION>

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

</TABLE>

EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION OF EXHIBITS
<S>	<C>
1.01	Equity Underwriting Agreement, among Salem, the selling stockholders, and BT Alex. Brown Incorporated, ING Baring Furman Selz LLC and Salomon Smith Barney Inc.
3.01	Amended and Restated Certificate of Incorporation of Salem Communications Corporation, a Delaware corporation.
4.09***	Specimen of Class A common stock certificate.
4.10*	Supplemental Indenture No. 1, dated as of March 31, 1999, to the Indenture, dated as of September 25, 1997, by and among Salem Communications Corporation, a California corporation, Salem Communications Corporation, a Delaware corporation, The Bank of New York, as Trustee, and the Guarantors named therein.

4.11*	Consent No. 3, dated as of March 31, 1999, to the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as Documentation Agent, and the Lenders named therein.
4.12*	Assumption Agreement, dated as of March 31, 1999, by and between Salem Communications Corporation, a Delaware corporation, and The Bank of New York, as Administrative Agent.
4.13*	Amendment No. 1 to the Grant of Security Interest (Servicemarks) by Salem to The Bank of New York, as Administrative Agent, under the Borrower Security Agreement, dated as of September 25, 1997, with the Administrative Agent.
4.14	Amendment No. 3 and Consent No. 4, dated as of April 23, 1999, under the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as Documentation Agent, and the Lenders party thereto.
4.15***	First Amended and Restated Credit Agreement dated as of June , 1999, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of American NT&SA, as Documentation Agent, and the Lenders named therein.
5.01	Opinion and Consent of Gibson, Dunn & Crutcher LLP, regarding validity of the Class A common stock.
10.01	Amended and Restated Employment Agreement, dated as of May 19, 1999, between Salem and Edward G. Atsinger III.
10.02	Amended and Restated Employment Agreement, dated as of May 19, 1999, between Salem and Stuart W. Epperson.
10.06.10	Asset Purchase Agreement dated as of April 1, 1999 by and between Inspiration Media, Inc. and Sonsinger, Inc. (KKOL-AM, Seattle, Washington).
10.10	1999 Stock Incentive Plan.
21.01*	Subsidiaries of Salem.
23.01	Consent of Ernst & Young LLP.
23.02	Consent of Gibson, Dunn & Crutcher LLP (included in Exhibit 5.01).

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

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* Previously filed.

*** To be filed by amendment.

EXHIBIT 1.01

[___] Shares

SALEM COMMUNICATIONS CORPORATION
(a Delaware corporation)

Class A Common Stock

(Par Value $.01 Per Share)

EQUITY UNDERWRITING AGREEMENT

June __, 1999

BT Alex. Brown Incorporated
ING Baring Furman Selz LLC
Salomon Smith Barney Inc.
As Representatives of the
Several Underwriters
c/o BT Alex. Brown Incorporated
One South Street
Baltimore, Maryland 21202

Ladies and Gentlemen:

Salem Communications Corporation, a Delaware corporation (the "Company"), and Edward G. Atsinger, III; Edward G. Atsinger, III Trust; and Stuart W. Epperson, Sr. (the "Selling Stockholders") confirm their respective agreements with BT Alex. Brown Incorporated ("BT Alex. Brown") and each of the other Underwriters named in Schedule A hereto (collectively, the "Underwriters," which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom BT Alex. Brown, ING Baring Furman Selz LLC (together with BT Alex. Brown, the "Lead Managers") and Salomon Smith Barney Inc. are acting as representatives (in such capacity, the "Representatives"), with respect to (i) the issue

and sale by the Company, the sale by the Selling Stockholders and the purchase by the Underwriters, acting severally and not jointly, of the respective numbers of shares of Class A common stock, par value $.01 per share, of the Company ("Common Stock") set forth in said Schedule A, and (ii) the grant by the Selling Stockholders to the Underwriters, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of [___] additional shares of Common Stock to cover over-allotments, if any. The aforesaid [___] shares of Common Stock (the "Initial Securities") to be purchased by the Underwriters and all or any part of the [___] shares of Common Stock subject to the option described in Section 2(b) hereof (the "Option Securities") are hereinafter called, collectively, the "Securities."

The Company and the Selling Stockholders understand that the Underwriters propose to make a public offering of the Securities as soon as the Representatives deem advisable after this Agreement has been executed and delivered.

The Company, the Selling Stockholders and the Underwriters agree that up to [_____] shares of the Initial Securities to be purchased by the Underwriters (the "Reserved Securities") shall be reserved for sale by the Underwriters to certain eligible employees and persons having business relationships with the Company, as part of the distribution of the Securities by the Underwriters, subject to the terms of this Agreement, the applicable rules, regulations and interpretations of the National Association of Securities Dealers, Inc. (the "NASD") and all other applicable laws, rules and regulations. To the extent that such Reserved Securities are not orally confirmed for purchase by such eligible employees and persons having business relationships with the Company by the end of the first business day after the date of this Agreement, such Reserved Securities may be offered to the public as part of the public offering contemplated hereby.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (No. 333-76649) covering the registration of the Securities under the Securities Act of 1933, as amended (the "1933 Act"), including the related preliminary prospectus. Promptly after execution and delivery of this Agreement, the Company will prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule 424 ("Rule 424(b)") of the 1933 Act Regulations. The information included in such prospectus that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A Information." Each form of prospectus used before

such registration statement became effective, and any prospectus that omitted the Rule 430A Information that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a "preliminary prospectus." Such registration statement, including the exhibits thereto and schedules thereto at the time it became effective and including the Rule 430A Information, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein referred to as the "Rule 462(b) Registration Statement," and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The final form of prospectus in the form first furnished to the Underwriters for use in connection with the offering of the Securities is herein called the "Prospectus." For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the Prospectus or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

SECTION 1. Representations and Warranties.

(a) Representations and Warranties by the Company. The Company represents and warrants to each Underwriter as of the date hereof, as of the Closing Time referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) referred to in Section 2(b), hereof and agrees with each Underwriter, as follows:

(i) Compliance with Registration Requirements. Each of the Registration Statement and any Rule 462(b) Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Time (and, if any Option Securities are purchased, at the Date of Delivery), the Registration Statement, the Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated

therein or necessary to make the statements therein not misleading. Neither the Prospectus nor any amendments or supplements thereto, at the time the Prospectus or any amendments or supplements thereto were issued and at the Closing Time (and, if any Option Securities are purchased, at the Date of Delivery), included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or the Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by any Underwriter through the Representatives expressly for use in the Registration Statement or the Prospectus.

Each preliminary prospectus and the prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the 1933 Act, complied when so filed in all material respects with the 1933 Act Regulations and each preliminary prospectus and the Prospectus delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

The Company has filed a registration statement pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended (the "1934 Act"), to register the Common Stock under the 1934 Act, and such registration statement has become effective.

(ii) Independent Accountants. The accountants who certified the financial statements and supporting schedules included in the Registration Statement are independent public accountants as required by

the 1933 Act and the 1933 Act Regulations.

(iii) Financial Statements. The financial statements included in the Registration Statement and the Prospectus, together with the related schedules and notes, present fairly the financial position of the Company and its consolidated subsidiaries at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company and its consolidated subsidiaries for the periods specified; said financial statements have been prepared in conformity with generally accepted accounting principles

("GAAP") applied on a consistent basis throughout the periods involved. The supporting schedules included in the Registration Statement present fairly in accordance with GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement. The pro forma financial statements and the related notes thereto included in the Registration Statement and the Prospectus present fairly the information shown therein, have been prepared in accordance with the Commission's rules and guidelines with respect to pro forma financial statements and have been properly compiled on the bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions and circumstances referred to therein. The applicable requirements of Rules 3-05 and 11-01 of Regulation S-X under the 1933 Act as they relate to the Company's August 1998 purchase of KIEV-AM have been properly applied.

(iv) No Material Adverse Change in Business. Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(v) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the

conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(vi) Good Standing of Subsidiaries. Each "significant subsidiary" of the Company (as such term is defined in Rule 1-02 of Regulation S-X) and Salem Radio Network Incorporated, Salem Radio Representatives, Inc., CCM Communications, Inc. and One Place, Ltd. (each a "Subsidiary" and, collectively, the "Subsidiaries") has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; all of the issued and outstanding capital stock of each such Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; none of the outstanding shares of capital stock of any

Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary. The only subsidiaries of the Company are the subsidiaries listed on Exhibit 21 to the Registration Statement.

(vii) Capitalization. The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus in the column entitled "Actual" under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to this Agreement pursuant to agreements or employee benefit plans referred to in the Prospectus or pursuant to the exercise of options referred to in the Prospectus). The shares of issued and outstanding capital stock of the Company, including the Securities to be purchased by the Underwriters from the Selling Stockholders, have been duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company, including the Securities to be purchased by the Underwriters from the Selling Stockholders, was issued in violation of the preemptive or other similar rights of any securityholder of the Company.

(viii) Authorization of Agreement. This Agreement has been duly authorized, executed and delivered by the Company.

(ix) Authorization and Description of Securities. The Securities to be purchased by the Underwriters from the Company have been duly authorized for issuance and sale to the Underwriters pursuant to this Agreement and, when issued and delivered by the Company pursuant to this Agreement against payment of the consideration set forth herein, will be validly issued, fully paid and non-assessable; the Common Stock conforms to all statements relating thereto contained in the Prospectus and such description conforms to the rights set forth in the instruments defining the same; no holder of the Securities will be subject to personal liability by reason of being such a holder; and the issuance and sale of the Securities by the Company and the sale of the Securities by the Selling Stockholders is not subject to the preemptive or other similar rights of any securityholder of the Company.

(x) Absence of Defaults and Conflicts. Neither the Company nor any of its subsidiaries is in violation of its charter or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (collectively, "Agreements and Instruments") except for such defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated in this Agreement and in the Registration Statement (including the issuance and sale of the Securities, and the use of the proceeds from the sale of the Securities as described in the Prospectus under the caption "Use of Proceeds") and compliance by the Company with its obligations under this Agreement have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any subsidiary or any applicable law, statute, rule, regulation,

judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any subsidiary or any of their respective assets, properties or operations. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any subsidiary.

(xi) Absence of Labor Dispute. No labor dispute with the employees

of the Company or any subsidiary exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

(xii) Absence of Proceedings. There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, including, but not limited to, the Federal Communications Commission (the "FCC"), now pending, or, to the knowledge of the Company, threatened, to which the Company or any subsidiary is a party, or to which the property or assets of the Company or any subsidiary is subject, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to materially and adversely affect the properties or assets thereof or the consummation of the transactions contemplated in this Agreement or the performance by the Company of its obligations hereunder or thereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to the business, could not reasonably be expected to result in a Material Adverse Effect.

(xiii) Accuracy of Exhibits. There are no contracts or documents which are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits thereto which have not been so described and filed as required.

(xiv) Possession of Intellectual Property. The Company and its subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would result in a Material Adverse Effect.

(xv) Absence of Further Requirements. No registration or filing with, or authorization, approval, consent, license, order, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering, issuance, sale or delivery of the Securities under this Agreement or the consummation of the transactions contemplated by this Agreement, except such as have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations and foreign or state securities or blue sky laws.

(xvi) Regulatory Matters. The Company and its subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by, and have satisfied all filing, registration and other regulatory requirements (collectively, "Regulations") of, the appropriate federal, state, local or foreign regulatory agencies or bodies (including, but not limited to, the FCC) necessary to conduct the business now operated by them; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses and Regulations, except where the failure so to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, for the maximum term customarily issued, with no material conditions, restrictions or qualifications, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect or the restrictions would not have a Material

Adverse Effect; neither the Company nor any of its subsidiaries has

received any notice of proceedings relating to the revocation, modification, non-renewal or suspension of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect; and the Company knows of no reason why any proceedings relating to the revocation, modification, non-renewal or suspension of any such Governmental Licenses might be initiated.

(xvii) Title to Property. The Company and its subsidiaries have good and marketable title to all real property owned by the Company and its subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests, claims, restrictions or encumbrances of any kind except such as (a) are described in the Prospectus or (b) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its subsidiaries; and all of the leases and subleases material to the business of the Company and its subsidiaries, considered as one enterprise, and under which the Company or any of its subsidiaries holds properties described in the Prospectus, are in full force and effect, and neither the Company nor any subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease.

(xviii) Tax Returns and Payment of Taxes. The Company and its subsidiaries have timely filed all Federal, state, local and foreign tax returns that are required to be filed or have duly requested extensions thereof and all such tax returns are true, correct and complete, except to the extent that any failure to file or request an extension, or any incorrectness would not, individually or in the aggregate, result in a Material Adverse Effect. The Company and its subsidiaries have timely paid all taxes shown as due on such filed tax returns (including any related assessments, fines or penalties), except to the extent that any such taxes are being contested in good faith and by appropriate proceedings, or to the extent that any failure to pay would not, individually or in the aggregate, result in a Material Adverse Effect; and adequate charges, accruals and reserves have been provided for in the financial statements referred to in Section 1(a)(iii) above in accordance with GAAP in respect of all Federal, state, local and foreign taxes for all periods as to which

the tax liability of the Company or any of its subsidiaries has not been finally determined or remains open to examination by applicable taxing authorities. The Company is not a "United States real property holding corporation" within the meaning of Section 897(c)(3) of the Internal Revenue Code of 1986, as amended.

(xix) Investment Company Act. The Company is not, and upon the issuance and sale of the Securities as herein contemplated and the application of the net proceeds therefrom as described in the Prospectus will not be, an "investment company" or an entity "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended (the "1940 Act").

(xx) Environmental Laws. Except as described in the Registration Statement and except as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries and (D) there are no events or circumstances that might reasonably be expected to form the

basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws.

(xxi) Insurance. The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; and the Company has no reason to believe that the Company or any of its subsidiaries will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business, except where the failure to renew or maintain such coverage is not reasonably expected to result in a Material Adverse Effect.

(xxii) Year 2000. The Company has reviewed its operations and those of its subsidiaries and any third party with which the Company or any of its subsidiaries has a material relationship to evaluate the extent to which the business or operations of the Company or any of its subsidiaries will be affected by the Year 2000 Problem. Other than as set forth in the Prospectus, the Company does not anticipate incurring operating expenses or costs material to the financial position or results of operations of the Company and its subsidiaries in connection with the actions that the Company currently believes are necessary to address the Year 2000 Problem. As a result of the aforementioned review, the Company has no reason to believe, and does not believe, that the Year 2000 Problem will have a Material Adverse Effect on the Company and its subsidiaries considered as one enterprise or result in any material loss or interference with the business or operations of the Company or any of its subsidiaries. The "Year 2000 Problem" as used herein means any risk that computer hardware or software used in the receipt, transmission, processing, manipulation, storage, retrieval, retransmission or other utilization of data or in the operation of mechanical or electrical systems of any kind will not, in the case of dates or time periods occurring after December 31, 1999, function at least as effectively as in the case of dates or time periods occurring prior to January 1, 2000.

(xxiii) Affiliate Transactions. No relationship, direct or indirect, exists between or among any of the Company or any affiliate of the Company, on the one hand, and any director, officer, stockholder, customer or supplier of any of them, on the other hand, that is required by the 1933 Act or the 1933 Act Regulations to be described in the Registration Statement or the Prospectus which is not so described or is not described as required.

(xxiv) No Stabilization or Manipulation. The Company has not taken and will not take directly or indirectly, any action designed to, or that might

reasonably be expected to, cause or result in stabilization or manipulation of the price of the Securities in violation of Regulation M under the 1934 Act.

(xxv) Registration Rights. There are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the 1933 Act.

(b) Representations and Warranties by the Selling Stockholders. Each Selling Stockholder severally represents and warrants to each Underwriter as of the date hereof, as of the Closing Time, and, if such Selling Stockholder is selling Option Securities on a Date of Delivery, as of each such Date of Delivery, and agrees with each Underwriter, as follows:

(i) Accurate Disclosure. To the best knowledge of such Selling Stockholder, the representations and warranties of the Company contained in Section 1(a) hereof are true and correct; such Selling Stockholder has reviewed and is familiar with the Registration Statement and the Prospectus, and the Prospectus does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; such Selling Stockholder is not

prompted to sell the Securities to be sold by such Selling Stockholder hereunder by any information concerning the Company or any subsidiary of the Company which is not set forth in the Prospectus.

(ii) Authorization of Agreements. Such Selling Stockholder has the full right, power and authority to enter into this Agreement and a Power of Attorney and Custody Agreement (collectively, the "Power of Attorney and Custody Agreement") and to sell, transfer and deliver the Securities to be sold by such Selling Stockholder hereunder. The execution and delivery of this Agreement and the Power of Attorney and Custody Agreement and the sale and delivery of the Securities to be sold by such Selling Stockholder and the consummation of the transactions contemplated herein and compliance by such Selling Stockholder with its obligations hereunder do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default under, or result in the creation or imposi tion of any tax, lien, charge or encumbrance upon the Securities to be sold by such Selling Stockholder or any property or assets of such Selling Stockholder pursuant to, any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other agreement or instrument to which such

Selling Stockholder is a party or by which such Selling Stockholder may be bound, or to which any of the property or assets of such Selling Stockholder is subject, nor will such action result in any violation of any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, having jurisdiction over such Selling Stockholder or any of such Selling Stockholder's properties or assets.

(iii) Valid and Marketable Title. Such Selling Stockholder has and will at the Closing Time and, if any Option Securities are purchased, on each Date of Delivery have valid and marketable title to the Securities to be sold by such Selling Stockholder pursuant to this Agreement free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind; and upon delivery of such Securities and payment of the purchase price therefor as contemplated herein, assuming each such Underwriter has no notice of any adverse claim, each of the Underwriters will receive valid and marketable title to the Securities purchased by it from such Selling Stockholder, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind.

(iv) Due Execution of Power of Attorney and Custody Agreement. Such Selling Stockholder has duly executed and delivered, in the form heretofore furnished to the Representatives, the Power of Attorney and Custody Agreement with Eric H. Halvorson and Dirk Gastaldo, or any of them, as attorneys-in-fact (the "Attorneys-in-Fact") and The Bank of New York, as custodian (the "Custodian"); the Custodian is authorized to deliver the Securities to be sold by such Selling Stockholder hereunder and to accept payment therefor; and each Attorney-in-Fact is authorized to execute and deliver this Agreement and any certificate that may be required pursuant to Section 5 on behalf of such Selling Stockholder, to sell, assign and transfer to the Underwriters the Securities to be sold by such Selling Stockholder under this Agreement, to determine the purchase price to be paid by the Underwriters to such Selling Stockholder, as provided in Section 2(a) hereof, to authorize the delivery of the Securities to be sold by such Selling Stockholder hereunder, to accept payment therefor, and otherwise to act on behalf of such Selling Stockholder in connection with this Agreement.

(v) No Stabilization or Manipulation. Such Selling Stockholder has not taken and will not take, directly or indirectly, any action designed to, or might reasonably be expected to, cause or result in stabilization or manipulation of the price of the Securities in violation of Regulation M under the 1934 Act.

(vi) Absence of Further Requirements. No registration or filing with, or authorization, approval, consent, license, order, qualification or decree of, any court or governmental authority or agency is necessary or required to be obtained by such Selling Stockholder for the performance by such Selling Stockholder of such Selling Stockholder's obligations hereunder or in the Power of Attorney and Custody Agreement, or in connection with the offer, sale or delivery of the Securities

under this Agreement or the consummation of the transactions contemplated by this Agreement, except such as may have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations and foreign or state securities or blue sky laws.

(vii) Restriction on Sale of Securities. During a period of 180 days from the date of the Prospectus, such Selling Stockholder will not, without the prior written consent of the Lead Managers, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any share of Common Stock or any securities convertible into or exercisable or exchangeable for or repayable with Common Stock or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to the Securities to be sold hereunder.

(viii) Certificates Suitable for Transfer. Certificates for all of the Securities to be sold by such Selling Stockholder pursuant to this Agreement, in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank with signatures guaranteed, have been placed in custody with the Custodian with irrevocable conditional instructions to deliver such Securities to the Underwriters pursuant to this Agreement.

(ix) No Association with NASD. Neither such Selling Stockholder nor any of such Selling Stockholder's affiliates directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, or has any other association with (within the meaning of Article I, Section 1(q) of the By-laws of the NASD), any member firm of the NASD.

(c) Officer's Certificates. Any certificate signed by any officer of the Company or any of its subsidiaries delivered to the Representatives or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby; and any certificate signed by or on behalf of the Selling Stockholders as such and delivered to the Representatives or to counsel for the Underwriters pursuant to the terms of this Agreement shall be deemed a representation and warranty by such Selling Stockholder to the Underwriters as to matters covered thereby.

SECTION 2. Sale and Delivery to Underwriters; Closing.

(a) Initial Securities. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company and each Selling Stockholder, severally and not jointly, agree to sell to each Underwriter, severally and not jointly, and each Underwriter, severally and not jointly, agrees to purchase from the Company and each Selling Stockholder, at the price per share set forth in Schedule C, that proportion of the number of Initial Securities set forth in Schedule B opposite the name of the Company or such Selling Stockholder, as the case may be, which the number of Initial Securities set forth in Schedule A opposite the name of such Underwriter, plus any additional number of Initial Securities which such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof, bears to the total number of Initial Securities, subject, in each case, to such adjustments among the Underwriters as the Representatives in their sole discretion shall make to eliminate any sales or purchases of fractional securities.

(b) Option Securities. In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Selling Stockholders, acting severally and not jointly, hereby grant an option to the Underwriters, severally and not jointly, to purchase up to an additional [__] shares of Common Stock at the price per share set forth in Schedule C, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial Securities but not payable on the Option Securities. The option hereby granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial Securities upon notice by BT Alex. Brown to the Company and the Selling Stockholders setting forth the number of Option Securities as to which the several Underwriters are then exercising the option and the time and date of payment and delivery for such Option Securities. Any such time and date of delivery for the Option Securities (a "Date of Delivery") shall be determined by the Lead Managers, but shall not be later than

seven full business days

after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined. If the option is exercised as to all or any portion of the Option Securities, each of the Underwriters, acting severally and not jointly, will purchase that proportion of the total number of Option Securities then being purchased which the number of Initial Securities set forth in Schedule A opposite the name of such Underwriter bears to the total number of Initial Securities, subject in each case to such adjustments as BT Alex. Brown in its discretion shall make to eliminate any sales or purchases of fractional shares. Any election to purchase Option Securities will be made in proportion to the number of Option Securities to be sold by the Selling Stockholders as set forth in Schedule B.

(c) Payment. Payment of the purchase price for, and delivery of certificates for, the Initial Securities shall be made at the offices of Debevoise & Plimpton, 875 Third Avenue, New York, New York 10022, or at such other place as shall be agreed upon by the Lead Managers and the Company, at 9:00 A.M. (Eastern time) on the third (fourth, if the pricing occurs after 4:30 P.M. (Eastern time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 10), or such other time not later than ten business days after such date as shall be agreed upon by the Lead Managers and the Company (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the Option Securities are purchased by the Underwriters, payment of the purchase price for, and delivery of certificates for, such Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the Lead Managers and the Selling Stockholders, on each Date of Delivery as specified in the notice from BT Alex. Brown to the Company and the Selling Stockholders.

Payment shall be made to the Company and the Selling Stockholders by wire transfer of immediately available funds to a bank account designated by the Company and the Custodian pursuant to each Selling Stockholder's Power of Attorney and Custody Agreement, as the case may be, against delivery to the Representatives for the respective accounts of the Underwriters of certificates for the Securities to be purchased by them. It is understood that each Underwriter has authorized the Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial Securities and the Option Securities, if any, which it has agreed to purchase. BT Alex. Brown, individually and not as representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Initial Securities or the Option Securities, if any, to be purchased by any Underwriter whose funds have not been received by the Closing Time or the relevant Date of Delivery, as

the case may be, but such payment shall not relieve such Underwriter from its obligations hereunder.

(d) Denominations; Registration. Certificates for the Initial Securities and the Option Securities, if any, shall be in such denominations and registered in such names as the Representatives may request in writing at least one full business day before the Closing Time or the relevant Date of Delivery, as the case may be. The certificates for the Initial Securities and the Option Securities, if any, will be made available for examination and packaging by the Representatives in The City of New York not later than 9:00 A.M. (Eastern time) on the business day prior to the Closing Time or the relevant Date of Delivery, as the case may be.

SECTION 3. Covenants of the Company. The Company covenants with each Underwriter as follows:

(a) Compliance with Securities Regulations and Commission Requests. The Company, subject to Section 3(b), will comply with the requirements of Rule 430A and will notify the Global Coordinator immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectus or any amended Prospectus shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of

the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes. The Company will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) Filing of Amendments. The Company will give the Lead Managers notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)) or any amendment,

supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the Prospectus, will furnish the Lead Managers with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Lead Managers or counsel for the Underwriters shall object.

(c) Delivery of Registration Statements. The Company has furnished or will deliver to the Representatives and counsel for the Underwriters, without charge, signed copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein) and signed copies of all consents and certificates of experts, and will also deliver to the Representatives, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) Delivery of Prospectus. The Company has delivered to each Underwriter, without charge, as many copies of each preliminary prospectus as such Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each Underwriter, without charge, during the period when the Prospectus is required to be delivered under the 1933 Act or the 1934 Act, such number of copies of the Prospectus (as amended or supplemented) as such Underwriter may reasonably request. The Prospectus and any amendments or supplements thereto furnished to the Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) Continued Compliance with Securities Laws. The Company will comply with the 1933 Act and the 1933 Act Regulations so as to permit the completion of the distribution of the Securities as contemplated in this Agreement and in the Prospectus. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the Underwriters or for the Company, to amend the

Registration Statement or amend or supplement any Prospectus in order that the Prospectus will not include any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement any Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectus comply with such requirements, and the Company will furnish to the Underwriters such number of copies of such amendment or supplement as the Underwriters may reasonably request.

(f) Blue Sky Qualifications. The Company will use its best efforts, in cooperation with the Underwriters, to qualify the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions as the Lead Managaers may designate and to maintain such qualifications in effect for a period of not less than one year from the later of the effective date of the Registration Statement and any Rule 462(b) Registration Statement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the effective date of the Registration Statement and any Rule 462(b) Registration Statement.

(g) Rule 158. The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(h) Use of Proceeds. The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Prospectus under "Use of Proceeds."

(i) Listing. The Company will use its best efforts to effect and maintain the quotation of the Common Stock (including the Securities) on the Nasdaq National Market and will file with the Nasdaq National Market all documents and notices required by the Nasdaq National Market of companies that have securities that are traded in the over-the-counter market and quotations for which are reported by the Nasdaq National Market.

(j) Restriction on Sale of Securities. During a period of 180 days from the date of the Prospectus, the Company will not, without the prior written consent of the Lead Managers, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any share of Common Stock or any securities convertible into or exercisable or exchangeable for or repayable with Common Stock or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (A) the Securities to be sold hereunder, (B) any shares of Common Stock issued by the Company upon the exercise of an option outstanding on the date hereof and referred to in the Prospectus, (C) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to existing employee benefit plans of the Company referred to in the Prospectus or (D) any shares of Common Stock issued pursuant to any non-employee director stock plan.

(k) Reporting Requirements. The Company, during the period when the Prospectus is required to be delivered under the 1933 Act or the 1934 Act, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and the rules and regulations of the Commission thereunder.

(l) Compliance with NASD Rules. The Company hereby agrees that it will ensure that the Reserved Securities will be restricted as required by the NASD or the NASD rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of this Agreement. The Underwriters will notify the Company as to which persons will need to be so restricted. At the request of the Underwriters, the Company will direct the transfer agent to place a stop transfer restriction upon such securities for such period of time. Should the Company release, or seek to release, from such restrictions any of the Reserved Securities, the Company

agrees to reimburse the Underwriters for any reasonable expenses

(including, without limitation, legal expenses) they incur in connection with such release.

SECTION 4. Payment of Expenses.

(a) Expenses. The Company and the Selling Stockholders will pay or cause to be paid all expenses incident to the performance of their obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, (ii) the preparation, printing and delivery to the Underwriters of this Agreement, any Agreement among Underwriters and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Securities, (iii) the preparation, issuance and delivery of the certificates for the Securities to the Underwriters, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to the Underwriters, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the printing and delivery to the Underwriters of copies of each preliminary prospectus and of the Prospectus and any amendments or supplements thereto, (vii) the preparation, printing and delivery to the Underwriters of copies of the Blue Sky Survey and any supplement thereto, (viii) the fees and expenses of any transfer agent or registrar for the Securities, (ix) the filing fees incident to the review by the NASD of the terms of the sale of the Securities, (x) the fees and expenses incurred in connection with the inclusion of the Securities in the Nasdaq National Market and (xi) all costs and expenses of the Underwriters, including the reasonable fees and disbursements of counsel for the Underwriters, in connection with matters related to the Reserved Securities which are designated by the Company for sale to employees and others having a business relationship with the Company.

(b) Expenses of the Selling Stockholders. The Selling Stockholders, jointly and severally, will pay all expenses incident to the performance of each Selling Stockholder's obligations under, and the consummation of the transactions contemplated by, this Agreement, including (i) any stamp duties, capital duties and stock transfer taxes, if any, payable upon the sale of the Securities to the Underwriters and (ii) the fees and disbursements of their respective counsel and accountants.

(c) Termination of Agreement. If this Agreement is terminated (x) by the Representatives in accordance with the provisions of Section 5 (other than paragraph (k) thereof), Section 9(a)(i) or Section 11(a) hereof or (y) in accordance with Section 11(b) hereof, the Company and the Selling Stockholders shall reimburse the Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriters.

(d) Allocation of Expenses. The provisions of this Section shall not affect any agreement that the Company and the Selling Stockholders may make for the sharing of such costs and expenses.

SECTION 5. Conditions of Underwriters' Obligations. The obligations of the several Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company and the Selling Stockholders contained in Section 1 hereof or in certificates of any officer of the Company or any subsidiary of the Company or of or on behalf of any Selling Stockholder delivered pursuant to the provisions hereof, to the performance by the Company of its covenants and other obligations hereunder, and to the following further conditions:

(a) Effectiveness of Registration Statement. The Registration Statement, including any Rule 462(b) Registration Statement, has become effective and at Closing Time no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the Underwriters. A prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A).

(b) Opinion of Counsel for Company. At Closing Time, the Representatives shall have received the favorable opinions, dated as of Closing Time, of Eric H. Halvorson, Executive Vice President, Chief Operating Officer and General Counsel of the Company, and Gibson, Dunn & Crutcher LLP, counsel for the Company, each in form and substance

satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letters for each of the other Underwriters, to the effect set forth in Exhibit A-1 and Exhibit A-2 hereto, respectively, and to such further effect as counsel to the Underwriters may reasonably request.

(c) Opinion of Regulatory Counsel for Company. At Closing Time, the Representatives shall have received the favorable opinion, dated as of Closing Time, of Fletcher, Heald & Hildreth, P.L.C., special regulatory counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters, to the effect set forth in Exhibit B hereto and to such further effect as counsel to the Underwriters may reasonably request.

(d) Opinion of Counsel for Selling Stockholders. At Closing Time, the Representatives shall have received the favorable opinion, dated as of Closing Time, of Gibson, Dunn & Crutcher LLP, counsel for the Selling Stockholders, in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters, to the effect set forth in Exhibit C hereto and to such further effect as counsel to the Underwriters may reasonably request.

(e) Opinion of Counsel for Underwriters. At Closing Time, the Representatives shall have received the favorable opinion, dated as of Closing Time, of Debevoise & Plimpton, counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters, with respect to the matters set forth in clauses (i), (ii), (iv) through (viii), inclusive, (ix) (solely as to the information in the Prospectus under "Description of Capital Stock-Common Stock") and the penultimate paragraph of Exhibit A-2 hereto. Such counsel may state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its subsidiaries and certificates of public officials.

(f) Officers' Certificate. At Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the Representatives shall have received a certificate of the President and Chief Executive Officer of the Company and of the Vice President and Chief Financial Officer of the Company, dated as of Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1(a) hereof are true and correct with the same force and effect as though expressly made at and as of Closing Time, (iii) the Company

has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are contemplated by the Commission.

(g) Certificate of Selling Stockholders. At Closing Time, the Representatives shall have received a certificate of each Selling Stockholder, dated as of Closing Time, to the effect that (i) the representations and warranties of such Selling Stockholder contained in Section 1(b) hereof are true and correct with the same force and effect as though expressly made at and as of Closing Time and (ii) such Selling Stockholder has complied with all agreements and satisfied all conditions on its part to be performed or satisfied under this Agreement at or prior to Closing Time.

(h) Accountants' Comfort Letter. At the time of the execution of this Agreement, the Representatives shall have received from Ernst & Young LLP a letter dated such date, in form and substance satisfactory to the Representatives, together with signed or reproduced copies of such letter for each of the other Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectus.

(i) Bring-down Comfort Letter. At Closing Time, the Representatives shall have received from Ernst & Young LLP a letter, dated as of Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (h) of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(j) Approval of Listing. At Closing Time, the Securities shall have been approved for inclusion in the Nasdaq National Market.

(k) No Objection. The NASD has confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(l) Lock-up Agreements. At the date of this Agreement, the Representatives shall have received an agreement substantially in the form of Exhibit D hereto signed by the persons listed on Schedule D hereto.

(m) Conditions to Purchase of Option Securities. In the event that the Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the Option Securities, the representations and warranties of the Company and the Selling Stockholders contained herein and the statements in any certificates furnished by the Company or any subsidiary of the Company hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the Representatives shall have received:

(i) Officers' Certificate. A certificate, dated such Date of Delivery, of the President and Chief Executive Officer of the Company and of the Vice President and Chief Financial Officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(f) hereof remains true and correct as of such Date of Delivery.

(ii) Certificate of Selling Stockholders. A certificate, dated such Date of Delivery, of each Selling Stockholder confirming that the certificate delivered at Closing Time pursuant to Section 5(g) remains true and correct as of such Date of Delivery.

(iii) Opinions of Counsel for Company. The favorable opinions of Eric H. Halvorson, Executive Vice President, Chief Operating Officer and General Counsel of the Company, Gibson, Dunn & Crutcher LLP, counsel for the Company, and Fletcher, Heald & Hildreth, P.L.C., special regulatory counsel for the Company, each in form and substance satisfactory to counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinions required by Section 5(b) and (c) hereof, respectively.

(iv) Opinion of Counsel for the Selling Stockholders. The favorable opinion of Gibson, Dunn & Crutcher LLP, counsel for the Selling Stockholders, in form and substance satisfactory to counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(d) hereof.

(v) Opinion of Counsel for Underwriters. The favorable opinion of Debevoise & Plimpton, counsel for the Underwriters, dated such Date of Delivery, relating to the Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(e) hereof.

(vi) Bring-down Comfort Letter. A letter from Ernst & Young LLP, in form and substance satisfactory to the Representatives and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the Representatives pursuant to Section 5(i) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than five days prior to such Date of Delivery.

(n) Additional Documents. At Closing Time and at each Date of Delivery, counsel for the Underwriters shall have been furnished with such documents and opinions as they may require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the

representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company and the Selling Stockholders in connection with the issuance and sale of the Securities as herein contemplated shall be satisfactory in form and substance to the Representatives and counsel for the Underwriters.

(o) Termination of Agreement. If any condition specified in this Section 5 shall not have been fulfilled when and as required to be fulfilled, this Agreement, or, in the case of any condition to the purchase of Option Securities on a Date of Delivery which is after the Closing Time, the obligations of the several Underwriters to purchase the relevant Option Securities, may be terminated by the Representatives by notice to the Company at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6, 7 and 8 shall survive any such termination and remain in full force and effect.

SECTION 6. Indemnification.

(a) Indemnification of Underwriters. The Company and the Selling Stockholders, jointly and severally, agree to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of (A) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (B) any alleged act or failure to act by any Underwriter in connection with, or relating in any manner to, the Securities or the offering contemplated hereby, and which is included as part of or referred to in any loss, liability, claim, damage or expense arising out of or based upon matters covered by clause (A) above, provided that the Company shall not be liable under this clause (B) to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, liability, claim, damage or expense resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Underwriter through its gross negligence or willful misconduct;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 6(d) below) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by BT Alex. Brown), reasonably incurred in investigating, preparing or defending against any litigation, or any

investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense (x) to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives expressly for use in the Registration Statement (or any amendment thereto), including the Rule 430A Information, or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) and (y) with respect to any preliminary prospectus to the extent that the Company shall sustain the burden of proving that any such loss, liability,

claim, damage or expense of such Underwriter resulted solely from the fact that such Underwriter, in contravention of a requirement of this Agreement or applicable law, sold Securities to a person to whom such Underwriter failed to send or give, at or prior to the Closing Time, a copy of the Prospectus as, if applicable, amended or supplemented if the Company has previously furnished copies thereof (sufficiently in advance of the Closing Time to allow for distribution by the Closing Time) to such Underwriter and the loss, liability, claim, damage or expense of such Underwriter resulted from an untrue statement or omission of a material fact contained in or omitted from the preliminary prospectus that was corrected in the Prospectus as, if applicable, amended or supplemented prior to the Closing Time and such Prospectus was required by law to be delivered at or prior to the written confirmation of sale to such person.

(b) Indemnification of Company, Directors and Officers and Selling Stockholders. Each Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act, and each Selling Stockholder against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information, or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

(c) Actions against Parties; Notification. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 6(a) above, counsel to the indemnified parties shall be selected by BT Alex. Brown, and, in the case of parties indemnified pursuant to Section 6(b) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) Settlement without Consent if Failure to Reimburse. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) Indemnification for Reserved Securities. In connection with the offer and sale of the Reserved Securities, the Company agrees, promptly upon a request, in writing to indemnify and hold harmless the Underwriters from and against any and all losses, liabilities, claims, damages and expenses incurred by them as a result of the failure of eligible employees and persons having

business relationships with the Company to pay for and accept delivery of Reserved Securities which, by the end of the first business day following the date of this Agreement, were subject to a properly confirmed agreement to purchase.

(f) Other Agreements with Respect to Indemnification. The provisions of this Section shall not affect any agreement among the Company and the Selling Stockholders with respect to indemnification.

SECTION 7. Contribution. If the indemnification provided for in Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other hand from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders on the one hand and of the Underwriters on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other hand in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the Selling Stockholders and the total underwriting discount received by the Underwriters, in each case as set forth on the cover of the Prospectus, bear to the aggregate initial public offering price of the Securities as set forth on such cover.

The relative fault of the Company and the Selling Stockholders on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material

fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Stockholders or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Selling Stockholder and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, each person, if any, who controls a Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the number of Initial Securities set forth opposite their respective names in Schedule A hereto and not joint.

The provisions of this Section 7 shall not affect any agreement among the Company and the Selling Stockholders with respect to contributions.

SECTION 8. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or any of its subsidiaries or the Selling Stockholders submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or controlling person, or by or on behalf of the Company or the Selling Stockholders, and shall survive delivery of the Securities to the Underwriters.

SECTION 9. Termination of Agreement.

(a) Termination; General. The Representatives may terminate this Agreement, by notice to the Company and the Selling Stockholders, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Representatives, impracticable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the Nasdaq National Market, or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the NASD or any other governmental authority, or (iv) if a banking moratorium has been declared by either Federal or New York authorities.

(b) Liabilities. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6, 7 and 8 shall survive such termination and remain in full force and effect.

SECTION 10. Default by One or More of the Underwriters. If one or more of the Underwriters shall fail at Closing Time or a Date of Delivery to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representatives shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the number of Securities to be purchased on such date, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, or

(b) if the number of Defaulted Securities exceeds 10% of the number of Securities to be purchased on such date, this Agreement or, with respect to any Date of Delivery which occurs after the Closing Time, the obligation of the Underwriters to purchase and of the Selling Stockholders to sell the Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section 10 shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the Underwriters to purchase and the Selling Stockholders to sell the relevant Option Securities, as the case may be, either (i) the Representatives or (ii)

the Company and the Selling Stockholders shall have the right to postpone Closing Time or the relevant Date of Delivery, as the case may be, for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements. As used herein, the term "Underwriter" includes any person substituted for an Underwriter under this Section 10.

SECTION 11. Default by one or more of the Selling Stockholders or the Company. (a) If a Selling Stockholder shall fail at Closing Time or at a Date of

Delivery to sell and deliver the number of Securities which such Selling Stockholder is obligated to sell hereunder, and the remaining Selling Stockholders do not exercise the right hereby granted to increase, pro rata or otherwise, the number of Securities to be sold by them hereunder to the total number to be sold by all Selling Stockholders as set forth in Schedule B hereto, then the Underwriters may, at the option of the Representatives, by notice from the Representatives to the Company and the non-defaulting Selling Stockholders, either (a) terminate this Agreement without any liability on the fault of any non-defaulting party except that the provisions of Sections 1, 4, 6, 7 and 8 shall remain in full force and effect or (b) elect to purchase the Securities which the non-defaulting Selling Stockholders have agreed to sell hereunder. No action taken pursuant to this Section 11 shall relieve any Selling Stockholder so defaulting from liability, if any, in respect of such default.

In the event of a default by a Selling Stockholder as referred to in this Section 11, each of the Representatives, the Company and the non-defaulting Selling Stockholders shall have the right to postpone Closing Time or Date of Delivery for a period not exceeding seven days in order to effect any required change in the Registration Statement or Prospectus or in any other documents or arrangements.

(b) If the Company shall fail at Closing Time to sell the number of Securities that it is obligated to sell hereunder, then this Agreement shall terminate without any liability on the part of any nondefaulting party, provided, however, that the provisions of Sections 1, 4, 6, 7 and 8 shall remain in full force and effect. No action taken pursuant to this Section 11 shall relieve the Company from liability, if any, in respect of such default.

SECTION 12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Representatives at One South Street, Baltimore, Maryland 21202, attention of Equity Syndicate, with a copy to BT Alex. Brown Incorporated, One Bankers Trust Plaza, 130 Liberty Street, New York, New York, 10006, attention of General Counsel; notices to the Company shall be directed to it at 4880 Santa Rosa Road, Suite 300, Camarillo, California 93012, attention of Eric H. Halvorson; and notices to the Selling Stockholders shall be directed to the Selling Stockholders, care of the Company at the foregoing address, attention of Eric H. Halvorson.

SECTION 13. Parties. This Agreement shall each inure to the benefit of and be binding upon the Underwriters, the Company and the Selling Stockholders and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters, the Company and the Selling Stockholders and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters, the Company and the Selling Stockholders and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 14. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 15. Information Provided by the Underwriters. The Company, the Selling Stockholders and the Underwriters acknowledge and agree that the only information furnished or to be furnished by any Underwriter to the Company for inclusion in any Prospectus or the Registration Statement consists of the information set forth in the fourth, fifth and thirteenth through seventeenth, inclusive, paragraphs under the caption "Underwriting" in the Prospectus.

SECTION 16. Effect of Headings. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company and the Attorney-in-Fact for the Selling Stockholders a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Underwriters, the Company and the Selling Stockholders in accordance with its terms.

Very truly yours,

SALEM COMMUNICATIONS
CORPORATION

By

Title:

EDWARD G. ATSINGER, III
EDWARD G. ATSINGER, III TRUST
STUART W. EPPERSON, SR.

By

Name:
Attorney-in-Fact

CONFIRMED AND ACCEPTED,
as of the date first above written:

BT ALEX. BROWN INCORPORATED
ING BARING FURMAN SELZ LLC
SALOMON SMITH BARNEY INC.

By: BT ALEX. BROWN INCORPORATED

By

Authorized Signatory

For themselves and as Representatives of the
other Underwriters named in Schedule A hereto.

SCHEDULE A

<TABLE>
<CAPTION>

Name of Underwriter	Number of Initial Securities
<S>	<C>
BT Alex. Brown Incorporated.....	
ING Baring Furman Selz LLC.....	
Salomon Smith Barney Inc.....	
Total.....	

</TABLE>

SCHEDULE B

<TABLE>
<CAPTION>

	Number of Initial Securities to be Sold	Maximum Number of Option Securities to Be Sold
<S>	<C>	<C>
Salem Communications Corporation.....		
Edward G. Atsinger, III Trust.....		
Stuart W. Epperson, Sr.....		
Total.....		

</TABLE>

SCHEDULE C

SALEM COMMUNICATIONS CORPORATION

[___] Shares of Common Stock

(Par Value $.01 Per Share)

1. The initial public offering price per share for the Securities, determined as provided in said Section 2, shall be $[___].

2. The purchase price per share for the Securities to be paid by the several Underwriters shall be $[___], being an amount equal to the initial public offering price set forth above less $[___] per share.

SCHEDULE D

List of persons and entities
subject to lock-up

Edward G. Atsinger III
Stuart W. Epperson, Sr.
Eric H. Halvorson
Greg R. Anderson
Dirk Gastaldo
Kenneth L. Gaines
Dave Armstrong
Joe D. Davis
Kenneth W. Sasso
David Ruleman
W. Douglas Young
John W. Styll
Richard A. Riddle
Roland S. Hinz
Joseph S. Schuchert
Donald P. Hodel
Nancy A. Epperson
Edward G. Atsinger, III Trust
E. Atsinger 1999 Trust No. 1
M. Atsinger 1999 Trust No. 1
Epperson 1999 Trust No. 1

Exhibit A-1

FORM OF OPINION OF ERIC H. HALVORSON
TO BE DELIVERED PURSUANT TO SECTION 5(b)

(i) The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such

qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(ii) The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus in the column entitled "Actual" under the caption "Capitalization" (except for subsequent issuances, if any, pursuant to the Underwriting Agreement, pursuant to agreements or employee benefit plans referred to in the Prospectus or pursuant to the exercise of options referred to in the Prospectus); the shares of issued and outstanding capital stock of the Company, including the Securities to be purchased by the Underwriters from the Selling Stockholders, have been duly authorized and validly issued and are fully paid and non-assessable; and none of the outstanding shares of capital stock of the Company, including the Securities to be purchased by the Underwriters from the Selling Stockholders, was issued in violation of the preemptive or other similar rights of any securityholder of the Company.

(iii) The issuance and sale of the Securities by the Company and the sale of the Securities by the Selling Stockholders is not subject to the preemptive or other similar rights of any securityholder of the Company.

(iv) Each Subsidiary has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; all of the issued and outstanding capital stock of each Subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and, to the best of my knowledge, is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity, except for security interests created under the Credit Agreement, dated September 25, 1997, as amended, by and among the Company, The Bank of New

York, as administrative agent, Bank of America NT & SA, as documentation agent, and the lenders party thereto; none of the outstanding shares of capital stock of any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder of such Subsidiary.

(v) The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

(vi) To the best of my knowledge, there is not pending or threatened any action, suit, proceeding, inquiry or investigation, to which the Company or any subsidiary is a party, or to which the property or assets of the Company or any subsidiary is subject, before or brought by any court or governmental agency or body, domestic or foreign, including, but not limited to, the FCC, which might reasonably be expected to result in a Material Adverse Effect, or which might reasonably be expected to materially and adversely affect the properties or assets thereof or the consummation of the transactions contemplated in the Underwriting Agreement or the performance by the Company of its obligations thereunder.

(vii) All descriptions in the Prospectus of contracts and other documents to which the Company or its subsidiaries are a party are accurate in all material respects; to the best of my knowledge, there are no franchises, contracts, indentures, mortgages, deeds of trust, loan or credit agreements, notes, leases or other agreements or instruments required to be described or referred to in the Registration Statement or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto, and the descriptions thereof or references thereto are correct in all material respects.

(viii) To the best of my knowledge, neither the Company nor any subsidiary is in violation of its charter or by-laws or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument that is described or referred to in the Registration Statement or the Prospectus or filed or incorporated by reference as an exhibit to the Registration Statement.

(ix) The execution, delivery and performance of the Underwriting Agreement and the consummation of the transactions contemplated in the Underwriting Agreement and in the Registration Statement (including the issuance and sale of the Securities, and the use of the proceeds from the sale of the Securities as described in the Prospectus under the caption "Use Of Proceeds") and compliance by the Company with its obligations under the Underwriting Agreement has been duly authorized by all necessary corporate action and do not

and will not, whether with

or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined in Section 1(a)(x) of the Underwriting Agreement) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or any other agreement or instrument, known to me, to which the Company or any subsidiary is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not result in a Material Adverse Effect), nor will such action result in any violation of any applicable law, statute, rule, regulation, judgment, order, writ or decree, known to me, of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any subsidiary or any of their respective properties, assets or operations (except with respect to foreign, federal or state securities laws, as to which I express no opinion).

(x) To the best of my knowledge, there are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement or otherwise registered by the Company under the 1933 Act.

Nothing has come to my attention that leads me to believe that the Registration Statement or any amendment thereto, including the Rule 430A Information, (except for financial statements and schedules and other financial data included therein or omitted therefrom, as to which I need make no statement), at the time such Registration Statement or any such amendment became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus or any amendment or supplement thereto (except for financial statements and schedules and other financial data included therein or omitted therefrom, as to which I need make no statement), at the time the Prospectus was issued, at the time any such amended or supplemented prospectus was issued or at the Closing Time, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering the above opinion, such counsel may rely, as to matters of fact (but not as to legal conclusions), to the extent he deems proper, on certificates of responsible officers of the Company and public officials. Such opinion shall not state that it is to be governed or qualified by, or that it is otherwise subject to, any treatise, written policy or other document relating to legal opinions, including, without limitation, the Legal Opinion Accord of the ABA Section of Business Law (1991).

Exhibit A-2

FORM OF OPINION OF GIBSON, DUNN & CRUTCHER LLP
TO BE DELIVERED PURSUANT TO SECTION 5(b)

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware.

(ii) The Company has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under the Underwriting Agreement.

(iii) The shares of issued and outstanding capital stock of the Company, including the Securities to be purchased by the Underwriters from the Selling Stockholders, have been duly authorized and validly issued and are fully paid and non-assessable; and none of the outstanding shares of capital stock of the Company, including the Securities to be purchased by the Underwriters from the Selling Stockholders, was issued in violation of preemptive or other similar rights of any securityholder of the Company arising under the Delaware General Corporation Law or the Company's certificate of incorporation or by-laws.

(iv) The Securities to be purchased by the Underwriters from the Company have been duly authorized for issuance and sale to the Underwriters pursuant to the Underwriting Agreement and, when issued and delivered by the Company pursuant to the Underwriting Agreement against payment of the consideration set forth in the Underwriting Agreement, will be validly issued, fully paid and non-assessable, and no holder of the Securities is or will be subject to

personal liability by reason of being such a holder. The issuance and sale of the Securities by the Company and the sale of the Securities by the Selling Stockholders is not subject to the preemptive or other similar rights of any securityholder of the Company arising under the Delaware General Corporation Law or the Company's certificate of incorporation or by-laws.

(v) The Underwriting Agreement has been duly authorized, executed and delivered by the Company.

(vi) To our knowledge, based solely on oral advice of the staff of the Commission, the Registration Statement, including any Rule 462(b) Registration Statement, has been declared effective under the 1933 Act; any required filing of the Prospectus pursuant to Rule 424(b) has been made in a manner reasonably calculated to result in filing within the time period required by Rule 424(b); and, to our knowledge, based solely on oral advice of the staff of the Commission, no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration

Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or contemplated by the Commission.

(vii) The Registration Statement, including any Rule 462(b) Registration Statement and the Rule 430A Information, the Prospectus and each amendment or supplement to the Registration Statement and the Prospectus as of their respective effective or issue dates (other than the financial statements and supporting schedules and other financial data included therein, as to which we need express no opinion) appeared on their face to be appropriately responsive in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations.

(viii) The form of certificate used to evidence the Common Stock complies in all material respects with all applicable statutory requirements, with any applicable requirements of the certificate of incorporation and by-laws of the Company and the requirements of the Nasdaq National Market.

(ix) The information in the Prospectus under "Description of Capital Stock" and "Certain U.S. Federal Income Tax Considerations for Non-U.S. Holders of Class A Common Stock" and in the Registration Statement under Items 14 and 15, to the extent that it constitutes matters of law, summaries of legal matters, the Company's certificate of incorporation and by-laws or legal conclusions, has been reviewed by us and is correct in all material respects.

(x) To the best of our knowledge, there are no laws, statutes, rules or regulations that are required to be described in the Prospectus that are not described as required.

(xi) No registration or filing with, or authorization, approval, consent, license, order, qualification or decree of, any court or governmental authority or agency (other than under the 1933 Act and the 1933 Act Regulations, which have been obtained, or as may be required under foreign and state securities or blue sky laws, as to which we need express no opinion) is necessary or required by the Company in connection with the authorization, execution and delivery by the Company of the Underwriting Agreement or for the offering, issuance, sale or delivery of the Securities.

(xii) The execution, delivery and performance of the Underwriting Agreement and the consummation of the transactions contemplated in the Underwriting Agreement, and in the Registration Statement (including the issuance and sale of the Securities, and the use of the proceeds from the sale of the Securities as described in the Prospectus under the caption "Use Of Proceeds") and compliance by the Company with its

obligations under the Underwriting Agreement will not result in any violation of the provisions of the certificate of incorporation or by-laws of the Company.

(xiii) The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the 1940 Act.

Nothing has come to our attention that leads us to believe that the Registration Statement or any amendment thereto, including the Rule 430A Information, (except for financial statements and schedules and other financial data included therein or omitted therefrom, as to which we need make no statement), at the time such Registration Statement or any such amendment became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the

statements therein not misleading or that the Prospectus or any amendment or supplement thereto (except for financial statements and schedules and other financial data included therein or omitted therefrom, as to which we need make no statement), at the time the Prospectus was issued, at the time any such amended or supplemented prospectus was issued or at the Closing Time, included or includes an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In rendering the above opinion, such counsel may rely, as to matters of fact (but not as to legal conclusions), to the extent they deem proper, on certificates of responsible officers of the Company and public officials, and may state that they are not opining on matters governed by the Communications Act of 1934, as amended, and the rules, regulations or administrative orders promulgated thereunder. Such opinion shall not state that it is to be governed or qualified by, or that it is otherwise subject to, any treatise, written policy or other document relating to legal opinions, including, without limitation, the Legal Opinion Accord of the ABA Section of Business Law (1991).

Exhibit B

FORM OF OPINION OF FLETCHER, HEALD & HILDRETH, P.L.C.
TO BE DELIVERED PURSUANT TO SECTION 5(c)

(i) No further registration or filing with, or authorization, approval, consent, license, order, qualification or decree, of any court or government authority or agency is necessary or required under the Federal Communications Laws in connection with the authorization, execution and delivery by the Company of the Underwriting Agreement or for the offering, issuance, sale or delivery of the Securities, except that a routine filing of ownership reports with the FCC will be necessary following this transaction.

(ii) Except as described in the Prospectus, the Company and its subsidiaries hold all necessary authorizations, approvals, consents, orders, licenses, certificates and permits issued by the FCC to own and to operate their respective radio broadcast stations as identified in an attachment to this opinion (all such held FCC authorizations, approvals, consents, orders, licenses, certificates and permits, collectively, "FCC Licenses").

(iii) The FCC Licenses are in full force and effect for the maximum license term customarily issued, with no material conditions, restrictions or qualifications other than as set forth on the face of the authorizations evidencing the FCC Licenses or as described in the Prospectus.

(iv) To the best of our knowledge, neither the Company nor any of its subsidiaries is in violation of, or in default under, the Federal Communications Laws, except as would not, singly or in the aggregate, result in a Material Adverse Effect.

(v) To the best of our knowledge, (i) there is no unsatisfied adverse FCC order, decree or ruling outstanding against the Company or any of its subsidiaries, (ii) there is no proceeding, complaint or investigation against the Company or any of its subsidiaries or in respect of any of the FCC Licenses pending or threatened before the FCC nor is there any rulemaking proceeding except such proceedings involving the AM and/or FM radio broadcasting industries generally and (iii) no action, suit, proceeding or investigation is pending or threatened, and no judgment, order, decree or ruling has been entered, against the Company or any of its subsidiaries that gives us any reason to believe that any of the FCC Licenses will be revoked or not renewed in the ordinary course.

(vi) The information in the Prospectus under the sections "Risk Factors Government Regulation of the Broadcasting Industry May Negatively Impact Our Business" and "Business - Federal Regulation of Radio Broadcasting," only to the extent it constitutes matters of law, summaries of legal matters or legal conclusions, has been reviewed by us and is correct in all material respects; and we have no reason to believe that such sections of the Prospectus as of the time the Registration Statement or any amendment became effective or at the time the Prospectus or any amendment orsupplement thereto was issued or at the Closing Time, contained or contain an untrue statement of a material matter of law or omitted or omit to state a material matter of law necessary to make such statements, in the light of the circumstances under which they were made, not misleading.

Exhibit C

(i) No registration or filing with, or authorization, approval, consent, license, order, qualification or decree of, any court or governmental authority or agency is necessary or required to be obtained by the Selling Stockholders for the performance by each Selling Stockholder of such Selling Stockholder's obligations under the Underwriting Agreement or in the Power of Attorney and Custody Agreement, or in connection with the offer, sale or delivery of the Securities, except such as may have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations and foreign or state securities or blue sky laws, as to which we need express no opinion.

(ii) Each Power of Attorney and Custody Agreement has been duly executed and delivered by the Selling Stockholders and constitutes the legal, valid and binding agreement of such Selling Stockholder, and each Attorney-in-Fact has been duly authorized thereunder to deliver the Securities on behalf of the Selling Stockholders in accordance with the terms of the Underwriting Agreement.

(iii) The Underwriting Agreement has been duly executed and delivered by or on behalf of each Selling Stockholder.

(iv) To our knowledge, the execution and delivery of the Underwriting Agreement and the Power of Attorney and Custody Agreement and the sale and delivery of the Securities and the consummation of the transactions contemplated in the Underwriting Agreement and in the Registration Statement and compliance by the Selling Stockholders with their respective obligations under the Underwriting Agreement do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default under, any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other or agreement or instrument to which any Selling Stockholder is a party or by which any Selling Stockholder is bound, or to which any of the property or assets of the Selling Stockholders is subject (except for such conflicts, breaches or defaults that would not have a material adverse effect on the ability of the Selling Stockholders to consummate the transactions contemplated by the Underwriting Agreement), nor will such action result in the creation or imposition of any tax, lien, charge or encumbrance upon the Securities to be sold by the Selling Stockholders or in any violation of any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, governmental instrumentality or court having jurisdiction over the Selling Stockholders or any of their respective properties or assets.

(v) Upon delivery of the Securities and payment of the purchase price therefor as contemplated by the Underwriting Agreement, assuming each Underwriter has no notice of any adverse claim (within the meaning of the Uniform Commerical Code as in effect in the State of New York (the "UCC") each of the Underwriters will acquire all rights in such Securities free of any adverse claim (within the meaning of the UCC), lien in favor of the Company or restriction on transfer imposed by the Company.

In rendering the above opinion, such counsel may rely, as to matters of fact (but not as to legal conclusions), to the extent they deem proper, on certificates of responsible officers of the Company and public officials, and may state that they are not opining on matters governed by the Communications Act of 1934, as amended, and the rules, regulations or administrative orders promulgated thereunder. Such opinion shall not state that it is to be governed or qualified by, or that it is otherwise subject to, any treatise, written policy or other document relating to legal opinions, including, without limitation, the Legal Opinion Accord of the ABA Section of Business Law (1991).

Exhibit D

[Form of lock-up from directors, officers or other stockholders pursuant to Section 5(l)]

[ ], 1999

BT Alex. Brown Incorporated
ING Baring Furman Selz LLC
Salomon Smith Barney Inc.
As Representatives of the Several
Underwriters to be named in the
within-mentioned Underwriting Agreement
c/o BT Alex. Brown Incorporated

One South Street
Baltimore, Maryland 21202

Re: Proposed Public Offering by Salem Communications Corporation

Dear Sirs:

The undersigned, a stockholder [and an officer and/or director] of Salem Communications Corporation, a Delaware corporation (the "Company), understands that BT Alex. Brown Incorporated, ING Baring Furman Selz LLC and Salomon Smith Barney Inc. propose to enter into an Equity Underwriting Agreement (the "Agreement") with the Company and certain selling stockholders (the "Selling Stockholders"), providing for the public offering of shares (the "Securities") of the Company's Class A common stock, par value $.01 per share (the "Common Stock"). In recognition of the benefit that such an offering will confer upon the undersigned as a stockholder [and an officer and/or director] of the Company, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with each underwriter to be named in the Agreement that, during a period of 180 days from the date of the Agreement, the undersigned will not, without the prior written consent of BT Alex. Brown Incorporated and ING Baring Furman Selz LLC, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company's Common Stock or any securities convertible into or exchangeable or exercisable for or repayable with Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition, or file any registration statement under the Securities Act of 1933, as amended, with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise.

Very truly yours,

Signature: _____

Print Name: _____

EXHIBIT 3.01

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

SALEM COMMUNICATIONS CORPORATION

(Pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware)

Salem Communications Corporation, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify as follows:

A. The Corporation's original Certificate of Incorporation was filed under the name Salem Communications Corporation with the Secretary of State of the State of Delaware on September 20, 1993. An Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on March 31, 1999.

B. This Amended and Restated Certificate of Incorporation (the "Amended and Restated Certificate of Incorporation") restates and amends the Certificate of Incorporation of the Corporation.

C. This Amended and Restated Certificate of Incorporation was duly adopted by vote of the stockholders in accordance with Sections 242 and 245 of the General Corporation Law of the state of Delaware.

D. The text of the Certificate of Incorporation is amended hereby and restated to read in full as set forth herein:

FIRST: The name of the corporation is Salem Communications Corporation.

SECOND: The registered office of the Corporation in the State of Delaware is located at 9 East Loockerman Street, County of Kent, City of Dover, State of Delaware 19901. The name of the registered agent of the Corporation at such address is National Registered Agents, Inc.

THIRD: The purpose for which the Corporation is organized is to engage in any and all lawful acts and activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH:

4.1 The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is One Hundred Ten million (110,000,000) shares consisting of (a) Eighty million (80,000,000) shares of Class A Common Stock, par value of one cent ($.01) per share (the "Class A Common Stock"), (b) Twenty million (20,000,000) shares of Class B Common Stock, par value of one cent ($.01) per share (the "Class B Common Stock" and together with the Class A Common Stock, the "Common Stock") and (c) Ten million (10,000,000) shares of undesignated preferred stock, par value of one cent ($.01) per share.

4.2 Provisions Relating to the Common Stock.

(a) General. Except as otherwise provided herein or as otherwise provided by applicable law, all shares of Common Stock shall have identical rights and privileges in every respect.

(b) Dividends. The holders of the Common Stock shall be entitled to participate ratably, on a share-for-share basis as if all shares were of a single class, in such dividends, whether in cash, stock or otherwise, as may be declared by the Board of Directors from time to time out of funds of the Corporation legally available therefor; provided, however, that any dividends payable in shares of Common Stock (or payable in rights to subscribe for or purchase shares of Common Stock or securities or indebtedness convertible into or exchangeable for shares of Common Stock) shall be declared and paid at the same rate on each class of Common Stock and only in shares of Class A Common Stock (or rights to subscribe for or to purchase shares of Class A Common Stock or securities or indebtedness convertible into or exchangeable for shares of Class A Common Stock) to holders of Class A Common Stock and in shares of Class B Common Stock (or rights to subscribe for or to purchase shares of Class B Common Stock or securities or indebtedness convertible into or exchangeable for shares of Class B Common Stock) to holders of Class B Common Stock.

(c) Voting.

(i) The holders of Class A Common Stock and Class B Common Stock shall vote together as a single class with respect to all matters submitted to a vote of stockholders with each such holder having the number of votes specified in subparagraph (ii) below, except

(A) with respect to the election of directors, which shall be governed by subparagraphs (iii) and (iv) below,

(B) with respect to certain interested party transactions, which shall be governed by subparagraph (v) below,

(C) with respect to certain Going Private Transactions, which shall be governed by subparagraph (vi) below, and

(D) as otherwise provided by law.

(ii) The Class A Common Stock shall entitle the holders thereof to one vote per share. The Class B Common Stock shall entitle the holders thereof to ten (10) votes per share.

(iii) The holders of Class A Common Stock and Class B Common Stock, voting as a single class, shall have the right to vote on the election or removal of all directors of the Corporation (other than the Class A Directors elected pursuant to subparagraph (iv) below) with each share of Class A Common Stock and each share of Class B Common Stock entitling the holder thereof to the number of votes specified in subparagraph (ii) above.

(iv) The Board of Directors shall appoint the initial Class A Directors. Commencing with the first annual meeting of stockholders after completion of an IPO, the holders of Class A Common Stock shall be entitled by class vote, exclusive of all other stockholders, to elect two directors of the Corporation (the "Class A Directors") with each share of Class A Common Stock entitling the holder thereof to one (1) vote per share; provided, each director elected pursuant to this subparagraph must be an Independent Director (as hereinafter defined).

(v) The holders of Class A Common Stock and Class B Common Stock shall vote together as a single class, with holders of both classes of Common Stock entitled to one vote per share, in any vote to approve the acquisition of the stock or assets of another company if any director, officer or holder of 10% or more of the shares of any class of voting stock of the Company or any Affiliate of any director, officer or holder of 10% or more of the shares of any class of voting stock of the Company has an interest, directly or indirectly, in the company or assets to be acquired or in the consideration to be paid in the transaction.

(vi) The holders of Class A Common Stock and Class B Common Stock shall vote together as a single class, with holders of both classes of Common Stock entitled to one vote per share, in any vote to approve a Going Private Transaction involving the Corporation and any Initial Holder or an Affiliate of an Initial Holder.

(vii) Nothing in subparagraphs (v) or (vi) above shall require a vote of the stockholders when not otherwise required under applicable law.

(d) Conversion.

(i) Automatic Conversion. Subject to any necessary approval of the FCC, each share of Class B Common Stock shall convert automatically into one fully paid and non-assessable share of Class A Common Stock for no additional consideration upon its sale, gift or other transfer, voluntary or involuntary, to a party other than a Permitted Transferee (an "Event of Automatic Conversion").

(ii) Voluntary Conversion. Subject to any necessary approval of the FCC, the shares of Class B Common Stock shall be convertible in whole or in part at any time at the option of the holder or holders thereof, into an equal number of fully paid and non-assessable shares of Class A Common Stock, for no additional consideration.

(iii) Automatic Conversion Procedure. Promptly upon the occurrence of an Event of Automatic Conversion (as defined in subparagraph (i) above), the holder of the shares of Class B Common Stock being converted shall surrender the certificate or certificates therefor, duly endorsed in blank or accompanied by duly executed proper instruments of transfer, at the office of the Corporation, or of any transfer agent for the Common Stock, and shall give written notice to the Corporation, at its office: (A) stating that the shares are being converted pursuant to an Event of Automatic Conversion into Class A

Common Stock as provided in subparagraph (i); (B) specifying the Event of Automatic Conversion (and, if the occurrence of such event is within the control of the transferor, stating the transferor's intent to effect an Event of Automatic Conversion); (C) identifying the number of shares of Class B Common Stock being converted; and (D) setting out the name or names (with addresses) and denominations in which the certificate or certificates for shares of Class A Common Stock shall be issued and instructions for delivery thereof. Delivery of such notice together with the certificates representing the shares of Class B Common Stock being converted shall obligate the Corporation to issue one or more certificates representing the shares of Class A Common Stock to be issued upon such conversion. To the extent permitted by law, conversion pursuant to an Event of Automatic Conversion shall be deemed to have been effected as of the date and time on which the Event of Automatic Conversion occurred (such date and time being the "Automatic Conversion Time"). To the extent an Event of Automatic Conversion shall require the approval of the FCC, the Automatic Conversion Time shall be such time and date as the order of the FCC approving such event shall become a Final Order (as hereinafter defined). The person entitled to receive the Class A Common Stock issuable upon an Event of Automatic Conversion shall be treated for all purposes as the record holder of such Class A Common Stock at and as of the Automatic Conversion Time, and the right of such person as a holder of shares of Class B Common Stock, shall cease and terminate at and as of the Automatic Conversion Time, in each case without regard to any failure by the holder to deliver the certificate or the notice required by this subparagraph (iii).

(iv) Voluntary Conversion Procedure. At the time of a voluntary conversion pursuant to subparagraph (ii) above or, in the event such conversion requires the consent of the FCC, at the time the FCC order approving such a conversion becomes a Final Order, the holder or holders of Class B Common Stock, shall deliver to the office of the Corporation or any transfer agent for the Common Stock (A) the certificate or certificates representing the shares of Class B Common Stock, to be converted, duly endorsed in blank or accompanied by duly executed proper instruments of transfer, and (B) written notice to the Corporation stating that such holder or holders elect(s) to convert such share or shares and stating the name and addresses in which each certificate for shares of Class A Common Stock issued upon such conversion is to be issued. Conversion shall be deemed to have been effected at the time and date when such delivery is made to the Corporation or the transfer agent of the shares to

be converted, and the person exercising such voluntary conversion shall be deemed to be the holder of record of the number of shares of Class A Common Stock issuable upon such conversion at such time.

(v) Issuance of Conversion Shares. As promptly as practicable following any holder's conversion of shares of Common Stock, the Corporation shall issue and deliver to the converting holder or to such holder's transferee, as the case may be, (A) one or more certificates (as such holder may request) evidencing the shares of Common Stock issuable in respect of the applicable conversion and (B) if the certificates surrendered by the converting holder evidence more shares of Common Stock than the holder has elected to convert or that automatically have been converted, as the case may be, one or more certificates (as such holder may request) evidencing the shares of Common Stock which have not been converted. Pending the issuance and delivery of the foregoing certificates, the certificate or certificates evidencing the shares of Common Stock that have been surrendered for conversion shall be deemed to evidence the shares of Common Stock issuable upon such conversion.

(vi) Dividends on Converted Shares. Any dividends declared and not paid on shares of Common Stock prior to their conversion as provided above shall be paid, on the payment date, to the holder or holders entitled thereto on the record date for such dividend payment, notwithstanding such conversion; provided, however, that such holder or holders shall not be entitled to receive the corresponding dividends declared but not paid on the shares of Common Stock issuable upon such conversion.

(e) Reservation of Shares. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock, solely for the purpose of effecting the conversions provided for herein, such number of shares of Class A Common Stock as shall from time to time be sufficient to effect the conversions provided for herein and shall take all such corporate action as may be necessary to assure that such shares of Class A Common Stock shall be validly issued, fully paid and non-assessable upon conversion of all of the outstanding shares of Class B Common Stock; moreover, if at any time the number of authorized but unissued shares of Class A Common Stock shall not be sufficient to effect the conversions provided for herein, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Class A Common Stock to such number of shares as shall be sufficient for such purpose.

(f) Adjustments for Stock Splits and Stock Dividends. The Corporation shall treat the shares of Common Stock identically in respect of any subdivisions or combinations (for example, if the Corporation effects a

two-for-one stock split with respect to the Class A Common Stock, it shall at the same time effect a two-for-one stock split with respect to the Class B Common Stock).

(g) Liquidation. In the event of any voluntary or involuntary liquidation, dissolution, or winding-up of the Corporation, after all creditors of the Corporation shall have been paid in full, and subject to any prior and superior rights of the holders of shares ranking senior to the Common Stock upon liquidation, dissolution or winding-up, the holders of

the Common Stock shall share ratably on a share-for-share basis in all distributions of assets pursuant to such voluntary or involuntary liquidation, dissolution, or winding-up of the Corporation. For the purposes of this paragraph (g), neither the merger nor the consolidation of the Corporation into or with another entity or the merger or consolidation of any other entity into or with the Corporation, or the sale, transfer, or other disposition of all or substantially all the assets of the Corporation, shall be deemed to be a voluntary or involuntary liquidation, dissolution, or winding-up of the Corporation.

(h) Reissue of Shares. Shares of Class B Common Stock that are converted into shares of Class A Common Stock, as provided herein, shall be retired and canceled and shall not be reissued.

(i) Definitions. Capitalized terms used in this Amended and Restated Certificate of Incorporation and not otherwise defined are used with the meanings set forth below.

"Affiliate" shall have the same meaning as such term has under Rule 12b-2 of the Exchange Act.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"FCC" shall mean the Federal Communications Commission.

"Final Order" shall mean an order, action or decision of the FCC (without the inclusion of any material adverse conditions not customarily imposed with respect to such orders, actions or decisions) (i) that has not been reversed, stayed, enjoined, set aside, annulled or suspended and (ii) with respect to which (A) no timely request has been filed for administrative or judicial review, reconsideration, appeal, or stay, and the time for filing any such requests and for the FCC to set aside the action on its own motion has expired or (B) in the event of review, reconsideration, or appeal, such review, reconsideration, or appeal has been denied and the time for requesting further review, reconsideration, appeal or for further FCC review on its own motion has expired.

"Going Private Transaction" shall mean any transaction that is a "Rule 13e-3 transaction," as such term is defined in Rule 13e-3(a)(3) promulgated under the Exchange Act; provided, however, that the term "affiliate" as used in Rule 13e-3(a)(3)(i) shall be deemed to include an Affiliate, as defined in this Amended and Restated Certificate of Incorporation.

"Independent Director" shall mean a person who is not (apart from such directorship) an officer, employee, Affiliate, agent, principal stockholder, consultant or partner of the Corporation or its subsidiaries or Affiliates, and who does not otherwise have a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

"Initial Holder" shall mean Edward G. Atsinger III, Stuart W. Epperson, or Nancy A. Epperson.

"IPO" shall mean a firm commitment underwritten public offering of Class A Common Stock for cash pursuant to a registration statement under the Securities Act of 1933 where the aggregate proceeds to the Company (prior to deducting any underwriters' discounts and commissions from such offering) exceed $100 million.

"Permitted Transferee" shall mean:

(i) An Initial Holder and the spouse, child or grandchild of an Initial Holder;

(ii) A revocable grantor trust funded by an Initial Holder;

(iii) A trust for the benefit of one or more of the persons described in (i) above, as long as the trustee of the trust is one of the

persons described in (i) above.

4.3 Provisions Relating to the Undesignated Preferred Stock.

(a) Any Preferred Stock not previously designated as to series may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the Board of Directors (authority to do so being hereby expressly vested in the Board), and such resolution or resolutions shall also set forth the voting powers, full or limited or none, of each such series of Preferred Stock and shall fix the designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions of each such series of Preferred Stock. The Board of Directors is authorized to alter the designation, rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series of Preferred Stock, to increase or decrease (but not below the number of shares of any such series then outstanding) the number of shares of any such series subsequent to the issue of shares of that series.

(b) Each share of Preferred Stock issued by the Corporation, if reacquired by the Corporation (whether by redemption, repurchase, conversion to Common Stock or other means), shall upon such reacquisition resume the status of authorized and unissued shares of Preferred Stock, undesignated as to series and available for designation and issuance by the Corporation in accordance with the immediately preceding paragraph.

4.4 General.

(a) Subject to the foregoing provisions of this Amended and Restated Certificate of Incorporation, the Corporation may issue shares of its capital stock from

time to time for such consideration (not less than the par value thereof) as may be fixed by the Board of Directors, which is expressly authorized to fix the same in its absolute and uncontrolled discretion subject to the foregoing conditions. Shares so issued for which the consideration shall have been paid or delivered to the Corporation shall be deemed fully paid capital stock and shall not be liable to any further call or assessment thereon, and the holders of such shares shall not be liable for any further payments in respect of such shares.

(b) The Corporation shall have authority to create and issue rights and options entitling their holders to purchase shares of the Corporation's capital stock of any class or series or other securities of the Corporation, and such rights and options shall be evidenced by instrument(s) approved by the Board of Directors or a committee of the Board of Directors. The Board of Directors or a committee of the Board of Directors shall be empowered to set the exercise price, duration, times for exercise, and other terms of such options or rights; provided, however, that the consideration to be received for any shares of capital stock subject thereto shall not be less than the par value thereof.

FIFTH: The number, classification, and terms of the Board of Directors of the Corporation and the procedures to elect directors, to remove directors, and to fill vacancies in the Board of Directors shall be as stated in the Corporation's By-laws.

SIXTH: The following provisions are included for the purpose of ensuring that control and management of the Corporation remain with citizens of the United States and/or corporations formed under the laws of the Unites States or any of the states of the United States, as required by the Communications Act of 1934, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time (collectively, the "Communications Act"):

(a) The Corporation shall not issue to (i) a person who is a citizen of a country other than the United States; (ii) any entity organized under the laws of a government other than the government of the United States or any state, territory, or possession of the United States; (iii) a government other than the government of the United States or of any state, territory, or possession of the United States; or (iv) a representative of, or an individual or entity controlled by, any of the foregoing (individually, an "Alien"; collectively, "Aliens") any shares of capital stock of the Corporation if such issuance would result in the total number of shares of such capital stock held or voted by Aliens (or for or by the account of Aliens) to exceed 25% of (A) the total number of all shares of such capital stock outstanding at any time and from time to time or (B) the total voting power of all shares of such capital stock outstanding and entitled to vote at any time and from time to time and shall not permit the transfer on the books of the Corporation of any capital stock to any Alien that would result in the total number of shares of such capital stock held or voted by Aliens (or for or by the account of Aliens)

exceeding such 25% limits.

(b) No Alien or Aliens, individually or collectively, shall be entitled to vote or direct or control the vote of more than 25% of (i) the total number of all shares of capital stock of the Corporation outstanding at any time and from time to time or (ii) the total voting power of all shares of capital stock of the Corporation outstanding and entitled to vote at any

time and from time to time, and issuances and transfers of capital stock of the Corporation in violation of this subsection (b) shall be prohibited.

(c) The Board of Directors shall have all powers necessary to implement the provisions of this Article SIXTH and to ensure compliance with the alien ownership restrictions (the "Alien Ownership Restrictions") of the Communications Act, including, without limitation, the power to prohibit the transfer of any shares of capital stock of the Corporation to any Alien and to take or cause to be taken such action as it deems appropriate to implement such prohibition, including placing a legend regarding restrictions on foreign ownership of the capital stock on certificates representing such capital stock.

(d) Without limiting the generality of the foregoing and notwithstanding any other provision of this Amended and Restated Certificate of Incorporation to the contrary, any shares of capital stock of the Corporation determined by the Board of Directors to be owned beneficially by an Alien or Aliens shall always be subject to redemption by the Corporation by action of the Board of Directors, pursuant to Section 151 of the General Corporation Law of the State of Delaware, or any other applicable provision of law, to the extent necessary in the judgment of the Board of Directors to comply with the Alien Ownership Restrictions. The terms and conditions of such redemption shall be as follows:

(i) the redemption price of the shares to be redeemed pursuant to this Article SIXTH shall be equal to the lower of (A) the fair market value of the shares to be redeemed, as determined by the Board of Directors in good faith, and (B) such Alien's purchase price for such shares;

(ii) the redemption price of such shares may be paid in cash, securities or any combination thereof;

(iii) if less than all the shares held by Aliens are to be redeemed, the shares to be redeemed shall be selected in any manner determined by the Board of Directors to be fair and equitable;

(iv) at least 10 days' written notice of the redemption date shall be given to the holders of record of the shares selected to be redeemed (unless waived in writing by any such holder), provided that the redemption date may be the date on which written notice shall be given to holders if the cash or securities necessary to effect the redemption shall have been deposited in trust for the benefit of such holders and subject to immediate withdrawal by them upon surrender of the stock certificates for their shares to be redeemed duly endorsed in blank or accompanied by duly executed proper instruments of transfer;

(v) from and after the redemption date, the shares to be redeemed shall cease to be regarded as outstanding and any and all rights of the holders in respect of the shares to be redeemed or attaching to such shares of whatever nature (including without limitation any rights to vote or participate in dividends declared on capital stock of the

same class or series as such shares) shall cease and terminate, and the holders thereof thereafter shall be entitled only to receive the cash or securities payable upon redemption; and

(vi) such other terms and conditions as the Board of Directors shall determine. For purposes of this Article SIXTH, the determination of beneficial ownership of shares of capital stock of the Corporation shall be made pursuant to Rule 13d-3 under the Exchange Act.

SEVENTH:

7.1 The Corporation shall indemnify any Person who was, is, or is threatened to be made a party to a proceeding (as hereinafter defined) by reason of the fact that he or she (i) is or was a director or officer of the Corporation or (ii) while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, to the fullest extent permitted under the General Corporation Law of the State of

Delaware, as the same exists or may hereafter be amended. Such right shall be a contract right and as such shall run to the benefit of any director or officer who is elected and accepts the position of director or officer of the Corporation or elects to continue to serve as a director or officer of the Corporation while this Article SEVENTH is in effect. Any repeal or amendment of this Article SEVENTH shall be prospective only and shall not limit the rights of any such director or officer or the obligations of the Corporation with respect to any claim arising from or related to the services of such director or officer in any of the foregoing capacities prior to any such repeal or amendment to this Article SEVENTH. Such right shall include the right to be paid by the Corporation expenses incurred in investigating or defending any such proceeding in advance of its final disposition to the maximum extent permitted under the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended. If a claim for indemnification or advancement of expenses hereunder is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and if successful in whole or in part, the claimant shall also be entitled to be paid the expenses of prosecuting such claim. It shall be a defense to any such action that such indemnification or advancement of costs of defense is not permitted under the General Corporation Law of the State of Delaware, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors or any committee thereof, independent legal counsel, or stockholders) to have made its determination prior to the commencement of such action that indemnification of, or advancement of costs of defense to, the claimant is permissible in the circumstances nor an actual determination by the Corporation (including its Board of Directors or any committee thereof, independent legal counsel, or stockholders) that such indemnification or advancement is not permissible shall be a defense to the action or create a presumption that such indemnification or advancement is not permissible. In the event of the death of any Person having a right of indemnification under the foregoing provisions, such right shall inure to the benefit of his or her heirs, executors, administrators, and personal representatives. The rights conferred above shall not be exclusive of

any other right which any Person may have or hereafter acquire under any statute, bylaw, resolution of stockholders or directors, agreement, or otherwise.

7.2 The Corporation may additionally indemnify any employee or agent of the Corporation to the fullest extent permitted by law.

7.3 Without limiting the generality of the foregoing, to the extent permitted by then applicable law, the grant of mandatory indemnification pursuant to this Article SEVENTH shall extend to proceedings involving the negligence of such Person.

7.4 As used herein, the term "proceeding" means any threatened, pending, or completion action, suit, or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, any appeal in such an action, suit, or proceeding, and any inquiry or investigation that could lead to such an action, suit, or proceeding.

EIGHTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, (iii) under Section 174 of the General Corporation Law of the State of Delaware; or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or amendment of this Article EIGHTH by the stockholders of the Corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the Corporation arising from an act or omission occurring prior to the time of such repeal or amendment. In addition to the circumstances in which a director of the Corporation is not personally liable as set forth in the foregoing provisions of this Article EIGHTH, a director shall not be liable to the Corporation or its stockholders to such further extent as permitted by any law hereafter enacted, including without limitation any subsequent amendment to the General Corporation Law of the State of Delaware.

NINTH: No action shall be taken by the stockholders of the Corporation except at an annual or special meeting of the stockholders called in accordance with the Bylaws of the Corporation, and no action shall be taken by the stockholders by written consent.

TENTH: All of the power of the Corporation, insofar as it may be lawfully vested by this Amended and Restated Certificate of Incorporation in the Board of Directors, is hereby conferred upon the Board of Directors of the Corporation. In furtherance of and not in limitation of that power or the powers conferred by law, a majority of directors then in office (or such higher percentage as may be specified in the bylaws with respect to any provision

thereof) shall have the power to adopt, amend and repeal the bylaws of the Corporation.

IN WITNESS WHEREOF, said Salem Communications Corporation has caused this Amended and Restated Certificate of Incorporation to be signed by Eric H. Halvorson this 20th day of April, 1999.

SALEM COMMUNICATIONS CORPORATION

By: /s/ Eric H. Halvorson

Eric H. Halvorson
Executive Vice President

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 3 AND CONSENT NO. 4

AMENDMENT NO. 3 AND CONSENT NO. 4 (this "Amendment"), dated as of April 23, 1999, under the Credit Agreement, dated as of September 25, 1997, by and among SALEM COMMUNICATIONS CORPORATION, a Delaware corporation (the "Borrower"), THE BANK OF NEW YORK, as administrative agent for the Lenders thereunder (in such capacity, the "Administrative Agent"), BANK OF AMERICA NT&SA, as documentation agent, and the Lenders party thereto, as amended or modified by Amendment No. 1 and Consent No. 1, dated as of August 5, 1998, Amendment No. 2 and Consent No. 2, dated as of January 22, 1999, and Consent No. 3, dated as of March 31, 1999 (the "Credit Agreement").

RECITALS

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

II. The Borrower has requested the consent of the Administrative Agent, the Issuing Bank and the Required Lenders in connection with the acquisition (the "KKOL Acquisition") by the Borrower of radio station KKOL-AM, Seattle, Washington ("KKOL").

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

1. Notwithstanding anything to the contrary contained in Section 8.3(b) of the Credit Agreement, the Administrative Agent, the Issuing Bank and the Required Lenders hereby consent to the KKOL Acquisition, provided that (i) the aggregate gross consideration for the KKOL Acquisition shall not exceed $1,400,000, and (ii) in all other respects, the KKOL Acquisition is consummated in accordance with the terms of the Loan Documents, including, without limitation, the last paragraph of Section 8.3 and, if applicable, Section 7.11.

2. Section 4 of the Credit Agreement is hereby amended by inserting the following new Section 4.19 at the end of such Section 4:

4.19 Year 2000

Any reprogramming required to permit the proper functioning, in and following the year 2000, of (i) the Borrower's and the Subsidiaries' computer systems and (ii) equipment containing embedded microchips (including systems and equipment supplied by others or with which the Borrower's or the Subsidiaries' systems interact) and the testing of all such systems and equipment, as so reprogrammed, will be completed by August 31, 1999. The cost to the Borrower and the Subsidiaries of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to the Borrower and the Subsidiaries (including reprogramming errors and the failure of others' systems or equipment) will not result in a Default or a Material Adverse Effect. Except for such of the reprogramming referred to in the preceding sentence as may be necessary, the computer and management information systems of the Borrower and the Subsidiaries are and, with ordinary course upgrading and maintenance, will continue for the term of this Agreement to be, sufficient to permit the Borrower and the Subsidiaries to conduct their business without Material Adverse Effect.

3. Section 6.1 of the Credit Agreement is hereby amended by inserting the following periods immediately at the end of the periods listed under such Section 6.1:

December 31, 1999 through December 30, 2000	5.25:1.00
December 31, 2000 through December 30, 2001	4.50:1.00
December 31, 2001 and thereafter	4.00:1.00

4. Paragraphs 1 - 3 of this Amendment shall not become effective until the prior or simultaneous satisfaction of the following:

(a) The Administrative Agent shall have received counterparts of this Amendment duly executed by the Borrower, the Subsidiary Guarantors, the Administrative Agent, the Issuing Bank and the Required Lenders.

(b) The Administrative Agent shall have received a certificate of the Secretary or Assistant Secretary of each of the Borrower and the Subsidiary Guarantors attaching a true and complete copy of the resolutions of its Board of Directors or other action (in form and substance reasonably satisfactory to the Administrative Agent) authorizing this Amendment and setting forth the incumbency of its officer(s) authorized to execute and deliver this Amendment (including signature specimens).

(c) The Administrative Agent shall have received all such other documents as the Administrative Agent may reasonably require in connection with this Amendment.

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

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

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

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

9. This Amendment shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, without regard to principles of conflict of laws.

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

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 3 AND CONSENT NO. 4

SALEM COMMUNICATIONS CORPORATION

By: /s/ Dirk Gastaldo

Name: Dirk Gastaldo
Title: Vice President

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 3 AND CONSENT NO. 4

ATEP RADIO, INC.
BISON MEDIA, INC.
CARON BROADCASTING, INC.
CCM COMMUNICATIONS, INC.
COMMON GROUND BROADCASTING, INC.
GOLDEN GATE BROADCASTING COMPANY, INC.

INLAND RADIO, INC.
INSPIRATION MEDIA OF TEXAS, INC.
INSPIRATION MEDIA, INC.
KINGDOM DIRECT, INC.
NEW ENGLAND CONTINENTAL MEDIA, INC.
NEW INSPIRATION BROADCASTING COMPANY, INC.
OASIS RADIO, INC.
ONEPLACE, LTD.
PENNSYLVANIA MEDIA ASSOCIATES, INC.
RADIO 1210, INC
SALEM MEDIA CORPORATION
SALEM MEDIA OF CALIFORNIA, INC.
SALEM MEDIA OF COLORADO, INC.
SALEM MEDIA OF OHIO, INC.
SALEM MEDIA OF OREGON, INC.
SALEM MEDIA OF PENNSYLVANIA, INC.
SALEM MEDIA OF VIRGINIA, INC.
SALEM MEDIA OF TEXAS, INC.
SALEM MUSIC NETWORK, INC.
SALEM RADIO NETWORK INCORPORATED
SALEM RADIO REPRESENTATIVES, INC.
SOUTH TEXAS BROADCASTING, INC.
SRN NEWS NETWORK, INC.
VISTA BROADCASTING, INC.

By: /s/ Eric Halvorson

Name: Eric H. Halvorson
Title: Vice President

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 3 AND CONSENT NO. 4

THE BANK OF NEW YORK,
individually, as Administrative Agent
and as Issuing Bank

By: /s/ Stephen M. Nettler

Name: Stephen M. Nettler
Title: Assistant Vice President

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 3 AND CONSENT NO. 4

BANKBOSTON, N.A.

By: /s/ Robert F. Milordi

Name: Robert F. Milordi
Title: Managing Director

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 3 AND CONSENT NO. 4

BANK OF AMERICA NT & SA

By: /s/ John J. Sullivan

Name: John J. Sullivan
Title: Vice President

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 3 AND CONSENT NO. 4

FLEET BANK, N.A.

By: /s/ William Weiss

Name: William Weiss
Title: Assistant Vice President

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 3 AND CONSENT NO. 4

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Lena M. Bryant

Name: Lena M. Bryant
Title: Assistant Vice President

EXHIBIT 5.01

May 25, 1999

(949) 451-3800 C 80253-00038

Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, CA 93012

Ladies and Gentlemen :

We have acted as counsel to Salem Communications Corporation, a Delaware corporation (the "Company"), in connection with the registration under the Securities Act of 1933, as amended (the "1933 Act"), of the sale in an underwritten public offering of up to 6,000,000 authorized but unissued shares of the Class A Common Stock, $0.01 par value (the "Common Stock"), of the Company (the "Company Shares"), and up to 2,625,000 shares of Common Stock issued to certain selling stockholders (the "Outstanding Shares"). This opinion is delivered to you in connection with the Registration Statement on Form S-1, Registration No. 333-76649, as amended to date (the "Registration Statement"), for the aforementioned sales, filed with the Securities and Exchange Commission (the "Commission") under the 1933 Act.

In rendering the opinion set forth herein, we have made such investigations of fact and law, and examined such documents and instruments, or copies thereof established to our satisfaction to be true and correct copies thereof, as we have deemed necessary under the circumstances.

Based upon the foregoing and such other examination of law and fact as we have deemed necessary, and in reliance thereon, we are of the opinion that, subject to such proceedings as are now contemplated being duly taken and completed by you prior to the issuance of the Company Shares, the issuance of an appropriate order by the Commission declaring the Registration Statement, as amended, effective, and the compliance with applicable state securities and "blue sky" laws, (i) the Company Shares have been duly authorized and will, upon sale and delivery thereof and receipt by the Company of full payment therefor as set forth in the Registration Statement, be validly issued, fully paid and nonassessable, and (ii) the Outstanding Shares are duly authorized, validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to this firm under the caption "Legal Matters" in the Prospectus which is a part of the Registration Statement.

Very truly yours,

/s/ GIBSON, DUNN & CRUTCHER LLP

Gibson, Dunn & Crutcher LLP

TDM/TJF

EXHIBIT 10.01

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the "Agreement") is entered into as of May 19, 1999, by and between Edward G. Atsinger III, an individual ("Executive"), and Salem Communications Corporation, a Delaware corporation (the "Company").

RECITALS

WHEREAS, the Company desires to amend and restate in its entirety that certain Employment Agreement entered into as of August 1, 1997, by and between Executive and the Company;

WHEREAS, the Company desires to employ Executive in the capacity of President and Chief Executive Officer of the Company on the terms and conditions set forth herein; and

WHEREAS, Executive desires to serve in such capacity on behalf of the Company and to provide to the Company the services described herein on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals, the terms and conditions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Executive and the Company hereby agree as follows:

1. EMPLOYMENT BY THE COMPANY AND TERM.

(a) Full Time and Best Efforts. Subject to the terms set forth herein, the Company agrees to employ Executive as President and Chief Executive Officer and Executive hereby accepts such employment. As President and Chief Executive officer, Executive shall have responsibility for the day-to-day operations of the Company and shall have the authority, functions, duties, powers and responsibilities for Executive's corporate offices and positions which are set forth in the Company's bylaws from time to time in effect and such other authority, functions, duties, powers and responsibilities as the Board of Directors of the Company (the "Board") may from time to time prescribe or delegate to Executive, in all cases to be consistent with Executive's corporate offices and positions. During the term of his employment with the Company, Executive will apply, on a full time basis, all of his skill and experience to the performance of his duties in such employment and will not, without the prior consent of the Board, devote substantial amounts of time to outside business activities. Notwithstanding the foregoing sentence, Executive shall be permitted to engage in the outside business activities described on Exhibit A to this Agreement so long as such activities do not prevent Executive from competently discharging his responsibilities to the Company pursuant to this Agreement as determined by the disinterested members of the Board. The performance of Employee's duties

shall be in Camarillo, California, subject to reasonable travel as the performance of his duties in the business may require. Notwithstanding the foregoing, Executive may devote a reasonable amount of his time to civic, community, charitable or passive investment activities.

(b) COMPANY POLICIES. The employment relationship between the parties shall be governed by the general employment policies and practices of the Company, except that when the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control.

(c) TERM. The initial term of the employment of Executive under this Agreement shall begin as of August 1, 1997 for an initial term ending on July 31, 2001 (such four-year period, the "Initial Term"), subject to the provisions for termination set forth herein and renewal as provided in Section 1(d) below.

(d) RENEWAL. Unless the Company or Executive shall have given the other party hereto notice that this Agreement shall not be renewed at least 90 days prior to the end of the Initial Term, the term of this Agreement shall be automatically extended for a period of one year, such procedure to be followed in each such successive period. Each extended term shall continue to be subject to the provisions for termination set forth herein.

2. COMPENSATION AND BENEFITS.

(a) SALARY. Executive shall receive for services to be rendered hereunder an annual base salary as set forth on Exhibit B attached hereto ("Base Salary"). The Base Salary will be reviewed by and shall be subject to the adjustment at the sole discretion of the Board each year during the term of this

Agreement.

(b) PARTICIPATION IN BENEFIT PLANS. During the term hereof, Executive shall be entitled to participate in any group insurance, hospitalization, medical, dental, health and accident, disability or similar plan or program of the Company now existing or established hereafter to the extent that he is eligible under the general provisions thereof. The Company may, in its sole discretion and from time to time, amend, eliminate or establish additional benefit programs as it deems appropriate. Executive shall also participate in all fringe benefits offered by the Company to any of its Executives.

3. BONUSES.

Subject to the provisions of Section 4 hereof, Executive shall receive an annual bonus during the term of this Agreement at the discretion of the Board.

4. TERMINATION OF EMPLOYMENT.

The date on which Executive's employment by the Company ceases, under any of the following circumstances, shall be defined herein as the "Termination Date."

(a) TERMINATION FOR CAUSE.

(i) Termination; Payment of Accrued Salary. The Board may terminate Executive's employment with the Company at any time for cause, immediately upon notice to Executive of the circumstances leading to such termination for cause. In the event that Executive's employment is terminated for cause, Executive shall receive payment for all accrued salary through the Termination Date, which in this event shall be the date upon which notice of termination is given. The Company shall have no further obligation to pay severance of any kind nor to make any payment in lieu of notice.

(ii) Definition of Cause. "Cause" means the occurrence or existence of any of the following with respect to Executive, as determined by a majority of the disinterested directors of the Board: (A) a material breach by Executive of any of his obligations hereunder which remains uncured after the lapse of 30 days following the date that the Company has given Executive written notice thereof, provided, however, that the failure by the Company to achieve performance targets shall not, in and of itself, constitute a material breach under this Section 4(a)(ii)(A); (B) any misappropriation, embezzlement, intentional fraud or similar conduct involving the Company or any person or entity directly or indirectly controlling, controlled by or under direct or indirect common control with the Company (an "Affiliate"); (C) the conviction or the plea of nolo contendere or the equivalent in respect of any felony or a crime involving moral turpitude; or (D) the repeated non-prescription use of any controlled substance or the repeated use of alcohol or any other non-controlled substance which, in any case described in this clause, the Board reasonably determines renders the Executive unfit to serve in his capacity as an officer or employee of the Company or its Affiliates.

(b) TERMINATION BY EXECUTIVE. Executive shall have the right, at his election, to terminate his employment with the Company by written notice to the Company to that effect (i) if the Company shall have failed to substantially perform a material condition or covenant of this Agreement ("Company's Material Breach") or (ii) if the Company materially reduces or diminishes Executive's powers and responsibilities hereunder; provided, however, that a termination under clauses (i) and (ii) of this Section 4(b) will not be effective until Executive shall have given written notice specifying the claimed breach and, provided such breach is curable, Company fails to correct the claimed breach within 30 days after the receipt of the applicable notice or such longer term as may be reasonably required by the nature of the claimed breach (but within 10 days if the failure to perform is a failure to pay monies when due under the terms of this Agreement).

(c) TERMINATION UPON DISABILITY. The Company may terminate Executive's employment in the event Executive suffers a disability that renders Executive unable to perform the essential functions of his position, even with reasonable accommodation, for 180 days within any 270 day period and fails to return to work within 10 days of notice of intention to terminate. After the Termination Date, which in this event shall be the date upon which notice of termination is given, no further compensation will be payable under this Agreement except that Executive shall receive the accrued portion of any salary and bonus through the Termination Date, less standard with holdings for tax, social security purposes, payable, in the case of a

bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan plus severance equal to 100% of his then Base Salary without offset for any disability payments Executive may receive, payable in monthly installments over a fifteen month period.

(d) TERMINATION WITHOUT CAUSE; FAILURE TO RENEW.

(i) TERMINATION PAYMENTS. In the event that, during the Initial Term, Executive's employment is terminated by the Company other than pursuant to Section 4(a) or 4(c), or by Executive pursuant to Section 4(b)(i), (ii) or (iii), the Company shall pay Executive as severance an amount equal to his then Base Salary for the longer of six months or the remainder of the Initial Term, less standard withholdings for tax and social security purposes, payable in equal installments over six consecutive months, or, if longer, the number of months remaining in the Initial Term, commencing immediately following termination, in monthly pro rata payments commencing as of the Termination Date, plus the accrued portion of any bonus through the Termination Date, less standard withholdings for tax and social security purposes, payable, in the case of a bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan. In the event that after the Initial Term Executive's employment is terminated by the Company other than pursuant to Section 4(a) or 4(c), or by Executive pursuant to Section 4(b)(i) and (ii), or if the Company shall fail to renew the term of this Agreement at the expiration of the Initial Term (including any renewal term thereof), the Company shall pay Executive as severance an amount equal to three months of his then Base Salary, less standard withholdings for tax and social security purposes, payable in equal installments over three consecutive months commencing immediately following termination or failure to renew in monthly pro rata payments commencing as of the Termination Date, plus the accrued portion of any bonus through the Termination Date, less standard withholdings for tax and social security purposes, payable, in the case of a bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan.

(e) BENEFITS UPON TERMINATION. All benefits provided under Section 2(b) hereof shall be extended at the Executive's cost, to the extent permitted by the Company's insurance policies and benefit plans, for six months after Executive's Termination Date, except (a) as required by law (e.g. COBRA health insurance continuation election) or (b) in the event of a termination described in Section 4(a).

(f) TERMINATION UPON DEATH. If Executive dies prior to the expiration of the term of this Agreement, the Company shall (i) continue coverage of Executive's dependents (if any) under all applicable benefit plans or programs of the type listed above in Section 2(b) herein for a period of 12 months, and (ii) pay to Executive's estate the accrued portion of any salary and bonus through the Termination Date, less standard withholdings for tax and social security purposes, payable, in the case of a bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan.

(g) NO OFFSET. Executive shall have no duty to mitigate any of his damages or losses and the Company shall not be entitled to reduce or offset any payments owed to Executive hereunder for any reason.

5. RIGHT OF FIRST REFUSAL ON CORPORATE OPPORTUNITIES.

During the term of employment under this Agreement, Executive agrees that he will, prior to exploiting a Corporate Opportunity for his own account, offer the Company a right of first refusal with respect to such Corporate Opportunity. For purposes of this Section 5, "Corporate Opportunity" shall mean any business opportunity that is in the same or a related business as any of the businesses in which the Company is involved. The determination as to whether a business opportunity constitutes a Corporate Opportunity shall be made by a majority of the disinterested members of the Board, and their determination shall be based on an evaluation of (i) the extent to which the opportunity is within the Company's existing lines of business or its existing plans to expand; (ii) the extent to which the opportunity supplements the Company's existing lines of activity or complements the Company's existing methods of service; (iii) whether the Company has available resources that can be utilized in connection with the opportunity; (iv) whether the Company is legally or contractually barred from utilizing the opportunity; (v) the extent to which utilization of the opportunity by Executive would create conflicts of interest with the Company; and (vi) any other factors the disinterested Board members deem appropriate under the circumstances.

6. PROPRIETARY INFORMATION OBLIGATIONS.

During the term of employment under this Agreement, Executive will have access to and become acquainted with the Company's confidential and proprietary

information, including but not limited to information or plans regarding the Company's customer relationships, personnel, or sales, marketing, and financial operations and methods; and other compilations of information, records, and specifications (collectively "Proprietary Information"). Executive shall not disclose any of the Company's Proprietary Information directly or indirectly, or use it in any way, either during the term of this Agreement or at any time thereafter, except as required in the course of his employment for the Company or as authorized in writing by the Company. All files, records, documents, computer-recorded information and similar items relating to the business of the Company, whether prepared by Executive or otherwise coming into his possession, shall remain the exclusive property of the Company and shall not be removed from the premises of the Company under any circumstances whatsoever without the prior written consent of the Company, except when (and only for the period) necessary to carry out Executive's duties hereunder, and if removed shall be immediately returned to the Company upon any termination of his employment and no copies thereof shall be kept by Executive; provided, however, that Executive shall be entitled to retain documents reasonably related to his prior interest as a shareholder.

7. NONINTERFERENCE.

While employed by the Company, Executive agrees not to interfere with the business of the Company by directly or indirectly soliciting, attempting to solicit, inducing, or otherwise causing any employee of the Company to terminate his or her employment in order to become an employee, consultant or independent contractor to or for any other employer.

8. NONCOMPETITION.

Executive agrees that during the term of this Agreement and for a period of two years thereafter, he will not, without the prior consent of the Company, directly or indirectly, have an interest in, be employed by, be connected with, or have an interest in, as an employee, consultant, officer, director, partner, stockholder or joint venturer, in any person or entity owning, managing, controlling, operating or otherwise participating or assisting in any business that is in competition with the business of the Company (i) during the term of this Agreement, in any location, and (ii) for the two-year period following the termination of this Agreement, in any province, state or jurisdiction in which the Company was conducting business at the date of termination of Executive's employment and continues to do so thereafter; provided, however, that the foregoing shall not prevent Executive from being a stockholder of less than one percent of the issued and outstanding securities of any class of a corporation listed on a national securities exchange or designated as national market system securities on an interdealer quotation system by the National Association of Securities Dealers, Inc.

9. REMEDIES.

Executive acknowledges that a breach or threatened breach by Executive of any the provisions of Sections 5, 6, 7 or 8 will result in the Company and its shareholders suffering irreparable harm which cannot be calculated or fully or adequately compensated by recovery of damages alone. Accordingly, Executive agrees that the Company shall be entitled to interim, interlocutory and permanent injunctive relief, specific performance and other equitable remedies, in addition to any other relief to which the Company may become entitled should there be such a breach or threatened breach.

9. MISCELLANEOUS.

(a) NOTICES. Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of personal delivery (including personal delivery by telecopy or telex) on the third day after mailing by first class mail to the recipient at the address indicated below:

To the Company:

Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, California 93012
Attention: Eric H. Halvorson, Executive Vice President
Telephone: (805) 987-0400, Ext. 108
Facsimile: (805) 482-7290

To Executive:

Edward G. Atsinger III
4880 Santa Rose Road, Suite 300
Camarillo, CA 93012
Telephone: (805) 987-0400, Ext. 104
Facsimile: (805) 987-6072

or to such other address or to the attention of such other person as the recipient party will have specified by prior written notice to the sending party.

(b) SEVERABILITY. If any provision of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed herefrom, and all remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable.

(c) ENTIRE AGREEMENT. This document constitutes the final, complete, and exclusive embodiment of the entire agreement and understanding between the parties related to the subject matter hereof and supersedes and preempts any prior or contemporaneous understandings, agreements, or representations by or between the parties, written or oral. Without limiting the generality of the foregoing, except as provided in this Agreement, all understandings and agreements, written or oral, relating to the employment of Executive by the Company or the payment of any compensation or the provision of any benefit in connection therewith or otherwise, are hereby terminated and shall be of no further force and effect.

(d) COUNTERPARTS. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same agreement.

(e) SUCCESSORS AND ASSIGNS. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors and assigns, except that Executive may not assign any of his duties hereunder and he may not assign any of his rights hereunder without the prior written consent of the Company.

(f) AMENDMENTS. No amendments or other modifications to this Agreement may be made except by a writing signed by both parties. No amendment or waiver of this Agreement requires the consent of any individual, partnership, corporation or other entity not a party to this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any third person any rights or remedies under or by reason of this Agreement.

(g) ATTORNEYS FEES. If any legal proceeding is necessary to enforce or interpret the terms of this Agreement, or to recover damages for breach therefore, the prevailing party shall be entitled to reasonable attorney's fees, as well as costs and disbursements, in addition to other relief to which he or it may be entitled.

(h) CHOICE OF LAW. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the internal law, and not the law of conflicts, of the State of California.

(i) ARBITRATION. The parties expressly agree that in the event of any dispute, controversy or claim by any party concerning this Agreement, the prevailing party shall be entitled to a reimbursement of its reasonable attorneys' fees and costs from the other party to the proceeding. Any dispute, controversy or claim arising hereunder or in any way related to this Agreement shall be resolved by arbitration in the City of Los Angeles pursuant to the rules of the American Arbitration Association. The Arbitrator's decision shall be final and binding on both parties. The parties intend this arbitration provision to be valid, enforceable, irrevocable and construed as broadly as possible. The Arbitrator shall have full authority to award all legal and equitable relief, including, without limitation, injunctive relief, to the same extent as a court of competent jurisdiction; provided, however, that the Arbitrator shall have no authority to award damages for emotional distress or punitive damages. Judgment upon the award rendered by the Arbitrator may be entered by any court having jurisdiction thereof. The parties agree that in the event of a breach or threatened breach by any part of any one of more of the covenants set forth in this Agreement, the other party would not have any adequate remedy at law. Accordingly, in the event of any such breach or threatened breach, such other party may, in addition to the other remedies which may be available to it, seek in arbitration to enjoin the breaching party from such breach or threatened breach.

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

/s/ EDWARD G. ATSINGER III

EDWARD G. ATSINGER III

SALEM COMMUNICATIONS CORPORATION

By: /s/ ERIC H. HALVORSON

Eric H. Halvorson,
Executive Vice President

EXHIBIT A

Edward G. Atsinger III is permitted to engage in the following outside business activities:

A. Ownership and executive management of Atsinger Aviation LLC.

B. Ownership and executive management of a fixed based operator aviation management business.

C. Ownership, management and speculation in real estate investments in his individual capacity, as trustee for a trust for which he or an immediate family member is a beneficiary, or though Sonsinger Management, Inc.

EXHIBIT B

The annual base salary of Executive shall be four hundred thousand dollars ($400,000) through May 31, 1999. From and after June 1, 1999, the annual base salary of Executive shall be six hundred thousand dollars ($600,000).

EXHIBIT 10.02

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the "Agreement") is entered into as of May 19, 1999, by and between Stuart W. Epperson, an individual ("Executive"), and Salem Communications Corporation, a Delaware corporation (the "Company").

RECITALS

WHEREAS, the Company desires to amend and restate in its entirety that certain Employment Agreement entered into as of August 1, 1997, by and between Executive and the Company;

WHEREAS, the Company desires to employ Executive in the capacity of Chairman of the Company on the terms and conditions set forth herein; and

WHEREAS, Executive desires to serve in such capacity on behalf of the Company and to provide to the Company the services described herein on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals, the terms and conditions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Executive and the Company hereby agree as follows:

1. EMPLOYMENT BY THE COMPANY AND TERM.

(a) Full Time and Best Efforts. Subject to the terms set forth herein, the Company agrees to employ Executive as Chairman and Executive hereby accepts such employment. Executive shall have the authority, functions, duties, powers and responsibilities for Executive's corporate offices and positions which are set forth in the Company's bylaws from time to time in effect and such other authority, functions, duties, powers and responsibilities as the Board of Directors of the Company (the "Board") may from time to time prescribe or delegate to Executive, in all cases to be consistent with Executive's corporate offices and positions. During the term of his employment with the Company, Executive will apply, on a full time basis, all of his skill and experience to the performance of his duties in such employment and will not, without the prior consent of the Board, devote substantial amounts of time to outside business activities. Notwithstanding the foregoing sentence, Executive shall be permitted to engage in the outside business activities described on Exhibit A to this Agreement so long as such activities do not prevent Executive from competently discharging his responsibilities to the Company pursuant to this Agreement as determined by the disinterested members of the Board. The performance of Employee's duties shall be in Winston-Salem, North Carolina, subject to such reasonable travel as the performance of his duties in the business may require.

Notwithstanding the foregoing, Executive may devote a reasonable amount of his time to civic, community, charitable or passive investment activities.

(b) Company Policies. The employment relationship between the parties shall be governed by the general employment policies and practices of the Company, except that when the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control.

(c) Term. The initial term of the employment of Executive under this Agreement shall begin as of August 1, 1997 for an initial term ending on July 31, 2001 (such four-year period, the "Initial Term"), subject to the provisions for termination set forth herein and renewal as provided in Section 1(d) below.

(d) Renewal. Unless the Company or Executive shall have given the other party hereto notice that this Agreement shall not be renewed at least 90 days prior to the end of the Initial Term, the term of this Agreement shall be automatically extended for a period of one year, such procedure to be followed in each such successive period. Each extended term shall continue to be subject to the provisions for termination set forth herein.

2. COMPENSATION AND BENEFITS.

(a) Salary. Executive shall receive for services to be rendered hereunder an annual base salary as set forth on Exhibit B attached hereto ("Base salary"). The Base Salary will be reviewed by and shall be subject to the adjustment at the sole discretion of the Board each year during the term of this Agreement.

(b) Participation in Benefit Plans. During the term hereof, Executive shall be entitled to participate in any group insurance, hospitalization,

medical, dental, health and accident, disability or similar plan or program of the Company now existing or established hereafter to the extent that he is eligible under the general provisions thereof. The Company may, in its sole discretion and from time to time, amend, eliminate or establish additional benefit programs as it deems appropriate. Executive shall also participate in all fringe benefits offered by the Company to any of its Executives.

3. BONUSES.

Subject to the provisions of Section 4 hereof, Executive shall receive an annual bonus during the term of this Agreement at the discretion of the Board.

4. TERMINATION OF EMPLOYMENT.

The date on which Executive's employment by the Company ceases, under any of the following circumstances, shall be defined herein as the "Termination Date."

(a) TERMINATION FOR CAUSE.

(i) Termination; Payment of Accrued Salary. The Board may terminate Executive's employment with the Company at any time for cause, immediately upon notice to Executive of the circumstances leading to such termination for cause. In the event that Executive's employment is terminated for cause, Executive shall receive payment for all accrued salary through the Termination Date, which in this event shall be the date upon which notice of termination is given. The Company shall have no further obligation to pay severance of any kind nor to make any payment in lieu of notice.

(ii) Definition of Cause. "Cause" means the occurrence or existence of any of the following with respect to Executive, as determined by a majority of the disinterested directors of the Board: (A) a material breach by Executive of any of his obligations hereunder which remains uncured after the lapse of 30 days following the date that the Company has given Executive written notice thereof, provided, however, that the failure by the Company to achieve performance targets shall not, in and of itself, constitute a material breach under this Section 4(a)(ii)(A); (B) any misappropriation, embezzlement, intentional fraud or similar conduct involving the Company or any person or entity directly or indirectly controlling, controlled by or under direct or indirect common control with the Company (an "Affiliate"); (C) the conviction or the plea of nolo contendere or the equivalent in respect of any felony or a crime involving moral turpitude; or (D) the repeated non-prescription use of any controlled substance or the repeated use of alcohol or any other non-controlled substance which, in any case described in this clause, the Board reasonably determines renders the Executive unfit to serve in his capacity as an officer or employee of the Company or its Affiliates.

(b) TERMINATION BY EXECUTIVE. Executive shall have the right, at his election, to terminate his employment with the Company by written notice to the Company to that effect (i) if the Company shall have failed to substantially perform a material condition or covenant of this Agreement ("Company's Material Breach") or (ii) if the Company materially reduces or diminishes Executive's powers and responsibilities hereunder; provided, however, that a termination under clauses (i) and (ii) of this Section 4(b) will not be effective until Executive shall have given written notice specifying the claimed breach and, provided such breach is curable, Company fails to correct the claimed breach within 30 days after the receipt of the applicable notice or such longer term as may be reasonably required by the nature of the claimed breach (but within 10 days if the failure to perform is a failure to pay monies when due under the terms of this Agreement).

(c) TERMINATION UPON DISABILITY. The Company may terminate Executive's employment in the event Executive suffers a disability that renders Executive unable to perform the essential functions of his position, even with reasonable accommodation, for 180 days within any 270 day period and fails to return to work within 10 days of notice of intention to terminate. After the Termination Date, which in this event shall be the date upon which notice of termination is given, no further compensation will be payable under this Agreement except that Executive shall receive the accrued portion of any salary and bonus through the Termination Date, less standard with holdings for tax, social security purposes, payable, in the case of a

bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan plus severance equal to 100% of his then Base Salary without offset for any disability payments Executive may receive, payable in

monthly installments over a fifteen month period.

(d) TERMINATION WITHOUT CAUSE; FAILURE TO RENEW.

(i) TERMINATION PAYMENTS. In the event that, during the Initial Term, Executive's employment is terminated by the Company other than pursuant to Section 4(a) or 4(c), or by Executive pursuant to Section 4(b)(i), (ii) or (iii), the Company shall pay Executive as severance an amount equal to his then Base Salary for the longer of six months or the remainder of the Initial Term, less standard withholdings for tax and social security purposes, payable in equal installments over six consecutive months, or, if longer, the number of months remaining in the Initial Term, commencing immediately following termination, in monthly pro rata payments commencing as of the Termination Date, plus the accrued portion of any bonus through the Termination Date, less standard withholdings for tax and social security purposes, payable, in the case of a bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan. In the event that after the Initial Term Executive's employment is terminated by the Company other than pursuant to Section 4(a) or 4(c), or by Executive pursuant to Section 4(b)(i) and (ii), or if the Company shall fail to renew the term of this Agreement at the expiration of the Initial Term (including any renewal term thereof), the Company shall pay Executive as severance an amount equal to three months of his then Base Salary, less standard withholdings for tax and social security purposes, payable in equal installments over three consecutive months commencing immediately following termination or failure to renew in monthly pro rata payments commencing as of the Termination Date, plus the accrued portion of any bonus through the Termination Date, less standard withholdings for tax and social security purposes, payable, in the case of a bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan.

(e) BENEFITS UPON TERMINATION. All benefits provided under Section 2(b) hereof shall be extended at the Executive's cost, to the extent permitted by the Company's insurance policies and benefit plans, for six months after Executive's Termination Date, except (a) as required by law (e.g. COBRA health insurance continuation election) or (b) in the event of a termination described in Section 4(a).

(f) TERMINATION UPON DEATH. If Executive dies prior to the expiration of the term of this Agreement, the Company shall (i) continue coverage of Executive's dependents (if any) under all applicable benefit plans or programs of the type listed above in Section 2(b) herein for a period of 12 months, and (ii) pay to Executive's estate the accrued portion of any salary and bonus through the Termination Date, less standard withholdings for tax and social security purposes, payable, in the case of a bonus, upon such date or over such period of time which is in accordance with the applicable bonus plan.

(g) NO OFFSET. Executive shall have no duty to mitigate any of his damages or losses and the Company shall not be entitled to reduce or offset any payments owed to Executive hereunder for any reason.

5. RIGHT OF FIRST REFUSAL ON CORPORATE OPPORTUNITIES.

During the term of employment under this Agreement, Executive agrees that he will, prior to exploiting a Corporate Opportunity for his own account, offer the Company a right of first refusal with respect to such Corporate Opportunity. For purposes of this Section 5, "Corporate Opportunity" shall mean any business opportunity that is in the same or a related business as any of the businesses in which the Company is involved. The determination as to whether a business opportunity constitutes a Corporate Opportunity shall be made by a majority of the disinterested members of the Board, and their determination shall be based on an evaluation of (i) the extent to which the opportunity is within the Company's existing lines of business or its existing plans to expand; (ii) the extent to which the opportunity supplements the Company's existing lines of activity or complements the Company's existing methods of service; (iii) whether the Company has available resources that can be utilized in connection with the opportunity; (iv) whether the Company is legally or contractually barred from utilizing the opportunity; (v) the extent to which utilization of the opportunity by Executive would create conflicts of interest with the Company; and (vi) any other factors the disinterested Board members deem appropriate under the circumstances.

6. PROPRIETARY INFORMATION OBLIGATIONS.

During the term of employment under this Agreement, Executive will have access to and become acquainted with the Company's confidential and proprietary information, including but not limited to information or plans regarding the Company's customer relationships, personnel, or sales, marketing, and financial operations and methods; and other compilations of information, records, and specifications (collectively "Proprietary Information"). Executive shall not disclose any of the Company's Proprietary Information directly or indirectly, or use it in any way, either during the term of this Agreement or at any time

thereafter, except as required in the course of his employment for the Company or as authorized in writing by the Company. All files, records, documents, computer-recorded information and similar items relating to the business of the Company, whether prepared by Executive or otherwise coming into his possession, shall remain the exclusive property of the Company and shall not be removed from the premises of the Company under any circumstances whatsoever without the prior written consent of the Company, except when (and only for the period) necessary to carry out Executive's duties hereunder, and if removed shall be immediately returned to the Company upon any termination of his employment and no copies thereof shall be kept by Executive; provided, however, that Executive shall be entitled to retain documents reasonably related to his prior interest as a shareholder.

7. NONINTERFERENCE.

While employed by the Company, Executive agrees not to interfere with the business of the Company by directly or indirectly soliciting, attempting to solicit, inducing, or otherwise causing any employee of the Company to terminate his or her employment in order to become an employee, consultant or independent contractor to or for any other employer.

8. NONCOMPETITION.

Executive agrees that during the term of this Agreement and for a period of two years thereafter, he will not, without the prior consent of the Company, directly or indirectly, have an interest in, be employed by, be connected with, or have an interest in, as an employee, consultant, officer, director, partner, stockholder or joint venturer, in any person or entity owning, managing, controlling, operating or otherwise participating or assisting in any business that is in competition with the business of the Company (i) during the term of this Agreement, in any location, and (ii) for the two-year period following the termination of this Agreement, in any province, state or jurisdiction in which the Company was conducting business at the date of termination of Executive's employment and continues to do so thereafter; provided, however, that the foregoing shall not prevent Executive from being a stockholder of less than one percent of the issued and outstanding securities of any class of a corporation listed on a national securities exchange or designated as national market system securities on an interdealer quotation system by the National Association of Securities Dealers, Inc.

9. REMEDIES.

Executive acknowledges that a breach or threatened breach by Executive of any the provisions of Sections 5, 6, 7 or 8 will result in the Company and its shareholders suffering irreparable harm which cannot be calculated or fully or adequately compensated by recovery of damages alone. Accordingly, Executive agrees that the Company shall be entitled to interim, interlocutory and permanent injunctive relief, specific performance and other equitable remedies, in addition to any other relief to which the Company may become entitled should there be such a breach or threatened breach.

10. MISCELLANEOUS.

(a) NOTICES. Any notices provided hereunder must be in writing and shall be deemed effective upon the earlier of personal delivery (including personal delivery by telecopy or telex) on the third day after mailing by first class mail to the recipient at the address indicated below:

To the Company:

Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, California 93012
Attention: Eric H. Halvorson, Executive Vice President
Telephone: (805) 987-0400, Ext. 108
Facsimile: (805) 482-7290

To Executive:

Stuart W. Epperson
3780 Will Scarlet Road
Winston-Salem, NC 27104

or to such other address or to the attention of such other person as the recipient party will have specified by prior written notice to the sending

party.

(b) SEVERABILITY. If any provision of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed herefrom, and all remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable.

(c) ENTIRE AGREEMENT. This document constitutes the final, complete, and exclusive embodiment of the entire agreement and understanding between the parties related to the subject matter hereof and supersedes and preempts any prior or contemporaneous understandings, agreements, or representations by or between the parties, written or oral. Without limiting the generality of the foregoing, except as provided in this Agreement, all understandings and agreements, written or oral, relating to the employment of Executive by the Company or the payment of any compensation or the provision of any benefit in connection therewith or otherwise, are hereby terminated and shall be of no further force and effect.

(d) COUNTERPARTS. This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same agreement.

(e) SUCCESSORS AND ASSIGNS. This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors and assigns, except that Executive may not assign any of his duties hereunder and he may not assign any of his rights hereunder without the prior written consent of the Company.

(f) AMENDMENTS. No amendments or other modifications to this Agreement may be made except by a writing signed by both parties. No amendment or waiver of this Agreement requires the consent of any individual, partnership, corporation or other entity not a party to this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any third person any rights or remedies under or by reason of this Agreement.

(g) ATTORNEYS FEES. If any legal proceeding is necessary to enforce or interpret the terms of this Agreement, or to recover damages for breach therefore, the prevailing party shall be entitled to reasonable attorney's fees, as well as costs and disbursements, in addition to other relief to which he or it may be entitled.

(h) CHOICE OF LAW. All questions concerning the construction, validity and interpretation of this Agreement will be governed by the internal law, and not the law of conflicts, of the State of California.

(i) ARBITRATION. The parties expressly agree that in the event of any dispute, controversy or claim by any party concerning this Agreement, the prevailing party shall be entitled to a reimbursement of its reasonable attorneys' fees and costs from the other party to the proceeding. Any dispute, controversy or claim arising hereunder or in any way related to this Agreement shall be resolved by arbitration in the City of Los Angeles pursuant to the rules of the American Arbitration Association. The Arbitrator's decision shall be final and binding on both parties. The parties intend this arbitration provision to be valid, enforceable, irrevocable and construed as broadly as possible. The Arbitrator shall have full authority to award all legal and equitable relief, including, without limitation, injunctive relief, to the same extent as a court of competent jurisdiction; provided, however, that the Arbitrator shall have no authority to award damages for emotional distress or punitive damages. Judgment upon the award rendered by the Arbitrator may be entered by any court having jurisdiction thereof. The parties agree that in the event of a breach or threatened breach by any part of any one of more of the covenants set forth in this Agreement, the other party would not have any adequate remedy at law. Accordingly, in the event of any such breach or threatened breach, such other party may, in addition to the other remedies which may be available to it, seek in arbitration to enjoin the breaching party from such breach or threatened breach.

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

/s/ STUART W. EPPERSON

STUART W. EPPERSON

SALEM COMMUNICATIONS CORPORATION

By: /s/ ERIC H. HALVORSON

Eric H. Halvorson,
Executive Vice President

EXHIBIT A

Stuart W. Epperson is permitted to engage in the following outside business activities.

A. Ownership and executive management of radio stations WPMH(AM), Portsmouth, Virginia; WCPK(AM), Portsmouth, Virginia; WHKT(AM), Portsmouth, Virginia; and WTJZ(AM) Hampton, Virginia through Chesapeake-Portsmouth Broadcasting Corporation.

B. Ownership and executive management of radio stations WTOB(AM), Winston-Salem, North Carolina; WCOG(AM), Greensboro, North Carolina; WWBG(AM), Greensboro, North Carolina through Truth Broadcasting Corporation.

C. Ownership and executive management of a planned non-commercial FM station to be located in Cape Charles, Virginia through Delmarva Education Association.

D. Ownership, management and speculation in real estate investments in his individual capacity, as trustee for a trust for which he or an immediate family member is a beneficiary, through the Epperson Family Limited Partnership or through Sonsinger Management, Inc.

EXHIBIT B

The annual base salary of Executive shall be four hundred thousand dollars ($400,000) through May 31, 1999. From and after June 1, 1999, the annual base salary of Executive shall be six hundred thousand dollars ($600,000).

EXHIBIT 10.6.10

ASSET PURCHASE AGREEMENT
(KKOL-AM, SEATTLE, WASHINGTON)

AGREEMENT (the "Agreement") dated as of APRIL 1, 1999 by and between INSPIRATION MEDIA, INC. ("Buyer"), and SONSINGER, INC. (collectively referred to herein as "Seller").

RECITALS:

1. Seller is the owner of the licenses and authorizations issued by the FCC for the operation of radio station KKOL(AM), Seattle, Washington, (the "Station").

2. Buyer desires to acquire substantially all the assets of the Station, and Seller is willing to convey such assets to Buyer.

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

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

ARTICLE 1

TERMINOLOGY

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

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

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

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

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

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

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

1.8 FCC. Federal Communications Commission.

1.9 FCC LICENSES. The licenses, permits and authorizations of the FCC for the operation of the Station.

1.10 FCC ORDER. An order or decisions of the FCC granting its consent to the assignment of the FCC Licenses to Buyer.

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

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

1.13 PERMITTED LIEN. Any statutory lien which secures a payment not yet due that arises, and is customarily discharged, in the ordinary course of

Seller's business; any easement, right-of-way or similar imperfection in the Seller's title to its assets or properties that, individually and in the aggregate, are not material in character or amount and do not and are not reasonably expected to materially impair the value or materially interfere with the use of any asset or property of the Seller material to the operation of its business as it has been and is now conducted.

1.14 PURCHASE PRICE. One Million Three Hundred and Fifty Thousand Dollars ($1,350,000).

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

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

1.17 STATION AGREEMENTS. The agreements, commitments, contracts and other items described in Section 2.1(c) which relate to operation of the Station.

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

ARTICLE II

PURCHASE AND SALE

2.1 SALE ASSETS. On the Closing Date, Seller will sell, transfer, assign and convey to Buyer, and Buyer will purchase from Seller, free and clear of all Liens, except Permitted Liens, all of Seller's right, title and interest, legal and equitable, in and to all tangible and intangible assets (except Excluded Assets) used or useful in the operation of the Station as it has been and is now operated, including the following:

(a) TANGIBLE PERSONAL PROPERTY. All equipment, parts, supplies, furniture, fixtures and other tangible personal property now or hereafter owned by Seller and used and/or useful in the operation of the Station as it has been and is now operated, together with such modifications, replacements, improvements and additional items, and subject to such deletions therefrom, made or acquired between the date hereof and the Closing Date in accordance with the terms and provisions of this Agreement.

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

(c) STATION AGREEMENTS. All agreements which Seller is a party to or bound by, including without limitation all leases, contracts for sale of air time and trade agreements; any renewals, extensions, amendments or modifications of those agreements being assumed which are made in the ordinary course of Seller's operation of the Station and in accordance with the terms and provisions of this Agreement; and any additional such agreements, contracts, leases, commitments or orders (and any renewals, extensions, amendments or modifications thereof) made or entered into between the date hereof and the Closing Date in accordance with the terms and provisions of this Agreement and which Buyer elects to assume in writing.

(d) RECORDS. True and complete copies of all of the books, records, accounts, files, logs, ledgers, reports of engineers and other consultants or independent contractors, pertaining to or used in the operation of the Station (other than corporate records).

(e) MISCELLANEOUS ASSETS. Any other tangible or intangible assets, properties or rights of any kind or nature not otherwise described above in this Section 2.1 and now or hereafter owned or used by Seller in the operation of the Station, including but not limited to all goodwill of the Station.

2.2 EXCLUDED ASSETS. Notwithstanding any provision of this Agreement to the contrary, Seller shall not transfer, convey or assign to Buyer, but shall retain all of its right, title and interest in and to, the following assets

owned or held by it on the Closing Date ("Excluded Assets"):

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

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

(c) All prepaid expenses (except to the extent Seller receives a credit therefor under Section 2.5, in which event the prepaid expense shall be included as part of the Sale Assets).

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

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

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

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

2.3 ASSUMPTION OF LIABILITIES.

(a) At the Closing, Buyer shall assume and agree to perform, without duplication of Seller's performance, the following liabilities and obligations of Seller (the "Assumed Obligations"):

(i) Current liabilities of Seller for which Buyer receives a credit pursuant to Section 2.5, but not in excess of the amount of such credit.

(ii) Liabilities and obligations arising under the Station Agreements assumed by and transferred to Buyer in accordance with this Agreement, but only to the extent such liabilities and obligations relate to any period of time after the Closing Date.

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

2.4 ALLOCATION OF THE PURCHASE PRICE. Prior to Closing, Buyer and Seller shall agree to an allocation of the Purchase Price. Buyer and Seller shall use such allocation for all reporting purposes in connection with federal, state and local income and, to the extent permitted under applicable law, franchise taxes. Buyer and Seller agree to report such allocation to the Internal Revenue Service in the form required by Treasury Regulation 1.10601T.

2.5 ADJUSTMENT OF PURCHASE PRICE.

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

(b) To the extent not inconsistent with the express provisions of this Agreement, the allocations made pursuant to this Section 2.5 shall be made in accordance with generally accepted accounting principles.

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

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

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows:

3.1 ORGANIZATION AND GOOD STANDING. Seller has all requisite power to own, operate and lease its properties and carry on its business as it is now being conducted and as the same will be conducted until the Closing.

3.2 AUTHORIZATION AND BINDING EFFECT OF DOCUMENTS. The execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents by Seller, and the consummation by Seller of the transactions contemplated hereby and thereby, have been duly authorized and approved by all necessary action on the part of Seller. This Agreement constitutes (and each of the other Documents, when so executed and delivered, will constitute) legal and valid obligations of Seller enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights or remedies generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

3.3 FCC LICENSES. Seller is the holder of the FCC Licenses, and the FCC Licenses are valid, in good standing and in full force and effect and constitute all of the licenses, permits and authorizations required by the Act, the Rules and Regulations or the FCC for, or used in, the operation of the Station as now operated.

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

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

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

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

enforceability is sought in a proceeding in equity or at law).

ARTICLE V

TRANSACTIONS PRIOR TO THE CLOSING DATE

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

(a) Use reasonable efforts to operate the Station in substantially the manner in which it is currently being operated:

(b) Operate the Station and otherwise conduct its business in accordance with the terms or conditions of its FCC Licenses, the Rules and Regulations, the Act and all other rules and regulations, statutes, ordinances and orders of all governmental authorities having jurisdiction over any aspect of the operation of the Station, except where the failure to so operate the Station would not have a material adverse effect on the Sale Assets or the operation of the Station or on the ability of Seller to consummate the transactions contemplated hereby;

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

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

5.2 GOVERNMENTAL CONSENTS. Seller and Buyer shall file with the FCC, within five (5) business days after the execution of this Agreement, such applications and other documents in the name of Seller or Buyer, as appropriate, as may be necessary or advisable to obtain the FCC Order. Seller and Buyer shall take all commercially reasonable steps necessary to prosecute such filings with diligence and shall diligently oppose any objections to, appeals from or petitions to reconsider such approval of the FCC, to the end that the FCC Order may be obtained as soon as practicable; provided, however, that in the event the application for assignment of the FCC Licenses has been designated for hearing, either Buyer or Seller may elect to terminate this Agreement pursuant to Section 10.1(c).

5.3 FCC REPORTS. Seller shall continue to file, on a current basis until the Closing Date, all reports and documents required to be filed with the FCC with respect to the Station. Seller shall provide Buyer with copies of all such filings within five business days of the filing with the FCC.

5.4 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.

ARTICLE VI

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF BUYER TO CLOSE

Buyer's obligation to close the transaction contemplated by this Agreement is subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, unless waived by Buyer in writing:

6.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES. The representations and warranties of Seller contained in this Agreement or in any other Document shall be complete and correct in all material respects on the date hereof and at the Closing Date with same effect as though made at such time except for changes that are not materially adverse to the Station or the Sale Assets taken as a whole.

6.2 PERFORMANCE OF AGREEMENTS. Seller shall have performed in all material respects all of its covenants, agreements and obligations required by this Agreement and each of the other Documents to be performed or complied with by it prior to or upon the Closing Date.

6.3 FCC AND OTHER CONSENTS.

(a) The FCC Order shall have been issued by the FCC without any Material Adverse Condition affecting Buyer and shall have become effective under the rules of the FCC; provided that Buyer's obligations to close the transaction contemplated by this Agreement shall be subject to the further condition that the FCC Order shall have become a Final Order without any material adverse condition affecting Buyer if:

(i) A petition to deny or other third party objection shall have been filed with the FCC prior to the date on which the FCC Order shall have been issued and become effective and such petition or objection is not withdrawn prior to a scheduled closing date; or

(ii) Buyer does not receive consent from its lenders to close the transaction contemplated by this Agreement prior to Final Action of the FCC.

(b) Conditions which the FCC Order or any order, ruling or decree of any judicial or administrative body relating thereto or in connection therewith specifies and requires to be satisfied prior to transfer of the FCC Licenses to Buyer shall have been satisfied.

(c) All other authorizations, consents, approvals and clearances of federal, state or local governmental agencies required to permit the consummation by Buyer of the transactions contemplated by this Agreement shall have been obtained; all statutory and regulatory requirements for such consummation shall have been fulfilled; and no such authorizations, consents, approvals or clearances shall contain any conditions that individually or in the aggregate would have a material adverse effect on the operations of the Station.

ARTICLE VII

CONDITIONS PRECEDENT OF THE
OBLIGATION OF SELLER TO CLOSE

The obligation of Seller to close the transaction contemplated by this Agreement is subject to the satisfaction, on or prior to the closing Date, of each of the following conditions, unless waived by Seller in writing:

7.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES. The representations and warranties of Buyer contained in this Agreement shall be complete and correct in all

material respects on the date hereof and at the Closing Date with the same effect as though made at such time except for changes that are not materially adverse to Seller.

7.2 PERFORMANCE OF AGREEMENTS. Buyer shall have performed in all material respects all of its covenants, agreements and obligations required by this Agreement and each of the other Documents to be performed or complied with by it prior to or upon the Closing Date.

7.3 FCC AND OTHER CONSENTS.

(a) The FCC Order shall have been issued by the FCC and shall have become effective under the rules of the FCC without a material adverse condition affecting Seller.

(b) Conditions which the FCC Order or any order, ruling or decree of any judicial or administrative body relating thereto or in connection therewith specifies and requires to be satisfied prior to transfer of the FCC Licenses to Buyer shall have been satisfied by Buyer.

(c) All other authorizations, consents, approvals and clearances of all Federal, state and local governmental agencies required to permit the consummation by Seller of the transactions contemplated by this Agreement shall have been obtained; all statutory and regulatory requirements for such consummation shall have been fulfilled; and no such authorizations, consents, approvals or clearances shall contain any conditions that individually or in the aggregate would have any material adverse effect on Seller.

ARTICLE VIII

CLOSING

8.1 TIME AND PLACE. The Closing shall take place at the offices of Salem Communications Corporation or at such other place as the parties agree, at 10:00 A.M. on the date (the "Closing Date") that is the later of (i) the fifth

Business Day after the Applicable Date or (ii) the date as soon as practicable following satisfaction or waiver of the conditions precedent hereunder. The Applicable Date shall be (i) the date on which issuance of the FCC Order without any Material Adverse Condition has been published, or (ii) the date on which the FCC Order shall have become a Final Order, if:

(a) A petition to deny or other third party objection shall have been filed with the FCC prior to the date on which the FCC Order shall have been issued and become effective and such petition or objection is not withdrawn prior to a scheduled closing date; or

(b) Buyer does not receive consent from its lenders to close the transaction contemplated by this Agreement prior to Final Action of the FCC.

8.2 DOCUMENTS TO BE DELIVERED TO BUYER BY SELLER. At the Closing, Seller shall deliver or cause to be delivered to Buyer the following:

(a) Certified resolutions of Seller's shareholders and board of directors approving the execution and delivery of this Agreement and each of the other documents and authorizing the consummation of the transactions contemplated hereby and thereby.

(b) A bill of sale and other instruments of transfer and conveyance transferring to Buyer the Tangible Personal Property.

(c) Executed releases, in suitable form for filing and otherwise in form and substance reasonably satisfactory to Buyer, of any security interests granted in the Sale Assets as security for payment of loans and other obligations and of any other Liens (other than Permitted Liens).

(d) An instrument or instruments assigning to Buyer all right, title and interest of Seller in and to all Station Agreements being assumed by Buyer.

(e) An instrument assigning to Buyer all right, title and interest of Seller in the FCC Licenses, all pending applications relating to the station before the FCC, and any remaining Sale Assets not otherwise conveyed.

(f) An unwind agreement in form and substance to satisfactory to all parties, in the event Closing occurs prior to the FCC Order becoming a Final Action.

(g) Such additional information and materials as Buyer shall have reasonably requested, including without limitation, evidence that all consents and approvals required as a condition to Buyer's obligation to close hereunder have been obtained.

8.3 DOCUMENTS TO BE DELIVERED TO SELLER BY BUYER. At the Closing, Buyer shall deliver or cause to be delivered to Seller the following:

(a) Certified resolutions of Buyer's Board of Directors approving the execution and delivery of this Agreement and each of the other Documents and authorizing the consummation of the transaction contemplated hereby and thereby.

(b) The Purchase Price.

(c) The agreement of Buyer assuming the obligations under any Station Agreements being assumed by Buyer.

(d) An unwind agreement in form and substance to satisfactory to all parties, in the event Closing occurs prior to the FCC Order becoming a Final Action.

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

ARTICLE IX

SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

9.1 SURVIVAL OF REPRESENTATION AND WARRANTIES. All representations, warranties, covenants and agreements contained in this Agreement or in any other Document shall survive the Closing for a period of ninety (90) days, and the Closing shall not be deemed a waiver by either party of the representations, warranties, covenants or agreements of the other party contained herein or in any other Document. No claim may be brought under this Agreement or any other

Document unless written notice describing in reasonable detail the nature and basis of such claim is given on or prior to the last day of the Survival Period. In the event such a notice is so given, the right to indemnification with respect thereto under this Article shall survive the Survival Period until such claim is finally resolved and any obligations with respect thereto are fully satisfied. Notwithstanding the foregoing, the provisions for survival and the making of claims shall not apply to the agreements whereby Buyer assumes the obligations under Subsections 8.3(c), each of which agreements shall be governed by its own terms.

9.2 INDEMNIFICATION IN GENERAL. Buyer and Seller agree that the rights to indemnification and to be held harmless set forth in this Agreement shall, as between the parties hereto and their respective successors and assigns, be exclusive of all rights to indemnification and to be held harmless that such party (or its successors or assigns) would otherwise have by statute, common law or otherwise.

9.3 INDEMNIFICATION BY SELLER. Seller shall indemnify and hold harmless Buyer and any officer, director, agent, employee and affiliate thereof with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses (including reasonable attorneys' fees) relating to or arising out of:

(a) Any breach or non-performance by Seller of any of its representations, warranties, covenants or agreements set forth in this Agreement or any other Documents; or

(b) The ownership or operation by Seller of the Station or the Sale Assets on or prior to the Closing Date; or

(c) All other liabilities and obligations of Seller other than the Assumed Obligations; or

(d) Noncompliance by Seller with the provisions of the Bulk Sales Act, if applicable, in connection with the transaction contemplated hereby.

9.4 INDEMNIFICATION BY BUYER. Buyer shall indemnify and hold harmless Seller and any officer, director, agent, employee and affiliate thereof with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses (including reasonable attorneys' fees) relating to or arising out of:

(a) Any breach or non-performance by Buyer of any of its representations, warranties, covenants or agreements set forth in this Agreement or any other Document; or

(b) The ownership or operation of the Station after the Closing Date; or

(c) All other liabilities or obligations of Buyer.

ARTICLE X

TERMINATION; LIQUIDATED DAMAGES

10.1 TERMINATION. If Closing shall not have previously occurred, this Agreement shall terminate upon the earliest of:

(a) the giving of written notice from Seller to Buyer, or from Buyer to Seller, if:

(i) Seller gives such termination notice and is not at such time in material default hereunder, or Buyer gives such termination notice and Buyer is not at such time in material default hereunder; and

(ii) Either:

(A) any of the representations or warranties contained herein of Buyer (if such termination notice is given by Seller) or of Seller (if such termination notice is given by Buyer) are inaccurate in any 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 by Buyer (if such termination notice is given by Seller) or by Seller (if such termination notice is

given by Buyer) is not timely performed in any material respect, unless the lack of timely performance has been induced by or is the result of actions or omissions of the party giving such termination notice; or

(C) Any condition (other than those referred to in foregoing Clauses (A) and (B)) to the obligation to close the transaction contemplated herein of the party giving such termination notice has not been timely satisfied; and any such inaccuracy, failure to perform or non-satisfaction of a condition neither has been cured nor satisfied within twenty (20) days after written notice thereof from the party giving such termination notice nor waived in writing by the party giving such termination notice.

(b) Written notice from Seller to Buyer, or from Buyer to Seller, at any time twelve (12) months after the execution of this Agreement provided that termination shall not occur upon the giving of such termination notice by Seller if Seller is at such time in material default hereunder or upon the giving of such termination notice by Buyer if Buyer is at such time in material default hereunder.

(c) Written notice from Seller to Buyer, or from Buyer to Seller, at any time following a determination by the FCC that the application for consent to assignment of the FCC Licenses has been designated for hearing; provided that the party which is the subject of the hearing (or whose alleged actions or omissions resulted in the designation for hearing) may not elect to terminate under this subsection (c).

10.2 OBLIGATIONS UPON TERMINATION.

(a) In the event this Agreement is terminated pursuant to Section 10.1(a)(ii)(A) or (B), the aggregate liability of Buyer for breach hereunder shall be limited as provided in Subsections (b), below and the aggregate liability for Seller for breach hereunder shall be limited as provided in Subsections (c), below. 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 Subsection 10.1(a)(ii)(A) or (B), Buyer agrees that Seller shall be entitled to receive upon such termination, as liquidated damages and not as a penalty, the $100,000 (the "Liquidated Damages Amount"). SELLER'S RECEIPT OF THE LIQUIDATED DAMAGES AMOUNT SHALL CONSTITUTE PAYMENT OF LIQUIDATED DAMAGES HEREUNDER AND NOT A PENALTY, AND SHALL BE SELLER'S SOLE REMEDY AT LAW OR IN EQUITY FOR BUYER'S BREACH HEREUNDER IF CLOSING DOES NOT OCCUR. BUYER AND SELLER EACH ACKNOWLEDGE AND AGREE THAT THE LIQUIDATED DAMAGE AMOUNT IS REASONABLE IN LIGHT OF THE ANTICIPATED HARM WHICH WILL BE CAUSED BY BUYER'S BREACH OF THIS AGREEMENT, THE DIFFICULTY OF PROOF OF LOSS, THE INCONVENIENCE AND NON-FEASIBILITY OF OTHERWISE OBTAINING AN ADEQUATE REMEDY, AND THE VALUE OF THE TRANSACTION TO BE CONSUMMATED HEREUNDER.

(c) If this Agreement is terminated by Buyer's giving of written notice to Seller pursuant to Subsection 10.1(a)(ii)(A) or (B), Buyer shall be entitled to receive, upon such termination, direct and actual damages.

ARTICLE XI

CONTROL OF STATION

Between the date of this Agreement and the Closing Date, Buyer shall not control, manage or supervise the operation of the Station or conduct of its business, all of which shall remain the sole responsibility and under the control of Seller, subject to Seller's compliance with this Agreement.

ARTICLE XII

MISCELLANEOUS

12.1 FURTHER ACTIONS. From time to time before, at and after the Closing, each party, at its expense and without further consideration, will execute and deliver such documents to the other party as the other party may reasonably request in order more effectively to consummate the transactions contemplated hereby.

12.2 PAYMENT OF EXPENSES.

(a) Any fees assessed by the FCC in connection with the filings contemplated by Section 5.2(a) or consummation of the transactions contemplated hereby shall be shared equally between Seller and Buyer.

(b) All state or local sales or use, stamp or transfer, grant and other similar taxes payable in connection with consummation of the transactions contemplated hereby shall be paid by the party primarily liable under applicable law to pay such tax.

(c) Except as otherwise expressly provided in this Agreement, each of the parties shall bear its own expenses, including the fees of any attorneys and accountants engaged by such party, in connection with this Agreement and the consummation of the transactions contemplated herein.

12.3 SPECIFIC PERFORMANCE. Seller acknowledges that the Station is of a special, unique, and extraordinary character, and that any breach of this Agreement by Seller could not be compensated for by damages. Accordingly, if Seller shall breach its obligations under this Agreement, Buyer shall be entitled, in addition to any of the remedies that it may have, to enforcement of this Agreement (subject to obtaining any

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

12.4 ENTIRE AGREEMENT. This Agreement, the Schedules and Exhibits hereto, and the other Documents constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede any prior negotiations, agreements, understandings or arrangements between the parties with respect to the subject matter hereof.

12.5 BINDING EFFECT; BENEFITS. Except as otherwise provided herein, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors or assigns. Except to the extent specified herein, nothing in this Agreement, express or implied, shall confer on any person other than the parties hereto and their respective successors or assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

12.6 GOVERNING LAW. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of Washington, including all matters of construction, validity and performance.

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

SELLER:	BUYER:
SONSINGER, INC.	INSPIRATION MEDIA, INC.
By: /s/ ERIC H. HALVORSON - ---------- Eric H. Halvorson Vice President	By: /s/ ERIC H. HALVORSON ---------- Eric H. Halvorson Vice President

EXHIBIT 10.10

SALEM COMMUNICATIONS CORPORATION

1999 STOCK INCENTIVE PLAN

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SALEM COMMUNICATIONS CORPORATION

1999 STOCK INCENTIVE PLAN

ARTICLE I
PURPOSE OF PLAN

The Company has adopted this Plan to promote the interests of the Company and its stockholders by using investment interests in the Company to attract, retain and motivate employees and other persons, to encourage and reward their contributions to the performance of the Company, and to align their interests with the interests of the Company's stockholders. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in Article VIII.

ARTICLE II
EFFECTIVE DATE AND TERM OF PLAN

2.1 TERM OF PLAN. This Plan became effective as of the Effective Date and shall continue in effect until the Expiration Date, at which time this Plan shall automatically terminate.

2.2 EFFECT ON AWARDS. Awards may be granted only during the Plan Term, but each Award granted during the Plan Term shall remain in effect after the Expiration Date until such Award has been exercised, terminated or expired in accordance with its terms and the terms of this Plan.

2.3 STOCKHOLDER APPROVAL. This Plan shall be approved by the Company's stockholders within 12 months after the Effective Date. The effectiveness of any Awards granted prior to such stockholder approval shall be subject to such stockholder approval.

ARTICLE III
SHARES SUBJECT TO PLAN

3.1 NUMBER OF SHARES. The maximum number of shares of Common Stock that may be issued pursuant to Awards shall be 1,000,000, subject to adjustment as set forth in Section 3.4.

3.2 SOURCE OF SHARES. The Common Stock to be issued under this Plan will be made available, at the discretion of the Board, either from authorized but unissued shares of Common Stock or from previously issued shares of Common Stock reacquired by the Company.

3.3 AVAILABILITY OF UNUSED SHARES. Shares of Common Stock subject to unexercised portions of any Award that expire, terminate or are canceled, and shares of Common Stock issued pursuant to an Award that are reacquired by the Company pursuant to the terms of the Award under which such shares were issued, will again become available for the grant of further Awards under this Plan.

3.4 ADJUSTMENT PROVISIONS.

(a) If the outstanding shares of Common Stock are increased, decreased or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed in respect of such shares of Common Stock (or any stock or securities received with respect to such Common Stock), including without limitation through merger,

consolidation, sale or exchange of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or spin-off, an appropriate and proportionate adjustment may be made in (1) the maximum number and kind of shares subject to this Plan as provided in Section 3.1, (2) the number and kind of shares or other securities subject to then outstanding Awards, and/or (3) the price for each share or other unit of any other securities subject to, or measurement criteria applicable to, then outstanding Awards.

(b) No fractional interests will be issued under this Plan resulting from any adjustments.

(c) To the extent any adjustments relate to stock or securities of the Company, such adjustments shall be made by the Administering Body, whose determination in that respect shall be final, binding and conclusive.

(d) The grant of an Award pursuant to this Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

(e) No adjustment to the terms of an Incentive Stock Option shall be made unless such adjustment either (i) would not cause such Option to lose its status as an Incentive Stock Option or (ii) is agreed to in writing by the Administering Body and the Recipient.

3.5 RESERVATION OF SHARES. The Company will at all times reserve and keep available shares of Common Stock equaling at least the total number of shares of Common Stock issuable pursuant to outstanding Awards.

ARTICLE IV
ADMINISTRATION OF PLAN

4.1 ADMINISTERING BODY.

(a) This Plan shall be administered by the Board or by a Committee of the Board appointed pursuant to Section 4.1(b).

(b) The Board in its sole discretion may from time to time appoint a Committee (which may be a subcommittee of an existing committee of the Board) of not less than two Board members to administer this Plan and, subject to applicable law, to exercise all of the powers, authority and discretion of the Board under this Plan. The Board may from time to time increase

or decrease (but not below two) the number of members of the Committee, remove from membership on the Committee all or any portion of its members, and/or appoint such person or persons as it desires to fill any vacancy existing on the Committee, whether caused by removal, resignation or otherwise. The Board may disband the Committee at any time and revest in the Board the administration of this Plan.

4.2 AUTHORITY OF ADMINISTERING BODY.

(a) Subject to the express provisions of this Plan, the Administering Body shall have the power to implement (including the power to delegate such implementation to appropriate officers of the Company), interpret and construe this Plan and any Awards and Award Documents or other documents defining the rights and obligations of the Company and Recipients hereunder and thereunder, to determine all questions arising hereunder and thereunder, and to adopt and amend such rules and regulations for the administration hereof and thereof as it may deem desirable. The interpretation and construction by the Administering Body of any provisions of this Plan or of any Award or Award Document shall be conclusive and binding. Any action taken by, or inaction of, the Administering Body relating to this Plan or any Award or Award Document shall be within the absolute discretion of the Administering Body and shall be conclusive and binding upon all persons. Subject only to compliance with the express provisions hereof, the Administering Body may act in its absolute discretion in matters related to this Plan and any and all Awards and Award Documents.

(b) Subject to the express provisions of this Plan, the Administering Body may from time to time in its discretion select the Eligible Persons to whom, and the time or times at which, Awards shall be granted or sold, the nature of each Award, the number of shares of Common Stock or the number of rights that make up or underlie each Award, the exercise price and period for the exercise of each Award, and such other terms and conditions applicable to each individual Award as the Administering Body shall determine. The Administering Body may grant at any time new Awards to an Eligible Person who has previously received Awards or other grants (including other stock options) regardless of whether such prior Awards or such other grants are still outstanding, have previously been exercised as a whole or in part, or are canceled in connection with the issuance of new Awards. The Administering Body may grant Awards singly, in combination or in tandem with other Awards, as it determines in its discretion. The purchase

price, exercise price, initial value and any and all other terms and conditions of the Awards may be established by the Administering Body without regard to existing Awards or other grants.

(c) Any action of the Administering Body with respect to the administration of this Plan shall be taken pursuant to a majority vote of the authorized number of members of the Administering Body or by the unanimous written consent of its members; provided, however, that (i) if the Administering Body is the Committee and consists of two members, then actions of the Administering Body must be unanimous, and (ii) if the Administering Body is the Board, actions taken by the Board shall be valid if approved in accordance with applicable law.

4.3 NO LIABILITY. No member of the Board or the Committee or any designee thereof will be liable for any action or inaction with respect to this Plan or any Award or any transaction arising under this Plan or any Award, except in circumstances constituting bad faith of such member.

4.4 AMENDMENTS.

(a) The Administering Body may, insofar as permitted by applicable law, rule or regulation, and subject to Section 4.4(c), from time to time suspend or discontinue this Plan or revise or amend it in any respect whatsoever, and this Plan as so revised or amended will govern all Awards hereunder, including those granted before such revision or amendment. Without limiting the generality of the foregoing, the Administering Body is authorized to amend this Plan to comply with or take advantage of amendments to applicable laws, rules or regulations, including the Securities Act, Exchange Act, the IRC or the rules of any exchange or interdealer quotation system upon which the Common Stock is listed or traded. No stockholder approval of any amendment or revision shall be required unless (i) such approval is required by this Plan or by applicable law, rule or regulation or (ii) an amendment or revision to this Plan would materially increase the number of shares subject to this Plan (as adjusted under Section 3.4).

(b) The Administering Body may, with the written consent of a Recipient, make such modifications in the terms and conditions of an Award as it deems advisable. Without limiting the generality of the foregoing, the Administering Body may, in its discretion with the written consent of the Recipient, at any time and from time to time after the grant of any Award accelerate or extend the vesting or exercise period of any Award as a whole or in part.

(c) Except as otherwise provided in this Plan or in the applicable Award Document, no amendment, revision, suspension or termination of this Plan or any outstanding Award may impair or adversely affect any rights or obligations under any Award theretofore granted without the written consent of the Recipient to whom such Award was granted.

4.5 OTHER COMPENSATION PLANS. The adoption of this Plan shall not affect any other stock option, incentive or other compensation plans in effect from time-to-time for the Company, and this Plan shall not preclude the Company from establishing any other forms of incentive or other compensation for employees, directors, advisors or consultants of the Company, whether or not approved by stockholders.

4.6 PLAN BINDING ON SUCCESSORS. This Plan shall be binding upon the successors and assigns of the Company.

4.7 REFERENCES TO SUCCESSOR STATUTES, REGULATIONS AND RULES. Any reference in this Plan to a particular statute, regulation or rule shall also refer to any successor provision of such statute, regulation or rule.

4.8 ISSUANCES FOR COMPENSATION PURPOSES ONLY. This Plan is intended to constitute an "employee benefit plan," as defined in Rule 405 promulgated under the Securities Act, and shall be administered accordingly.

4.9 INVALID PROVISIONS. In the event that any provision of this Plan is found to be invalid or otherwise unenforceable under any applicable law, such invalidity or unenforceability shall not be construed as rendering any other provisions contained herein invalid or unenforceable, and all such other provisions shall be given full force and effect to the same extent as though the invalid and unenforceable provision were not contained herein.

4.10 GOVERNING LAW. This Agreement shall be governed by and interpreted in accordance with the internal laws of the State of Delaware, without giving effect to the principles of the conflicts of laws thereof.

ARTICLE V
GENERAL AWARD PROVISIONS

5.1 PARTICIPATION IN THE PLAN.

(a) A person shall be eligible to receive grants of Awards under this Plan if, at the time of the grant of the Award, such person is an Eligible Person.

(b) Incentive Stock Options may be granted only to Eligible Persons meeting the employment requirements of Section 422 of the IRC.

(c) Notwithstanding anything to the contrary herein, the Administering Body may, in order to fulfill the purposes of this Plan, modify grants of Awards to Recipients who are foreign nationals or employed outside of the United States to recognize differences in applicable law, tax policy or local custom.

5.2 AWARD DOCUMENTS.

(a) Each Award granted under this Plan shall be evidenced by an agreement duly executed on behalf of the Company and by the Recipient, or by a confirming memorandum issued by the Company to the Recipient, setting forth such terms and conditions applicable to the Award as the Administering Body may in its discretion determine. Awards will not be binding upon the Company, and Recipients will have no rights thereto, until such an agreement is entered into between the Company and the Recipient or such a memorandum is delivered by the Company to the Recipient, but an Award may have an effective date on or after the date of grant but prior to the date of such an agreement or memorandum. Award Documents may but need not be identical and shall comply with and be subject to the terms and conditions of this Plan, a copy of which shall be provided to each Recipient and incorporated by reference into each Award Document. Any Award Document may contain such other terms, provisions and conditions not inconsistent with this Plan as may be determined by the Administering Body.

(b) In case of any conflict between this Plan and any Award Document, this Plan shall control.

5.3 EXERCISE OF STOCK OPTIONS. No Stock Option shall be exercisable except in respect of whole shares, and fractional share interests shall be disregarded. A Stock Option shall

be deemed to be exercised when the Secretary or other designated official of the Company receives written notice of such exercise from the Recipient, together with payment of the exercise price made in accordance with Section 5.4 and any amounts required under Section 5.11. Notwithstanding any other provision of this Plan, the Company and/or the Administering Body may impose, by rule and/or in Award Documents, such conditions upon the exercise of Stock Options (including without limitation conditions limiting the time of exercise to specified periods) as may be required to satisfy applicable regulatory requirements.

5.4 PAYMENT FOR AWARDS.

(a) The exercise price or other payment for an Award shall be payable upon the exercise of a Stock Option or upon other purchase of shares pursuant to an Award granted hereunder by delivery of legal tender of the United States or payment of such other consideration as the Administering Body may from time to time deem acceptable in any particular instance.

(b) The Company may assist any person to whom an Award is granted hereunder (including without limitation any officer or director of the Company) in the payment of the purchase price or other amounts payable in connection with the receipt or exercise of that Award, by lending such amounts to such person on such terms and at such rates of interest and upon such security (if any) as shall be approved by the Administering Body.

(c) The exercise price for Awards may be paid by delivery of Common Stock to the Company by or on behalf of the person exercising the Award and duly endorsed in blank or accompanied by stock powers duly endorsed in blank, with signatures guaranteed in accordance with the Exchange Act if required by the Company, or retained by the Company from the stock otherwise issuable upon exercise or surrender of vested and/or exercisable Awards or other equity Awards previously granted to the Recipient and being exercised (if applicable) (in either case valued at Fair Market Value as of the exercise date); or such other consideration as the Administering Body may from time to time in the exercise of its discretion deem acceptable in any particular instance; provided, however, that (i) the Company and/or the Administering Body may allow exercise of an Award in a broker-assisted or similar transaction in which the exercise price is not received by the Company until promptly after exercise, and/or (ii) the Administering Body may allow the Company to loan the exercise price to the person entitled to exercise the Award, if the exercise will be followed by a prompt sale of some or all of the underlying shares and a portion of the sale proceeds is dedicated to full payment of the exercise price and amounts required pursuant to Section 5.11.

(d) Recipients will have no rights to the assistance described in Section 5.4(b) or to the exercise techniques described in Section 5.4(c), and the Company may offer or permit such assistance or techniques on an ad hoc basis to

any Recipient without incurring any obligation to offer or permit such assistance or techniques on other occasions or to other Recipients.

5.5 NO EMPLOYMENT RIGHTS. Nothing contained in this Plan (or in Award Documents or in any other documents related to this Plan or to Awards granted hereunder) shall confer upon any Eligible Person or Recipient any right to continue in the employ of the Company or any Affiliated Entity or constitute any contract or agreement of employment or

engagement, or interfere in any way with the right of the Company or any Affiliated Entity to reduce such person's compensation or other benefits or to terminate the employment or engagement of such Eligible Person or Recipient, with or without cause. Except as expressly provided in this Plan or in any statement evidencing the grant of an Award pursuant to this Plan, the Company shall have the right to deal with each Recipient in the same manner as if this Plan and any such statement evidencing the grant of an Award pursuant to this Plan did not exist, including without limitation with respect to all matters related to the hiring, discharge, compensation and conditions of the employment or engagement of the Recipient. Any questions as to whether and when there has been a termination of a Recipient's employment or engagement, the reason (if any) for such termination, and/or the consequences thereof under the terms of this Plan or any statement evidencing the grant of an Award pursuant to this Plan shall be determined by the Administering Body and the Administering Body's determination thereof shall be final and binding.

5.6 RESTRICTIONS UNDER APPLICABLE LAWS AND REGULATIONS.

(a) All Awards granted under this Plan shall be subject to the requirement that, if at any time the Company shall determine, in its discretion, that the listing, registration or qualification of the shares subject to Awards granted under this Plan upon any securities exchange or interdealer quotation system or under any federal, state or foreign law, or the consent or approval of any government or regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such an Award or the issuance, if any, or purchase of shares in connection therewith, such Award may not be exercised as a whole or in part unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company. During the term of this Plan, the Company will use its reasonable efforts to seek to obtain from the appropriate governmental and regulatory agencies any requisite qualifications, consents, approvals or authorizations in order to issue and sell such number of shares of its Common Stock as shall be sufficient to satisfy the requirements of this Plan. The inability of the Company to obtain any such qualifications, consents, approvals or authorizations shall relieve the Company of any liability in respect of the nonissuance or sale of such stock as to which such qualifications, consents, approvals or authorizations pertain.

(b) The Company shall be under no obligation to register or qualify the issuance of Awards or underlying securities under the Securities Act or applicable state securities laws. Unless the issuance of Awards and underlying securities have been registered under the Securities Act and qualified or registered under applicable state securities laws, the Company shall be under no obligation to issue any Awards or underlying securities unless the Awards and underlying securities may be issued pursuant to applicable exemptions from such registration or qualification requirements. In connection with any such exempt issuance, the Company may require the Recipient to provide a written representation and undertaking to the Company, satisfactory in form and scope to the Company and upon which the Company may reasonably rely, that such Recipient is acquiring such Awards and underlying shares for such Recipient's own account as an investment and not with a view to, or for sale in connection with, the distribution of any such securities, and that such person will make no transfer of the same except

in compliance with any rules and regulations in force at the time of such transfer under the Securities Act and other applicable law, and that if shares of stock are issued without such registration, a legend to this effect (together with any other legends deemed appropriate by the Company) may be endorsed upon the securities so issued. The Company may also order its transfer agent to stop transfers of such securities. The Company may also require the Recipient to provide the Company such information and other documents as it may request in order to satisfy the Company as to the investment sophistication and experience of the Recipient and as to any other conditions for compliance with any such exemptions from registration or qualification.

5.7 ADDITIONAL CONDITIONS. Any Award may also be subject to such other provisions (whether or not applicable to any other Award or Recipient) as the Administering Body determines appropriate, including without limitation provisions to assist the Recipient in financing the purchase of Common Stock through the exercise of Stock Options, provisions for the forfeiture of or restrictions on resale or other disposition of shares of Common Stock acquired under any Award, provisions giving the Company the right to repurchase shares of

Common Stock acquired under any Award in the event the Recipient elects to dispose of such shares, and provisions to comply with federal and state securities laws and federal and state income tax withholding requirements.

5.8 NO PRIVILEGES OF STOCK OWNERSHIP. Except as otherwise set forth herein, a Recipient or a permitted transferee of an Award shall have no rights as a stockholder with respect to any shares issuable or issued in connection with the Award until the date of the receipt by the Company of all amounts payable and performance by the Recipient of all obligations in connection with the exercise of the Award. Status as an Eligible Person shall not be construed as a commitment that any Award will be granted under this Plan to an Eligible Person or to Eligible Persons generally. No person shall have any right, title or interest in any fund or in any specific asset (including shares of capital stock) of the Company by reason of any Award granted hereunder. Neither this Plan (or any documents related hereto) nor any action taken pursuant hereto shall be construed to create a trust of any kind or a fiduciary relationship between the Company and any person. To the extent that any person acquires a right to receive an Award hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

5.9 NONASSIGNABILITY. Unless the Administering Body shall otherwise determine on a case-by-case basis, no Award granted under this Plan shall be assignable or transferable except (i) by will or by the laws of descent and distribution, or (ii) subject to the final sentence of this Section 5.9, upon dissolution of marriage pursuant to a qualified domestic relations order. Unless the Administering Body shall otherwise determine on a case-by-case basis, during the lifetime of a Recipient, an Award granted to such person shall be exercisable only by the Recipient (or the Recipient's permitted transferee) or such person's guardian or legal representative. Notwithstanding the foregoing, (i) no Award owned by a Recipient subject to Section 16 of the Exchange Act may be assigned or transferred in any manner inconsistent with Rule 16b-3, and (ii) Incentive Stock Options (or other Awards subject to transfer restrictions under the IRC) may not be assigned or transferred in violation of Section 422(b)(5) of the IRC

(or any comparable or successor provision) or the regulations thereunder, and nothing herein is intended to allow such assignment or transfer.

5.10 INFORMATION TO RECIPIENTS.

(a) The Company shall determine what, if any, financial and other information shall be provided to Recipients and when such financial and other information shall be provided after giving consideration to applicable federal and state laws, rules and regulations, including without limitation applicable federal and state securities laws, rules and regulations.

(b) The furnishing of financial and other information that is confidential to the Company shall be subject to the Recipient's agreement that the Recipient shall maintain the confidentiality of such financial and other information, shall not disclose such information to third parties, and shall not use the information for any purpose other than evaluating an investment in the Company's securities under this Plan. The Company may impose other restrictions on the access to and use of such confidential information and may require a Recipient to acknowledge the Recipient's obligations under this Section 5.10(b) (which acknowledgment shall not be a condition to Recipient's obligations under this Section 5.10(b)).

5.11 WITHHOLDING TAXES. Whenever the granting, vesting or exercise of any Award, or the issuance of any shares upon exercise of any Award or transfer thereof, gives rise to tax or tax withholding liabilities or obligations, the Company shall have the right to require the Recipient to remit to the Company an amount sufficient to satisfy any federal, state and local withholding tax requirements arising in connection therewith. The Company may, in the exercise of its discretion, allow satisfaction of tax withholding requirements by accepting delivery of stock of the Company or by withholding a portion of the stock otherwise issuable in connection with an Award, in each case valued at Fair Market Value as of the date of such delivery or withholding.

5.12 LEGENDS ON AWARDS AND STOCK CERTIFICATES. Each Award Document and each certificate representing shares acquired upon vesting or exercise of an Award shall be endorsed with all legends, if any, required by applicable federal and state securities and other laws to be placed on the Award Document and/or the certificate. The determination of which legends, if any, shall be placed upon Award Documents or the certificates shall be made by the Company and such decision shall be final and binding.

5.13 EFFECT OF TERMINATION OF EMPLOYMENT ON AWARDS.

(a) TERMINATION OF VESTING. Awards will be exercisable by a Recipient (or the Recipient's successor-in-interest) following such Recipient's termination of employment with the Company or any Affiliated Entity only to the extent that installments thereof had become exercisable on or prior to the date of such termination.

(b) ALTERATION OF VESTING AND EXERCISE PERIODS. Notwithstanding anything to the contrary herein, (i) the Administering Body may, in its discretion, designate shorter or longer periods for the vesting or exercise of any Award, or the lapse of transfer or other restrictions

pertaining thereto, following a Recipient's termination of employment with the Company or any Affiliated Entity, provided, however, that any shorter periods determined by the Administering Body shall be effective only if provided for in the Award Document that evidences the grant to the Recipient of such Award or if such shorter period is agreed to in writing by the Recipient; and (ii) the Administering Body may, in its discretion, elect to accelerate the vesting of all or any portion of any Award that had not become exercisable on or prior to the date of such termination or to extend the vesting period beyond the date of such termination.

(c) LEAVE OF ABSENCE. In the case of any employee on an approved leave of absence, the Administering Body may make such provision respecting continuance of Awards granted to such employee as the Administering Body in its discretion deems appropriate.

5.14 LIMITS ON AWARDS TO ELIGIBLE PERSONS. Notwithstanding any other provision of this Plan, in order for the compensation attributable to Awards hereunder to qualify as Performance-Based Compensation, no one Eligible Person shall be granted any Awards with respect to more than 100,000 shares of Common Stock in any one calendar year. The limitation set forth in this Section 5.14 shall be subject to adjustment as provided in Section 3.4 or under Article VII, but only to the extent such adjustment would not affect the status of compensation attributable to Awards hereunder as Performance-Based Compensation.

ARTICLE VI
AWARDS

6.1 STOCK OPTIONS.

(a) NATURE OF STOCK OPTIONS. Stock Options may be Incentive Stock Options or Nonqualified Stock Options.

(b) OPTION EXERCISE PRICE. The exercise price for each Stock Option shall be determined by the Administering Body as of the date such Stock Option is granted. The exercise price shall be no less than the Fair Market Value of the Common Stock subject to the Stock Option as of the date of grant. Subject to approval by the stockholders, the Administering Body may, with the consent of the Recipient and subject to compliance with statutory or administrative requirements applicable to Incentive Stock Options, amend the terms of any Stock Option to provide that the exercise price of the shares remaining subject to the Stock Option shall be reestablished at a price not less than 100% of the Fair Market Value of the Common Stock on the effective date of the amendment. No modification of any other term or provision of any Stock Option that is amended in accordance with the foregoing shall be required, although the Administering Body may, in its discretion, make such further modifications of any such Stock Option as are not inconsistent with this Plan.

(c) OPTION PERIOD AND VESTING. Stock Options granted hereunder shall vest and may be exercised as determined by the Administering Body, except that exercise of such Stock Options after termination of the Recipient's employment shall be subject to Section 5.13. Each Stock Option granted hereunder and all rights or obligations thereunder shall expire on such date as shall be determined by the Administering Body, but not later than ten years after the date the

Stock Option is granted and shall be subject to earlier termination as provided herein or in the Award Document. The Administering Body may, in its discretion at any time and from time to time after the grant of a Stock Option, accelerate vesting of such Stock Option as a whole or part by increasing the number of shares then purchasable, provided that the total number of shares subject to such Stock Option may not be increased. Except as otherwise provided herein, a Stock Option shall become exercisable, as a whole or in part, on the date or dates specified by the Administering Body and thereafter shall remain exercisable until the expiration or earlier termination of the Stock Option.

(d) TERMINATION. Unless determined otherwise by the Administering Body in its sole discretion, Stock Options shall expire on the earliest of (i) one year from the date on which the Recipient ceases to be an Eligible Person for any reason other than death; (ii) one year from the date of the Recipient's death; or (iii) with respect to each installment of such Stock Option, the fifth anniversary of the vesting date of such installment. If a Recipient who is an employee of the Company or any Affiliated Entity ceases for any reason to be such an employee, that portion of the Stock Option that has not yet vested shall terminate, unless the Administering Body accelerates the vesting schedule in its sole discretion (in which case, the Administering Body may impose whatever

conditions it considers appropriate on the accelerated portion). Stock Options granted to a Recipient who is not such an employee may be made subject to such other termination provisions as determined appropriate by the Administering Body.

(e) SPECIAL PROVISIONS REGARDING INCENTIVE STOCK OPTIONS.

(i) Notwithstanding anything in this Section 6.1 to the contrary, the exercise price and vesting period of any Stock Option intended to qualify as an Incentive Stock Option shall comply with the provisions of Section 422 of the IRC and the regulations thereunder. As of the Effective Date, such provisions require, among other matters, that (A) the exercise price must not be less than the Fair Market Value of the underlying stock as of the date the Incentive Stock Option is granted, and not less than 110% of the Fair Market Value as of such date in the case of a grant to a Significant Stockholder; and (B) that the Incentive Stock Option not be exercisable after the expiration of ten years from the date of grant of such Incentive Stock Option, or five years from the date of grant in the case of an Incentive Stock Option granted to a Significant Stockholder.

(ii) The aggregate Fair Market Value (determined as of the respective date or dates of grant) of the Common Stock for which one or more Stock Options granted to any Recipient under this Plan (or any other option plan of the Company or any of its subsidiaries or affiliates) may for the first time become exercisable as Incentive Stock Options under the federal tax laws during any one calendar year shall not exceed $100,000.

(iii) Any Options granted as Incentive Stock Options pursuant to this Plan that for any reason fail or cease to qualify as such shall be treated as Nonqualified Stock Options.

6.2 PERFORMANCE AWARDS.

(a) GRANT OF PERFORMANCE AWARDS. The Administering Body shall determine in its discretion the performance criteria (which need not be identical and may be established on an individual or group basis) governing Performance Awards, the terms thereof, and the form and time of payment of Performance Awards.

(b) PAYMENT OF PERFORMANCE AWARDS. Upon satisfaction of the conditions applicable to a Performance Award, payment will be made to the Recipient in shares of Common Stock valued at Fair Market Value.

6.3 RESTRICTED STOCK.

(a) AWARD OF RESTRICTED STOCK. The Administering Body shall determine the Purchase Price (if any), the terms of payment of the Purchase Price, the restrictions upon the Restricted Stock, and when such restrictions shall lapse.

(b) REQUIREMENTS OF RESTRICTED STOCK. All shares of Restricted Stock granted or sold pursuant to this Plan will be subject to the following conditions:

(i) NO TRANSFER. The shares may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, alienated or encumbered until the restrictions are removed or expire;

(ii) CERTIFICATES. The Company may require that the certificates representing Restricted Stock granted or sold to a Recipient pursuant to this Plan remain in the physical custody of an escrow holder or the Company until all restrictions are removed or expire;

(iii) RESTRICTIVE LEGENDS. Each certificate representing Restricted Stock granted or sold to a Recipient pursuant to this Plan will bear such legend or legends making reference to the restrictions imposed upon such Restricted Stock as the Company deems necessary or appropriate to enforce such restrictions; and

(iv) OTHER RESTRICTIONS. The Administering Body may impose such other conditions on Restricted Stock as the Administering Body may deem advisable, including, without limitation, restrictions under the Securities Act, under the Exchange Act, under the requirements of any stock exchange or interdealer quotation system upon which such Restricted Stock or shares of the same class are then listed or traded and under any blue sky or other securities laws applicable to such shares.

(c) LAPSE OF RESTRICTIONS. The restrictions imposed upon Restricted Stock will lapse in accordance with such terms or other conditions as are determined by the Administering Body.

(d) RIGHTS OF RECIPIENT. Subject to the provisions of Section 6.3(b) and any restrictions imposed upon the Restricted Stock, the Recipient will have all rights of a stockholder with respect to the Restricted Stock granted or sold to such Recipient under this Plan, including,

without limitation, the right to vote the shares and receive all dividends and other distributions paid or made with respect thereto.

(e) TERMINATION OF EMPLOYMENT. Unless the Administering Body in its discretion determines otherwise, if a Recipient's employment with the Company or any Affiliated Entity terminates for any reason, all of the Recipient's Restricted Stock remaining subject to restrictions on the date of such termination of employment shall be repurchased by the Company at the Purchase Price (if any) paid by the Recipient to the Company, without interest or premium, and otherwise returned to the Company without consideration.

6.4 STOCK APPRECIATION RIGHTS.

(a) GRANTING OF STOCK APPRECIATION RIGHTS. The Administering Body may at any time and from time to time approve the grant to Eligible Persons of Stock Appreciation Rights, related or unrelated to Stock Options.

(b) STOCK APPRECIATION RIGHTS RELATED TO OPTIONS.

(i) A Stock Appreciation Right granted in connection with a Stock Option granted under this Plan will entitle the holder of the related Stock Option, upon exercise of the Stock Appreciation Right, to surrender such Stock Option, or any portion thereof to the extent previously vested but unexercised, with respect to the number of shares as to which such Stock Appreciation Right is exercised, and to receive payment of an amount computed pursuant to Section 6.2(b)(iii). Such Stock Option will, to the extent surrendered, then cease to be exercisable.

(ii) A Stock Appreciation Right granted in connection with a Stock Option hereunder will be exercisable only when, and only to the extent that, the related Stock Option is exercisable, will not be transferable except to the extent that such related Stock Option may be transferable, will not expire later than the underlying Stock Option, and will be exercisable only when the Fair Market Value of the Common Stock subject to the underlying Stock Option exceeds the exercise price of such Stock Option.

(iii) Upon the exercise of a Stock Appreciation Right related to a Stock Option, the Recipient will be entitled to receive payment of an amount determined by multiplying (A) the difference obtained by subtracting the exercise price of a share of Common Stock specified in the related Stock Option from the Fair Market Value of a share of Common Stock on the date of exercise of such Stock Appreciation Right (or as of such other date or as of the occurrence of such event as may have been specified in the instrument evidencing the grant of the Stock Appreciation Right), by (B) the number of shares as to which such Stock Appreciation Right is exercised.

(c) STOCK APPRECIATION RIGHTS UNRELATED TO OPTIONS. The Administering Body may grant Stock Appreciation Rights unrelated to Stock Options to Eligible Persons. Section 6.2(b)(iii) shall be used to determine the amount payable at exercise under such Stock

Appreciation Right, except that in lieu of the exercise price specified in the related Stock Option, the initial base amount specified in the Award shall be used.

(d) LIMITS. Notwithstanding the foregoing, the Administering Body, in its discretion, may place a dollar limitation on the maximum amount that will be payable upon the exercise of a Stock Appreciation Right under this Plan.

(e) PAYMENTS. Payment of the amount determined under the foregoing provisions may be made solely in whole shares of Common Stock valued at their Fair Market Value on the date of exercise of the Stock Appreciation Right or, alternatively, at the sole discretion of the Administering Body, in cash or in a combination of cash and shares of Common Stock as the Administering Body deems advisable. The Administering Body has full discretion to determine the form in which payment of a Stock Appreciation Right will be made and to consent to or disapprove the election of a Recipient to receive cash in full or partial settlement of a Stock Appreciation Right. If the Administering Body decides to make full payment in shares of Common Stock, and the amount payable results in a fractional share, payment for the fractional share will be made in cash.

6.5 STOCK PAYMENTS. The Administering Body may approve Stock Payments of the Company's Common Stock to any Eligible Person for all or any portion of the compensation (other than base salary) or other payment that would otherwise become payable by the Company to the Eligible Person in cash.

6.6 DIVIDEND EQUIVALENTS. The Administering Body may grant Dividend Equivalents to any Recipient who has received a Stock Option, Stock Appreciation Right or other Award denominated in shares of Common Stock. Dividend Equivalents may be paid in cash, Common Stock or other Awards; the amount of Dividend

Equivalents paid other than in cash shall be determined by the Administering Body by application of such formula as the Administering Body may deem appropriate to translate the cash value of dividends paid to the alternative form of payment of the Dividend Equivalent. Dividend Equivalents shall be computed as of each dividend record date and shall be payable to recipients thereof at such time as the Administering Body may determine. Notwithstanding the foregoing, the payment of a Dividend Equivalent with respect to a Stock Option intended to constitute Performance-Based Compensation shall not be contingent upon the exercise of such Stock Option.

6.7 STOCK BONUSES. The Administering Body may issue shares of Common Stock to Eligible Persons as bonuses for services rendered or for any other valid consideration on such terms and conditions as the Administering Body may determine.

6.8 STOCK SALES. The Administering Body may sell to Eligible Persons shares of Common Stock on such terms and conditions as the Administering Body may determine.

6.9 PHANTOM STOCK. The Administering Body may grant Awards of Phantom Stock. Phantom Stock is a cash bonus granted under this Plan measured by the Fair Market Value of a specified number of shares of Common Stock on a specified date, or measured by the excess of

such Fair Market Value over a specified minimum, which may but need not include a Dividend Equivalent.

6.10 OTHER STOCK-BASED BENEFITS. The Administering Body is authorized to grant Other Stock-Based Benefits. Other Stock-Based Benefits are any arrangements granted under this Plan not otherwise described above that (a) by their terms might involve the issuance or sale of Common Stock or (b) involve a benefit that is measured, as a whole or in part, by the value, appreciation, dividend yield or other features attributable to a specified number of shares of Common Stock.

6.11 TERMINATION OF EMPLOYMENT. Except as otherwise provided for in this Plan or determined by the Administering Body in its discretion, all Awards granted to a Recipient, and all of such Recipient's rights thereunder, shall terminate upon termination for any reason of such Recipient's employment with the Company or any Affiliated Entity.

ARTICLE VII
REORGANIZATIONS

7.1 CORPORATE TRANSACTIONS NOT INVOLVING A CHANGE IN CONTROL. If the Company shall consummate any Reorganization not involving a Change of Control in which holders of shares of Common Stock are entitled to receive in respect of such shares any securities, cash or other consideration (including without limitation a different number of shares of Common Stock), each Award outstanding under this Plan shall thereafter be exercisable, in accordance with this Plan, only for the kind and amount of securities, cash and/or other consideration receivable upon such Reorganization by a holder of the same number of shares of Common Stock as are subject to that Award immediately prior to such Reorganization, and any adjustments will be made to the terms of the Award in the sole discretion of the Administering Body as it may deem appropriate to give effect to the Reorganization.

7.2 CORPORATE TRANSACTIONS INVOLVING A CHANGE IN CONTROL. As of the effective time and date of any Change in Control, this Plan and any then outstanding Awards (whether or not vested) shall automatically terminate unless (a) provision is made in writing in connection with such transaction for the continuance of this Plan and for the assumption of such Awards, or for the substitution for such Awards of new awards covering the securities of a successor entity or an affiliate thereof, with appropriate adjustments as to the number and kind of securities and exercise prices, in which event this Plan and such outstanding Awards shall continue or be replaced, as the case may be, in the manner and under the terms so provided; or (b) the Board otherwise shall provide in writing for such adjustments as it deems appropriate in the terms and conditions of the then-outstanding Awards (whether or not vested), including without limitation (i) accelerating the vesting of outstanding Awards and/or (ii) providing for the cancellation of Awards and their automatic conversion into the right to receive the securities, cash or other consideration that a holder of the shares underlying such Awards would have been entitled to receive upon consummation of such Change in Control had such shares been issued and outstanding immediately prior to the effective date and time of the Change in Control (net of the appropriate option exercise prices). If, pursuant to the foregoing provisions of this Section 7.2,

this Plan and the Awards shall terminate by reason of the occurrence of a Change in Control without provision for any of the actions described in clause (a) or (b) hereof, then any Recipient holding outstanding Awards shall have the right,

at such time immediately prior to the consummation of the Change in Control as the Board shall designate, to exercise the Recipient's Awards to the full extent not theretofore exercised, including any installments which have not yet become vested.

ARTICLE VIII
DEFINITIONS

Capitalized terms used in this Plan and not otherwise defined shall have the meanings set forth below:

"ADMINISTERING BODY" means the Board as long as no Committee has been appointed and is in effect and shall mean the Committee as long as the Committee is appointed and in effect.

"AFFILIATED ENTITY" means any Parent Corporation or Subsidiary Corporation.

"APPLICABLE DIVIDEND PERIOD" means (i) the period between the date a Dividend Equivalent is granted and the date the related Stock Option, Stock Appreciation Right, or other Award is exercised, terminates, or is converted to Common Stock, or (ii) such other time as the ADMINISTERING BODY may specify in the written instrument evidencing the grant of the Dividend Equivalent.

"AWARD" means any Stock Option, Performance Award, Restricted Stock, Stock Appreciation Right, Stock Payment, Stock Bonus, Stock Sale, Phantom Stock, Dividend Equivalent, or Other Stock-Based Benefit granted or sold to an Eligible Person under this Plan.

"AWARD DOCUMENT" means the agreement or confirming memorandum setting forth the terms and conditions of an Award.

"BOARD" means the Board of Directors of the Company.

"CHANGE IN CONTROL" means the following and shall be deemed to occur if any of the following events occur:

(a) Any Person (other than a Permitted Transferee) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of thirty percent (30%) or more of either the then outstanding shares of Common Stock or the combined voting power of the Company's then outstanding securities entitled to vote generally in the election of directors; or

(b) Individuals who, as of the effective date hereof, constitute the Board of Directors of the Company (the "INCUMBENT BOARD") cease for any reason to constitute at least a majority of the Board of Directors of the Company, provided that any individual who becomes a director after the effective date hereof whose election, or nomination for election by the Company's

Stockholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered to be a member of the Incumbent Board unless that individual was nominated or elected by any Person having the power to exercise, through beneficial ownership, voting agreement and/or proxy, twenty percent (20%) or more of either the outstanding shares of Common Stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally in the election of directors, in which case that individual shall not be considered to be a member of the Incumbent Board unless such individual's election or nomination for election by the Company's Stockholders is approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board; or

(c) Consummation by the Company of the sale or other disposition by the Company of all or substantially all of the Company's assets or a reorganization or merger or consolidation of the Company with any other person, entity or corporation, other than

(i) a reorganization or merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto (or, in the case of a reorganization or merger or consolidation that is preceded or accomplished by an acquisition or series of related acquisitions by any Person, by tender or exchange offer or otherwise, of voting securities representing five percent (5%) or more of the combined voting power of all securities of the Company, immediately prior to such acquisition or the first acquisition in such series of acquisitions) continuing to represent, either by remaining outstanding or by being converted into voting securities of another entity, more than fifty percent (50%) of the combined voting power of the voting securities of the Company or such other entity outstanding immediately after such reorganization or merger or consolidation (or series of related transactions involving such a reorganization or merger or consolidation), or

(ii) a reorganization or merger or consolidation effected to

implement a recapitalization or reincorporation of the Company (or similar transaction) that does not result in a material change in beneficial ownership of the voting securities of the Company or its successor; or

(d) Approval by the Stockholders of the Company or any order by a court of competent jurisdiction of a plan of liquidation of the Company.

"COMMISSION" means the Securities and Exchange Commission.

"COMMON STOCK" means the Class A common stock of the Company, as constituted on the Effective Date of this Plan, and as thereafter adjusted as a result of any one or more events requiring adjustment of outstanding Awards under Section 3.4 above.

"COMPANY" means Salem Communications Corporation, a Delaware corporation.

"COMMITTEE" means the committee appointed by the Board to administer this Plan pursuant to Section 4.1.

"DIVIDEND EQUIVALENT" means a right granted by the Company under Section 6.6 to a holder of a Stock Option, Stock Appreciation Right or other Award denominated in shares of Common Stock to receive from the Company during the Applicable Dividend Period payments equivalent to the amount of dividends payable to holders of the number of shares of Common Stock underlying such Stock Option, Stock Appreciation Right, or other Award.

"EFFECTIVE DATE" means May 25, 1999, which is the date this Plan was adopted by the Board.

"ELIGIBLE PERSON" shall include directors, officers, employees, consultants and advisors of the Company or of any Affiliated Entity.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXPIRATION DATE" means the 10th anniversary of the Effective Date.

"FAIR MARKET VALUE" of a share of the Company's capital stock as of a particular date shall be (i) if the stock is listed on an established stock exchange or exchanges (including for this purpose, the Nasdaq National Market), the average of the highest and lowest sale prices of the stock quoted for such date as reported in the Transactions Index of each such exchange, as published in The Wall Street Journal and determined by the Administering Body, or, if no sale price was quoted in any such Index for such date, then as of the next preceding date on which such a sale price was quoted; or (ii) if the stock is not then listed on an exchange or the Nasdaq National Market, the average of the closing bid and asked prices per share for the stock in the over-the-counter market as quoted on The Nasdaq Small Cap Market on such date (in the case of (i) or (ii), subject to adjustment as and if necessary and appropriate to set an exercise price not less than 100% of the fair market value of the stock on the date an option is granted); or (iii) if the stock is not then listed on an exchange or quoted in the over-the-counter market, an amount determined in good faith by the Administering Body; provided, however, that (A) when appropriate, the Administering Body, in determining Fair Market Value of capital stock of the Company, may take into account such other factors as it may deem appropriate under the circumstances and (B) if the stock is traded on the Nasdaq Small Cap Market and both sales prices and bid and asked prices are quoted or available, the Administering Body may elect to determine Fair Market Value under either clause (i) or (ii) above. Notwithstanding the foregoing, the Fair Market Value of capital stock for purposes of grants of Incentive Stock Options shall be determined in compliance with applicable provisions of the IRC. The Fair Market Value of rights or property other than capital stock of the Company means the fair market value thereof as determined by the Committee on the basis of such factors as it may deem appropriate.

"INCENTIVE STOCK OPTION" means a Stock Option that qualifies as an incentive stock option under Section 422 of the IRC, or any successor statute thereto.

"IRC" means the Internal Revenue Code of 1986, as amended.

"NONQUALIFIED STOCK OPTION" means a Stock Option that is not an Incentive Stock Option.

"OTHER STOCK-BASED BENEFITS" means an Award granted under Section 6.9 of this Plan.

"PARENT CORPORATION" means any Parent Corporation as defined in Section 424(e) of the IRC.

"PAYMENT EVENT" means the event or events giving rise to the right to payment of a Performance Award.

"PERFORMANCE AWARD" means an Award payable in Common Stock that vests and becomes payable over a period of time upon attainment of performance criteria established in connection with the grant of the Award.

"PERFORMANCE-BASED COMPENSATION" means performance-based compensation as described in Section 162(m) of the IRC. If the amount of compensation an Eligible Person will receive under any Award is not based solely on an increase in the value of Common Stock after the date of grant or award, the Committee, in order to qualify an Award as performance-based compensation under Section 162(m) of the IRC, can condition the grant, award, vesting, or exercisability of such an Award on the attainment of a preestablished, objective performance goal. For this purpose, a preestablished, objective performance goal may include one or more of the following performance criteria: (a) cash flow, (b) earnings per share (including earning before interest, taxes, depreciation and amortization), (c) return on equity, (d) total Stockholder return, (e) return on capital, (f) return on assets or net assets, (g) income or net income, (h) operating income or net operating income, (i) operating margin, (j) return on operating revenue, and (k) any other similar performance criteria.

"PERMITTED TRANSFEREE" means: (a) Edward G. Atsinger III, Stuart W. Epperson, or Nancy A. Epperson; (b) the spouse, child or grandchild of any of the persons described in (a); (c) a revocable trust funded by any of the persons described in (a); or (d) a trust for the benefit of any of the persons described in (a) so long as one of the persons described in (a) is the trustee of such trust.

"PERSON" means any person, entity or group, within the meaning of Section 13(d) or 14(d) of the Exchange Act, but excluding (i) the Company and its subsidiaries, (ii) any employee stock ownership or other employee benefit plan maintained by the Company that is qualified under ERISA and (iii) an underwriter or underwriting syndicate that has acquired the Company's securities solely in connection with a public offering thereof.

"PHANTOM STOCK" means an Award granted under Section 6.9 of this Plan.

"PLAN" means this 1999 Stock Incentive Plan of the Company.

"PLAN TERM" means the period during which this Plan remains in effect (commencing the Effective Date and ending on the Expiration Date).

"PURCHASE PRICE" means the purchase price (if any) to be paid by a Recipient for Restricted Stock as determined by the Committee (which price shall be at least equal to the minimum price required under applicable laws and regulations for the issuance of Common Stock which is nontransferable and subject to a substantial risk of forfeiture until specific conditions are met).

"RECIPIENT" means an Eligible Person who has received an Award under this Plan.

"REORGANIZATION" means any merger, consolidation or other reorganization.

"RESTRICTED STOCK" means Common Stock that is the subject of an Award made under Section 6.3 and that is nontransferable and subject to a substantial risk of forfeiture until specific conditions are met, as set forth in this Plan and in any statement evidencing the grant of such Award.

"RULE 16b-3" means Rule 16b-3 under the Exchange Act.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SIGNIFICANT STOCKHOLDER" is an individual who, at the time a Stock Option is granted to such individual under this Plan, owns more than ten percent (10%) of the combined voting power of all classes of stock of the Company or of any Parent Corporation or Subsidiary Corporation (after application of the attribution rules set forth in Section 424(d) of the IRC).

"STOCK APPRECIATION RIGHT" means a right granted under Section 6.4 to receive a payment that is measured with reference to the amount by which the Fair Market Value of a specified number of shares of Common Stock appreciates from a specified date, such as the date of grant of the Stock Appreciation Right, to the date of exercise.

"STOCK BONUS" means an issuance or delivery of unrestricted or restricted shares of Common Stock under Section 6.7 of this Plan as a bonus for services rendered or for any other valid consideration under applicable law.

"STOCK PAYMENT" means a payment in shares of the Company's Common Stock to replace all or any portion of the compensation (other than base salary) that would otherwise become payable to a Recipient.

"STOCK OPTION" means a right to purchase stock of the Company granted under Section 6.1 of this Plan.

"STOCK SALE" means a sale of Common Stock to an Eligible Person under Section 6.8 of this Plan.

"SUBSIDIARY CORPORATION" means any Subsidiary Corporation as defined in Section 424(f) of the IRC.

EXHIBIT 23.01

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the captions "Experts" and "Selected Financial Data" and to the use of our report dated March 24, 1999, except for Note 10, as to which the date is May 26, 1999, in the Registration Statement No. 333-76649 (Form S-1), and related Prospectus of Salem Communications Corporation for the registration of shares of its common stock.

Our audits also included the financial statement schedule of Salem Communications Corporation listed in Item 16(b). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Woodland Hills, California
June 2, 1999