
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 333-41733

SALEM COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

77-0121400
(I.R.S. Employer
Identification Number)

4880 SANTA ROSA ROAD, SUITE 300
CAMARILLO, CALIFORNIA
(Address of Principal Executive Offices)

93012
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Class A common stock, \$0.01 par value

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

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

Aggregate market value of voting common stock held by non-affiliates of the registrant based upon the average bid and asked price of its Class A common stock, on March 22, 2001, on the Nasdaq National Market System was approximately \$148,029,525.

As of March 26, 2001 there were 17,902,392 shares of Class A common stock and 5,553,696 shares of Class B common stock of Salem Communications Corporation outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Stockholders to be held June 6, 2001 are incorporated by reference in Part III hereof.

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PART I

ITEM 1. BUSINESS.

FORWARD-LOOKING STATEMENTS

From time to time, in both written reports (such as this report) and oral statements, Salem Communications Corporation ("Salem" or the "company", including references to Salem by "we," "us" and "our") makes "forward-looking statements" within the meaning of Federal and state securities laws. Disclosures that use words such as the company "believes," "anticipates," "expects," "may" or "plans" and similar expressions are intended to identify forward-looking statements, as defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect the company's current expectations and are based upon data available to the company at the time of the statements. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from expectations. These risks as well as other risks and uncertainties are detailed below at "Certain Factors Affecting Salem" and from time to time in Salem's periodic reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission. Forward-looking statements made in this report speak as of the date hereof. The company undertakes no obligation to update or revise any forward-looking statements made in this report. Any such forward-looking statements, whether made in this report or elsewhere, should be considered in context with the various disclosures made by Salem about its business. These projections or forward-looking statements fall under the safe harbors of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act").

All metropolitan statistical area ("MSA") rank information used in this report is from the Fall 2000 Radio Market Survey Schedule & Population Rankings published by The Arbitron Company, excluding the Commonwealth of Puerto Rico. According to the Radio Market Survey, the population estimates used were based upon 1990 U.S. Bureau Census estimates updated and projected to January 2001 by Market Statistics, based on the data from Sales & Marketing Management's 1999 "Survey of Buying Power."

GENERAL

We are the largest U.S. radio broadcasting company, measured by number of stations and audience coverage, providing programming targeted at audiences interested in religious and family issues. Our core business, developed over the last 26 years, is the ownership and operation of radio stations in large metropolitan markets. After completing our pending transactions, we will own or operate 76 radio stations, including 53 stations which broadcast to 22 of the top 25 markets. We also operate Salem Radio Network®, a national radio network offering syndicated talk, news and music programming to over 1,400 affiliated radio stations, after completing our pending transactions.

Our primary strategy has been, and will continue to be, to acquire and operate radio stations in large metropolitan markets. Traditionally, we have programmed acquired stations with our primary format, talk programming with religious and family themes. This format generally features nationally syndicated and local programs produced by organizations that purchase block program time on our radio stations. We have expanded our acquisition strategy in recent years by acquiring additional radio stations in markets in which we already have a presence. We program these radio stations to feature news/talk and music formats. During 2000, we launched a contemporary Christian music format called "The Fish"™. Salem Radio Network® supports our strategy by enabling us to offer a variety of program content on newly acquired radio stations in both new and existing markets.

Our founders, our current CEO and chairman, are career radio broadcasters who have owned and operated radio stations for over 30 years. As Salem has grown, we have recruited managers with strong radio backgrounds and a commitment to our formats. Our senior managers have an average of 25 years

of industry experience. Our management has a track record of successfully identifying, acquiring and operating new radio stations.

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

Salem Communications Corporation was formed in 1986, as a California corporation, in connection with a combination of most of the radio station holdings of Edward G. Atsinger III and Stuart W. Epperson. Initially, Messrs. Atsinger and Epperson each owned fifty-percent of Salem Communications Corporation-California. New Inspiration Broadcasting Company, Inc., the licensee of KKLA-FM, Los Angeles, and Golden Gate Broadcasting Company, Inc., the licensee of KFAX-AM, San Francisco, were owned by the principal shareholders and Mr. Epperson's wife, Nancy A. Epperson. New Inspiration and Golden Gate were both "S corporations," as that term is defined in the Internal Revenue Code of 1986, as amended. In August 1997, Salem Communications Corporation-California, New Inspiration and Golden Gate effected a reorganization pursuant to which New Inspiration and Golden Gate became wholly-owned subsidiaries of Salem Communications Corporation-California. The S corporation status of each of New Inspiration and Golden Gate was terminated in the reorganization. In 1999 the company was reincorporated in Delaware. In May 2000, the company formed two new wholly-owned subsidiaries, Salem Communications Holding Corporation ("HoldCo") and Salem Communications Acquisition Corporation ("AcquisitionCo"), each a Delaware corporation. In July 2000, SCA License Corporation ("SCA"), a Delaware corporation was formed. SCA is a wholly-owned subsidiary of AcquisitionCo. As of August 2000, substantially all the assets and liabilities of the company were assigned to HoldCo, which assumed the company's obligations under our credit facility and bond indenture. AcquisitionCo and SCA are not restricted by the obligations of the bond indenture.

DEVELOPMENT OF THE BUSINESS

In 2000, we completed the purchase of the following radio stations:

Date	Market	Station	MSA Rank(1)	Purchase Price
January	Atlanta, GA	WNIV-AM WLTA-AM	11	\$ 8,000,000(2)
January	Washington, D.C.	WABS-AM	9	\$ 4,100,000
January	San Francisco, CA	KSFB-FM	4	\$ 8,000,000(3)
February	Honolulu, HI	KAIM-FM KAIM-AM	62	\$ 1,800,000(4)
February	Honolulu, HI	KHNR-AM KGU-AM	62	\$ 1,700,000(5)
April	Atlanta, GA	WGKA-AM	11	\$ 8,000,000
June	Dallas, TX	KSKY-AM	6	\$ 13,000,000(6)
August	Denver, CO	KALC-FM	22	\$ 100,000,000(7)
August	Dallas, TX	KDGE-FM	6	\$ 33,271,000(7)
August	Cincinnati, OH	WYGY-FM	25	\$ 18,109,000(7)
August	Los Angeles, CA	KXMX-AM	2	\$ 12,449,000(7)(8)
August	Los Angeles, CA	KFSH-FM	2	\$ 9,069,000(7)(9)
August	Cleveland, OH	WKNR-AM	23	\$ 7,437,000(7)
August	Cleveland, OH	WRMR-AM	23	\$ 4,738,000(7)
August	Cincinnati, OH	WBOB-AM	25	\$ 527,000(7)
October	San Diego, CA	KCBQ-AM	15	\$ 4,250,000
October	Louisville, KY	WGTK-AM	53	\$ 1,750,000(10)

Additionally, on March 31, 2000, we purchased all of the shares of stock of Reach Satellite Network, Inc. ("RSN"), for \$3.1 million. RSN owns and operates Solid Gospel, a radio broadcasting network that produces and distributes music programming to its own radio stations, WBOZ-FM and WVRV-FM, Nashville, TN, and to independent radio station affiliates. RSN also owns and operates SolidGospel.com, a web site on the Internet.

On August 22, 2000, we sold the assets of radio station KLTX-AM, Long Beach, CA for \$29.5 million to a corporation owned by one of our Board members. This transaction is described in "Related Party Transactions" in the company's Proxy statement for its 2001 Annual Meeting of Shareholders as noted in Part III, Item 13 of this report.

On September 1, 2000, we exchanged the assets of radio station KKHT-FM, Houston, TX for the assets of radio stations WFSH-FM, Atlanta, GA, KLUP-AM, San Antonio, TX, and WSUN-AM, Tampa, FL. WFSH-FM was formerly known as WALR-FM.

On November 20, 2000, we exchanged the assets of radio station KDGE-FM, Dallas, TX for the assets of radio station KWRD-FM, Dallas, TX and KPXI-FM, Tyler-Longview, TX. KWRD-FM was formerly known as KLTY-FM.

- (1) "MSA" means metropolitan statistical area.
- (2) Combined purchase price for WNIV-AM and WLTA-AM.
- (3) KSFB-FM was formerly known as KSQI-FM.
- (4) Combined purchase price for KAIM-FM and KAIM-AM.
- (5) Combined purchase price for KHNR-AM and KGU-AM.
- (6) Purchase price includes the exchange of KPRZ-FM, Colorado Springs, CO.
- (7) Stations acquired in one transaction for \$185.6 million.
- (8) KXMX-AM was formerly known as KEZY-AM.
- (9) KFSH-FM was formerly known as KXMX-FM.
- (10) WGTK-AM was acquired from a relative of one of our Board members.

RADIO STATIONS

After completing our pending transactions, we will own and operate 76 radio stations in 35 markets. The following table sets forth information about each of Salem's stations in order of market size:

Market(1)	MSA Rank(2)	Station Call Letters	Year Acquired
New York, NY(3)	1	WMCA-AM	1989
		WWDJ-AM	1994
Los Angeles, CA	2	KKLA-FM	1985
		KRLA-AM	1998
		KXMX-AM	2000
		KFSH-FM	2000

Chicago, IL	3	WZFS-FM	1990
		WYLL-AM	2001
San Francisco, CA	4	KFAX-AM	1984
		KSFB-FM	2000
Philadelphia, PA	5	WFIL-AM	1993
		WZZD-AM	1994
Dallas-Ft. Worth, TX	6	KLTY-FM	1996
		KSKY-AM	2000
		KWRD-FM	2000
Boston, MA	8	WEZE-AM	1997
		WROL-AM	(4)
Washington, D.C	9	WAVA-FM	1992
		WABS-AM	2000
Houston-Galveston, TX	10	KKHT-AM	1995
		KTEK-AM	1998
Atlanta, GA	11	WNIV-AM	2000
		WLTA-AM	2000
		WGKA-AM	2000
		WFSH-FM	2000
Seattle-Tacoma, WA	13	KGNW-AM	1985
		KLFE-AM	1994
		KKOL-AM	1999
		KKMO-AM	1998
Phoenix, AZ	14	KCTK-AM	1996
		KPXQ-AM	1999
San Diego, CA	15	KPRZ-AM	1986
		KCBQ-AM	2000
Minneapolis-St. Paul, MN	16	KKMS-AM	1996
		KYCR-AM	1998
		WWTC-AM	2001
Baltimore, MD	19	WITH-AM(5)	1997
Tampa, FL	20	WSUN-AM	2000
Pittsburgh, PA	21	WORD-FM	1993
		WPIT-AM	1993
Denver-Boulder, CO	22	KRKS-FM	1993
		KRKS-AM	1994
		KBJD-AM	1999
		KNUS-AM	1996
Cleveland, OH	23	WHKK-AM	1997(6)
		WHK-AM	1997
		WRMR-AM	2000

		WKNR-AM	2000
		WCLV-FM	(6)
Portland, OR	24	KPDQ-FM	1986
		KPDQ-AM	1986
Cincinnati, OH	25	WTSJ-AM	1997
		WBOB-AM	2000
		WYGY-FM	2000
Sacramento, CA	26	KFIA-AM	1995
		KTKZ-AM	1997
Riverside-San Bernardino, CA	28	KEZY-AM	1986
Milwaukee, WI	30	WYLO-AM	2001
San Antonio, TX	31	KSLR-AM	1994
		KLUP-AM	2000
Columbus, OH	33	WRFD-AM	1982
Nashville, TN	43	WBOZ-FM	2000
		WVRY-FM	2000
Louisville, KY	53	WLSY-FM	1999
		WRVI-FM	1999
		WGTK-AM	2000
		WFIA-AM	2001
Honolulu, HI	62	KAIM-AM	2000
		KAIM-FM	2000
		KGU-AM	2000
		KHNR-AM	2000
Akron, OH	70	WHLO-AM	1997
Colorado Springs, CO	95	KGFT-FM	1996
		KBIQ-FM	1996
Youngstown-Warren, OH	103	WRBP-AM	2001
Oxnard, CA	112	KDAR-FM	1974
Canton, OH	125	WHK-FM	1997(6)
Tyler-Longview, TX	142	KPXI-FM(7)	2000

(1)

Actual city of license may differ from metropolitan market served.

(2)

"MSA" means metropolitan statistical area. We have obtained all Metro Survey rank information used in this report from the Fall 2000 Radio Market Survey Schedule & Population Rankings published by The Arbitron Company, excluding the Commonwealth of Puerto Rico. According to the Radio Market Survey, the population

estimates used were based upon 1990 U.S. Bureau Census estimates updated and projected to January 1, 2001 by Market Statistics, based on the data from Sales & Marketing Management's 1999 Survey of Buyer Power.

- (3) This market includes the Nassau-Suffolk, NY Metro market which independently has a MSA rank of 17.
- (4) A contract to acquire WROL-AM for \$11.0 million has been signed and regulatory approval of the acquisition has been received. The company anticipates closing this transaction in the second quarter of 2001.
- (5) WITH-AM is simulcast with WAVA-FM, Washington, D.C.
- (6) A contract to exchange Salem's stations WHKK-AM and WHK-FM and \$10.5 million for WCLV-FM has been signed and regulatory approval of the has been received. The company anticipates closing this transaction in the second quarter of 2001.
- (7) KPXI-FM is simulcast with KWRD-FM, Dallas, TX.

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PROGRAM REVENUE. For the year ended December 31, 2000, we derived 29.0% and 15.9% of our gross revenue, or \$34.9 million and \$19.0 million, respectively, from the sale of nationally syndicated and local block program time. We derive nationally syndicated program revenue from a programming customer base consisting primarily of geographically diverse, well-established non-profit religious and educational organizations that purchase time on stations in a large number of markets in the United States. Nationally syndicated program producers typically purchase 13, 26 or 52 minute blocks on a Monday through Friday basis and may offer supplemental programming for weekend release. We obtain local program revenue from community organizations and churches that typically purchase time primarily for weekend release and from local speakers who purchase daily releases. We have been successful in assisting quality local programs to expand into national syndication.

ADVERTISING REVENUE. For the year ended December 31, 2000, we derived 34.1% of our gross revenue, or \$40.9 million from the sale of local spot advertising and 6.4% of our gross revenue, or \$7.7 million from the sale of national spot advertising.

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

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

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

We believe that the listening audiences for our radio stations formatted with our primary format, which provide the financial support for program producers purchasing time on these stations, are responsive to affinity advertisers that promote products targeted to audiences interested in religious and family issues and are receptive to direct response appeals such as those offered through infomercials. All of such stations have affinity advertising customers in their respective markets. Local church groups and many community organizations such as rescue missions and family crisis support services can often effectively reach their natural constituencies by advertising on religious format stations. Advertising is also purchased by local and nationally affiliated religious bookstores, publishers specializing in inspirational and religious literature and other businesses that desire to specifically target audiences interested in religious and family issues. Our stations generate spot advertising revenue from general market advertisers.

SALEM RADIO NETWORK®

In 1993, we established Salem Radio Network® in connection with our acquisition of certain assets of the former CBN Radio Network. Establishment of Salem Radio Network® was a part of our overall business strategy to develop a national network of affiliated radio stations anchored by our owned and operated radio stations in major markets. Salem Radio Network® which is headquartered in Dallas,

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develops, produces and syndicates a broad range of programming specifically targeted to religious and family issues talk and music stations as well as general market news/talk stations. Currently, we have rights to eight full-time satellite channels and all Salem Radio Network® product is delivered to affiliates via satellite.

Salem Radio Network® has more than 1,400 affiliate stations, including our owned and operated stations, that broadcast one or more of the offered programming options. These programming options feature talk shows, news and music. Network operations also include commission revenue of Salem Radio Representatives from unaffiliated customers and an allocation of operating expenses estimated to relate to such commissions. Salem Radio Network's gross revenue, including commission revenue for Salem Radio Representatives, for the year ended December 31, 2000 was \$9.1 million.

SALEM RADIO REPRESENTATIVES. We established Salem Radio Representatives in 1992 as a sales representation company specializing in placing national advertising on religious format radio stations. Salem Radio Network® has an exclusive relationship with Salem Radio Representatives for the sale of available Salem Radio Network® spot advertising. Salem Radio Representatives receives a commission on all Salem Radio Network® sales. Salem Radio Representatives also contracts with individual radio stations to sell air time to national advertisers desiring to include selected company stations in national buys covering multiple markets.

OTHER MEDIA

INTERNET. In 1999 we established an Internet business, OnePlace, in connection with our purchase of the assets of OnePlace, LLC, AudioCentral, GospelMedia Network (which was sold in 2000) and Involved Christian Radio Network. OnePlace's activities enhance and support our core radio strategy by providing on-demand audio streaming for Salem's program producers. The OnePlace business model mirrors our radio station business model: revenue from ministries and advertising (banners and sponsorships). We

also recently introduced SonicPlace.com, which provides on-demand audio streaming for Salem's Christian music channels.

PUBLISHING. In 1999, we purchased CCM Communications, Inc. ("CCM"). CCM, based in Nashville, Tennessee, has published magazines since 1978 which follow the contemporary 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. Through CCM's trade publications, we are uniquely positioned to track contemporary Christian music audience trends.

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

COMPETITION

RADIO. The radio broadcasting industry, including the religious and family issues format segment of this industry, is a highly competitive business. The financial success of each of our radio stations that features the religious and family issues format is dependent, to a significant degree, upon its ability to generate revenue from the sale of block program time to national and local religious and educational organizations. We compete for this program revenue with a number of different commercial and noncommercial radio station licensees. While no group owner in the United States specializing in the religious format approaches Salem in size of potential listening audience and presence in major

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markets, religious format stations exist and enjoy varying degrees of prominence and success in all markets.

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

Competition may also come from new media technologies and services that are being developed or introduced. These include delivery of audio programming by cable television and satellite systems, digital audio radio services, the Internet, personal communications services and the authorization by the FCC of a new service of low powered, limited coverage FM radio stations. Digital audio broadcasting may deliver multiformat digital radio services by satellite to national and regional audiences. The quality of programming delivered by digital audio broadcasting would be equivalent to compact disc.

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

NETWORK. Salem Radio Network® competes with other commercial radio networks that offer news and talk programming to religious and general format stations and two noncommercial networks that offer religious music formats. Salem Radio Network® also competes with other radio networks for the services of talk show personalities.

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

EMPLOYEES

At March 1, 2001, Salem employed 831 full-time and 402 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.

CERTAIN FACTORS AFFECTING SALEM

The financial statements included in this report and related discussion describe and analyze our financial performance and condition for the periods indicated. For the most part, this information is historical. Salem's prior results, however, are not necessarily indicative of its future performance or financial condition. We have therefore included the following discussion of certain factors which could affect our future performance or financial condition. These factors could cause our future performance or financial condition to differ materially from our prior performance or financial condition, or from management's expectations or estimates of Salem's future performance or financial condition. These factors, among others, should be considered in assessing Salem's future prospects and prior to making an investment decision with respect to our stock.

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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®.

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.

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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, which currently accounts for more than 40% of our revenue. 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.

Additionally, FCC rules and policies allow a broadcaster to own a number of radio stations in a given market and permit, within limits, joint arrangements with other stations in a market relating to programming, advertising sales, and station operations. Management believes that radio stations that elect to take advantage of these opportunities may, in certain circumstances, have lower operating costs and may be able to offer advertisers more attractive rates and services. Although we are currently attempting to take advantage of these rules by implementing multiple radio stations in various markets, the future development of our business in new markets, as well as the maintenance of our business growth in those markets in which we do not currently have a multiple number of radio stations, may be hampered.

In addition to the competition faced by our radio stations, Salem Radio Network® 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.

Our Launch of New Christian Music Format Involves Risk

We have launched a contemporary Christian music format called "The Fish"™ in several markets in which we have multiple radio stations. Although we expect that this will allow us to take advantage of cross-selling and cross-promotional opportunities, as well as to reduce costs by having combined operations in these markets, we have traditionally relied on talk programming as a source of our revenue and there is no guarantee that the implementation of "The Fish"™ format in these markets will attract a sufficient listener and advertiser base.

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; and Stuart W.

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Epperson, our Chairman of the Board. The loss of the services of either Messrs. Atsinger or Epperson could have a material adverse effect upon Salem. We have entered into employment agreements with each of Messrs. Atsinger and Epperson. Messrs. Atsinger and Epperson's agreements expire in July 2001. Mr. Epperson has radio interests outside of Salem that will continue to impose demands on his time.

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. The failure to renew our license could prevent us from operating the affected stations and generating revenue from them. If the FCC decides to include conditions or qualifications in any of our licenses, we may be limited in the manner in which we may operate the affected station.

The FCC also requires radio stations to comply with certain technical requirements to limit interference between two or more radio stations. If the FCC relaxes these technical requirements, it could impair the signals transmitted by our radio stations and could have a material adverse effect on us.

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.

ITEM 2. PROPERTIES.

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

Our radio stations' studios and offices, the operations of our other media businesses and our corporate headquarters are located in leased facilities. Our network leases satellite transponders used for delivery of its programming. We either own or lease our radio station tower and antenna sites. We do not anticipate difficulties in renewing those leases that expire within the next several years or in obtaining other lease arrangements, if necessary.

We lease certain property from the principal stockholders or trusts and partnerships created for the benefit of the principal stockholders and their families. These leases are described in "Related Party Transactions" in the company's proxy statement for its 2001 Annual Meeting of Stockholders and incorporated by reference to Part III, Item 13 of this report. All such leases have cost of living adjustments. Based upon our management's assessment and analysis of local market conditions for

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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.

ITEM 3. LEGAL PROCEEDINGS.

Salem and its subsidiaries, incident to our business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims, including the Gospel Communications International, Inc. ("GCI") matter described in more detail below. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Also, the company maintains insurance which may provide coverage for such matters. Consequently, our management is unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters as of December 31, 2000. However, our management believes, at this time, that the final resolution of these matters, individually and in the aggregate, will not have a material adverse effect upon Salem's annual consolidated financial position, results of operations or cash flows.

On December 6, 2000, GCI made a demand for arbitration upon Salem. The demand, pending before an arbitration panel of the American Arbitration Association, alleges Salem and our subsidiary OnePlace, Ltd. failed to provide certain e-commerce software to GCI pursuant to a written contract between GCI and OnePlace, for which GCI seeks \$5.0 million in damages. We have filed an answer to the demand, denying the factual basis for certain elements of GCI's claims and have asserted counterclaims against GCI for breach of contract. By consent of the parties, the matter has been submitted to nonbinding mediation. Although there can be no assurance that the GCI matter will be resolved in our favor, Salem will vigorously defend the action and pursue its counterclaims against GCI.

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

On May 24, 2000, the shareholders of the company gave their consent to re-elect as directors of the company Edward G. Atsinger III, Stuart W. Epperson, Eric H. Halvorson, Richard A. Riddle, Roland S. Hinz, Joseph S. Schuchert and Donald P. Hodel, as well as to approve Ernst & Young LLP as independent auditors.

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

PART II

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

The company's Class A common stock is traded on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ-NMS") under the symbol SALM. At March 29, 2001, the company had approximately 46 shareholders of record (not including the number of persons or entities holding stock in nominee or street name through various brokerage firms) and 17,902,392 outstanding shares of Class A common stock and 5,553,696 outstanding shares of Class B common stock. The following table sets forth for the fiscal quarters indicated the range of high and low bid information per share of the Class A common stock of the

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company as reported on the NASDAQ-NMS since July 1, 1999, the date the company's Class A common stock first became publicly traded.

	1999		2000			
	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
High	31 ¹ / ₈	30	23 ¹ / ₄	13 ¹ / ₁₆	13 ⁵ / ₈	17 ¹ / ₄
Low	21 ³ / ₈	16 ¹ / ₈	11 ³ / ₈	6 ¹ / ₈	9 ¹ / ₄	9 ¹ / ₂

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

DIVIDEND POLICY

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

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

ITEM 6. SELECTED CONSOLIDATED FINANCIAL INFORMATION.

Salem's selected historical statement of operations and balance sheet data presented below as of and for the years ended December 31, 1996, 1997, 1998, 1999 and 2000 are derived from the audited consolidated financial statements of Salem. The consolidated financial statements as of December 31, 1999 and 2000 and for each of the years in the three-year period ended December 31, 2000, and the independent auditors' report thereon, are included elsewhere in this report. Salem's financial results are not comparable from period to period because of our acquisition and disposition of radio stations and our acquisition of other media businesses. The selected consolidated financial information below should be read in conjunction with, and is qualified by reference to, our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report.

	Year Ended December 31,				
	1996	1997	1998	1999	2000
	(Dollars in Thousands) (Except Per Share Data and Ratios)				
Statement of Operations Data:					
Net broadcasting revenue	\$ 59,010	\$ 67,912	\$ 77,891	\$ 87,122	\$ 110,097
Other media revenue	—	—	—	6,424	7,916
Total revenue	59,010	67,912	77,891	93,546	118,013
Operating expenses:					
Broadcasting operating expenses	33,463	39,626	42,526	46,291	60,714
Other media operating expenses	—	—	—	9,985	14,863
Corporate expenses	4,663	6,210	7,395	8,507	10,457
Stock and related cash grant	—	—	—	2,550	—
Tax reimbursements to S corporation shareholders(1)	2,038	1,780	—	—	—
Depreciation and amortization	8,394	12,803	14,058	18,233	25,479
Total operating expenses	48,558	60,419	63,979	85,566	111,513
Net operating income	10,452	7,493	13,912	7,980	6,500
Other income (expense):					
Interest income	523	230	291	1,005	534
Gain (loss) on disposal of assets	16,064	4,285	236	(219)	29,567
Interest expense	(7,361)	(12,706)	(15,941)	(14,219)	(17,452)
Other expense	(270)	(389)	(422)	(633)	(857)
Total other income (expense)	8,956	(8,580)	(15,836)	(14,066)	11,792
Income (loss) before income taxes and extraordinary item	19,408	(1,087)	(1,924)	(6,086)	18,292
Provision (benefit) for income taxes	6,655	106	(343)	(1,611)	6,996
Income (loss) before extraordinary item	12,753	(1,193)	(1,581)	(4,475)	11,296
Extraordinary loss(2)	—	(1,185)	—	(3,570)	(1,187)
Net income (loss)	\$ 12,753	\$ (2,378)	\$ (1,581)	\$ (8,045)	\$ 10,109
Pro forma net income (loss)(1)	\$ 12,838	\$ (770)			
Basic and diluted income (loss) per share before extraordinary item	\$ 0.77	\$ (0.07)	\$ (0.09)	\$ (0.22)	\$ 0.48
Basic and diluted net income (loss) per share(3)	\$ 0.77	\$ (0.14)	\$ (0.09)	\$ (0.40)	\$ 0.43
Pro forma basic and diluted income (loss) per share before extraordinary item	\$ 0.77	\$ 0.02			

Pro forma basic and diluted net income (loss) per share	\$ 0.77	\$ (0.05)			
Basic weighted average shares outstanding(3)	16,661,088	16,661,088	16,661,088	20,066,006	23,456,088
Diluted weighted average shares outstanding(3)	16,661,088	16,661,088	16,661,088	20,066,006	23,466,849
Other Data:					
Broadcast cash flow(4)	\$ 25,547	\$ 28,286	\$ 35,365	\$ 40,831	\$ 49,383
Broadcast cash flow margin(5)	43.3%	41.7%	45.4%	46.9%	44.9%
EBITDA(4)	\$ 20,884	\$ 22,076	\$ 27,970	\$ 28,763	\$ 31,979
After-tax cash flow(4)	\$ 11,594	\$ 10,647	\$ 12,335	\$ 15,809	\$ 19,035

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Cash flows related to:						
Operating activities	\$ 10,495	\$ 7,314	\$ 11,015	\$ 8,204	\$ 10,712	
Investing activities	\$ (18,923)	\$ (26,326)	\$ (31,762)	\$ (35,159)	\$ (219,848)	
Financing activities	\$ 9,383	\$ 18,695	\$ 21,019	\$ 59,162	\$ 178,940	

December 31,

	1996	1997	1998	1999	2000
Balance Sheet Data:					
Cash and cash equivalents	\$ 1,962	\$ 1,645	\$ 1,917	\$ 34,124	\$ 3,928
Total assets	159,185	184,813	207,750	264,364	470,668
Long-term debt, less current portion	121,790	154,500	178,610	100,087	286,050
Stockholders' equity	20,354	10,682	9,101	142,839	152,948

(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.

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

	1996	1997
Pro Forma Information:		
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)

(2) The extraordinary loss in each of 1997, 1999 and 2000 relates to the write-off of deferred financing costs and termination fees related to the repayment of debt. See note 5 to our consolidated financial statements.

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

(4) We define broadcast cash flow as net operating income, excluding other media revenue and other media operating expenses, before depreciation and amortization and corporate expenses. We define EBITDA as net operating income before depreciation and amortization. We define after-tax cash flow as income (loss) before extraordinary item minus gain (loss) on disposal of assets (net of income tax) plus depreciation and amortization. EBITDA and after-tax cash flow for the year ended December 31, 1999 excludes a \$2.6 million charge (\$1.9 million, net of income tax) for a one-time stock grant concurrent with our initial public offering. For periods prior to 1998, broadcast cash flow and EBITDA are calculated using net operating income before tax reimbursements to S corporation shareholders. For periods prior to 1998, after-tax cash flow excludes reimbursements to S corporation shareholders and includes a pro forma tax provision at an estimated combined federal and state income tax rate of 40% as if the reorganization had occurred at the beginning of each period presented.

Although broadcast cash flow, EBITDA and after-tax cash flow are not measures of performance calculated in accordance with generally accepted accounting principles, we believe that they are useful because they are measures widely used in the radio broadcast industry to evaluate a radio company's operating performance. However, you should not consider broadcast cash flow, EBITDA and after-tax cash flow in isolation or as substitutes for net income, cash flows from operating activities and other statement of operations or cash flows data prepared in accordance with generally accepted accounting principles as a measure of liquidity or profitability. These measures are not necessarily comparable to similarly titled measures employed by other companies.

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

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

GENERAL

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

Historically, the principal sources of our revenue have been:

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

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

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

	Year Ended December 31,					
	1998		1999		2000	
	<i>(Dollars in Thousands)</i>					
Block program time:						
National	\$ 29,506	34.5%	\$ 31,317	32.9%	\$ 34,887	29.0%
Local	13,389	15.7	15,816	16.6	19,044	15.9
	42,895	50.2	47,133	49.5	53,931	44.9
Advertising:						
National	4,458	5.2	5,855	6.1	7,714	6.4
Local	26,106	30.6	29,686	31.2	40,905	34.1
	30,564	35.8	35,541	37.3	48,619	40.5
Infomercials	4,121	4.8	3,764	4.0	5,228	4.4
Salem Radio Network	6,053	7.1	6,983	7.3	9,174	7.6
Other	1,778	2.1	1,856	1.9	3,171	2.6
Gross broadcasting revenue	85,411	100.0%	95,277	100.0%	120,123	100.0%
Less agency commissions	7,520		8,155		10,026	
Net broadcasting revenue	\$ 77,891		\$ 87,122		\$ 110,097	

Our broadcasting revenue is affected primarily by the program rates our radio stations charge and by the advertising rates our radio stations and network charge. The rates for block program time are based upon our stations' ability to attract audiences that will support the program producers through contributions and purchases of their products. Advertising rates are based upon the demand for advertising time, which in turn is based on our stations' and network's ability to produce results for its advertisers. Historically we have not subscribed to traditional audience measuring services. Instead, we have marketed ourselves to advertisers based upon the responsiveness of our audience. With the launch of the contemporary Christian music format in several markets, we have started to subscribe to Arbitron which develops quarterly reports to measure a radio station's audience share in the demographic groups targeted by advertisers. 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 when, due to the nature of the radio station, our plans for the market and other circumstances, we find it beneficial or advisable to change its format. This transition period is when we develop a radio station's customer and listener base. During this period, a station will typically generate negative or insignificant cash flow.

In the broadcasting industry, radio stations often utilize trade or barter agreements to exchange advertising time for goods or services (such as other media advertising, travel or lodging), in lieu of cash. In order to preserve the sale of our advertising time for cash, we generally enter into trade agreements only if the goods or services bartered to us will be used in our business. We have minimized our use of trade agreements and have generally sold most of our advertising time for cash. In 2000, we sold 94% 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). Beginning in 2000, in connection with the launch of our contemporary Christian music format in several markets, we incurred increased amounts for promotional expenses and music license fees. In addition to these expenses, our network incurs programming costs and lease expenses for satellite communication facilities. We also incur and will continue to incur significant depreciation, amortization and interest expense as a result of completed and future acquisitions of radio stations and existing and future borrowings.

OnePlace earns its revenue from the (1) sales of banner advertising and sponsorships on the Internet, (2) sales of streaming services, and (3) sales of software and software support contracts. 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.

The performance of a radio broadcasting company, such as Salem, is customarily measured by the ability of its stations to generate broadcast cash flow and EBITDA. We

define broadcast cash flow as net operating income, excluding other media revenue and other media operating expenses, before depreciation and amortization and corporate expenses. We define EBITDA as net operating income before depreciation and amortization. We define after-tax cash flow as income (loss) before extraordinary item minus gain (loss) on disposal of assets (net of income tax) plus depreciation and amortization. EBITDA and after-tax cash flow for the year ended December 31, 1999 excludes a \$2.6 million charge (\$1.9 million, net of income tax) for a one-time stock grant concurrent with our initial public offering on June 30, 1999.

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

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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.

For the comparison of the results of operations for the year ended December 31, 1999 to the year ended December 31, 1998, we included in our same station comparisons the results of operations of radio stations and network formats that:

- we owned or operated for all of both periods;

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

- we sold or ceased 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 continued to own or operate the other station or network format following the sale or cessation of operations.

We included in our same station comparisons the results of operations of our integrated stations and network formats from the date that we acquired or began to operate them or through the date that we sold or ceased to operate them, as the case may be.

For the comparison of the results of operations for the year ended December 31, 2000 to the year ended December 31, 1999, we include in our same station comparisons the results of operations of radio stations and networks that we own or operate in the same format during the current period compared with the results of the same stations for the corresponding period of the prior year. We do not include a station or a network in this comparison unless it has been owned or operated for at least an entire quarter included in each of the current and corresponding prior year periods.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

NET BROADCASTING REVENUE. Net broadcasting revenue increased \$23.0 million or 26.4% to \$110.1 million in 2000 from \$87.1 million in 1999. The growth is attributable to the increase in same station revenue and the acquisitions of radio stations and a network during 1999 and 2000, partially offset by the sales of radio stations during 2000. On a same station basis net revenue improved \$8.1 million or 12.5% to \$72.7 million in 2000 from \$64.6 million in 1999. The improvement was primarily due to an increase in network revenue due to increased network affiliations and quality programming, an increase in net revenue at radio stations we acquired in 1997 and 1998 that previously operated with formats other than their current format, an increase in program rates and increases in advertising time and improved selling efforts at both the national and local level. Revenue from advertising as a percentage of our gross revenue increased to 40.5% in 2000 from 37.3% in 1999. Revenue from block program time as a percentage of our gross revenue decreased to 44.9% in 2000 from 49.5% in 1999. This change in our revenue mix is primarily due to our continued efforts to develop more local advertising sales in all of our markets, as well as the acquisition and launch of a number of news/talk and contemporary Christian music formatted stations that do not carry block programming.

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OTHER MEDIA REVENUE. Other media revenue increased \$1.5 million or 23.4% to \$7.9 million in 2000 from \$6.4 million in 1999. The increase is due primarily to our increased revenue from banner advertising and streaming services and the inclusion of revenues from the acquisition of the Involved Christian Radio Network, which we acquired in November 1999, offset by the loss of revenues from the sale of certain assets which generated revenue from the sale of advertising in print and online catalogs.

BROADCASTING OPERATING EXPENSES. Broadcasting operating expenses increased \$14.4 million or 31.1% to \$60.7 million in 2000 from \$46.3 million in 1999. The increase is attributable to operating expenses associated with the acquisitions of radio stations and a network in 2000, promotional expenses associated with the launch of the contemporary Christian music format in several markets, and an increase in bad debt expense and an increase in music license fees, partially offset by the operating expenses associated with three radio stations sold during 2000. On a same station basis, broadcasting operating expenses increased \$3.5 million or 10.1% to \$38.3 million in 2000 from \$34.8 million in 1999. The increase is 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 increased \$4.9 million or 49.0% to \$14.9 million in 2000 from \$10.0 million in 1999. The increase is due primarily to product fulfillment costs associated with e-commerce which closed down in 2000, additional streaming and related expenses to produce the increased revenues in 2000, the inclusion of operating expenses from the acquisition of the Involved Christian Radio Network, which we acquired in November 1999, offset by the reduction of operating expenses incurred due to the sale of certain software products, assets and contracts.

BROADCAST CASH FLOW. Broadcast cash flow increased \$8.6 million or 21.1% to \$49.4 million in 2000 from \$40.8 million in 1999. As a percentage of net broadcasting revenue, broadcast cash flow decreased to 44.9% in 2000 from 46.8% in 1999. The decrease is primarily attributable to the effect of stations acquired during 1999 and 2000 that previously operated with formats other than their current format and the effect of the launch of the contemporary Christian music format in several markets. Acquired and reformatted radio stations typically produce low margins during the first few years following conversion. Broadcast cash flow margins improve as we implement scheduled program rate increases and increase advertising revenue on our stations. On a same station basis, broadcast cash flow improved \$4.6 million or 15.4% to \$34.4 million in 2000 from \$29.8 million in 1999.

CORPORATE EXPENSES. Corporate expenses increased \$2.0 million or 23.5% to \$10.5 million in 2000 from \$8.5 million in 1999, primarily due to additional overhead costs associated with radio station and other media acquisitions in 1999 and 2000 and increased public reporting and related costs, offset by a reduction of expenses of \$400,000 in 2000 due to the termination of a deferred compensation agreement.

EBITDA. EBITDA increased \$3.2 million or 11.1% to \$32.0 million in 2000 from \$28.8 million in 1999. As a percentage of total revenue, EBITDA decreased to 27.1% in 2000 from 30.8% in 1999. EBITDA was negatively impacted by the results of operations of our other media businesses acquired during 1999, which generated a net loss before depreciation and amortization of \$7.0 million in 2000 as compared to a net loss of \$3.6 million in 1999. EBITDA excluding the other media businesses increased \$6.7 million or 20.7% to \$39.0 million in 2000 from \$32.3 million in 1999. As a percentage of net broadcasting revenue, EBITDA excluding the other media businesses decreased to 35.4% in 2000 from 37.1% in 1999. The decrease is primarily attributable to the effect of stations acquired during 1999 and 2000 that previously operated with formats other than their current format and the effect of the launch of the contemporary Christian music format in several markets.

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DEPRECIATION AND AMORTIZATION. Depreciation expense increased \$0.5 million or 7.6% to \$7.1 million in 2000 from \$6.6 million in 1999. Amortization expense increased \$6.8 million or 58.6% to \$18.4 million in 2000 from \$11.6 million in 1999. The increases are due to radio station and other media acquisitions consummated during 2000 and 1999.

OTHER INCOME (EXPENSE). Interest income decreased \$500,000 to \$500,000 in 2000 from \$1.0 million in 1999. The decrease is primarily due to a decrease in excess cash available for investment due to acquisitions of radio stations and other media businesses. Gain on disposal of assets of \$29.6 million in 2000 is primarily due to gains recognized on the sale of radio stations KPRZ-FM, Colorado Springs, CO and KLTX-AM, Los Angeles, CA, partially offset by the loss on sale of certain assets of our other media businesses. Interest expense increased \$3.3 million or 23.2% to \$17.5 million in 2000 from \$14.2 million in 1999. The increase is due to interest expense associated with borrowings on our credit facility and higher interest expense associated with short-term bridge financing to fund acquisitions in 2000. Other expense increased \$224,000 to \$857,000 in 2000 from \$633,000 in 1998 primarily due to increased bank commitment fees.

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 38.3% for 2000 and (26.5%) for 1999. The effective tax rate in 2000 and 1999 differs from the federal statutory income tax rate of 35.0% primarily due to the effect of state income taxes and certain expenses that are not deductible for tax purposes.

NET INCOME (LOSS). We recognized net income of \$10.1 million in 2000, compared to a net loss of \$8.0 million in 1999. Included in the net income for 2000 is a gain in the disposal of assets of \$29.6 million and a \$1.2 million extraordinary loss, net of income tax benefit, resulting from the write-off of deferred financing costs related to our short-term bridge financing.

AFTER-TAX CASH FLOW. After-tax cash flow increased \$3.2 million or 20.3% to \$19.0 million in 2000 from \$15.8 million in 1999. This increase was offset by negative after-tax cash flow of our other media businesses. After-tax cash flow excluding other media losses (net of income tax) increased \$5.3 million or 29.6% to \$23.2 million in 2000 from \$17.9 million in 1999. The increase is primarily due to an increase in broadcast cash flow, offset by an increase in interest expense.

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

NET BROADCASTING REVENUE. Net broadcasting revenue increased \$9.2 million or 11.8% to \$87.1 million in 1999 from \$77.9 million in 1998. The inclusion of revenue from the acquisitions of radio stations and revenue generated from local marketing agreements entered into during 1999 and 1998, partially offset by the loss of revenue from radio stations sold in 1998, provided \$1.9 million of the increase. On a same station basis, net revenue improved \$7.3 million or 9.6% to \$83.1 million in 1999 from \$75.8 million in 1998. Included in the same station comparison are the results of two stations that we began to own or operate in 1999 for a total purchase price of \$1.8 million, and three stations that we acquired in 1998 for a total purchase price of \$3.1 million. The improvement was primarily due to an increase in revenue at the radio stations we acquired in 1997 that previously operated with formats other than their current format, an increase in program rates and an increase in advertising time and improved selling efforts at both the national and local level. Revenue from advertising as a percentage of our gross revenue increased to 37.3% in 1999 from 35.8% in 1998. Revenue from block program time as a percentage of our gross revenue decreased to 49.5% in 1999 from 50.2% in 1998. This change in our revenue mix is primarily due to our continued efforts to develop more local advertising sales in all of our markets.

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

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BROADCASTING OPERATING EXPENSES. Broadcasting operating expenses increased \$3.8 million or 8.9% to \$46.3 million in 1999 from \$42.5 million in 1998. The inclusion of expenses from the acquisitions of radio stations and expenses incurred for local marketing agreements entered into during 1999 and 1998, partially offset by the exclusion of operating expenses from radio stations sold in 1998, accounted for \$1.4 million of the increase. On a same station basis, broadcasting operating expenses increased \$2.4 million or 5.8% to \$43.9 million in 1999 from \$41.5 million in 1998, primarily due to incremental selling and production expenses incurred to produce the increased revenue in the period. The difference between 1999 and 1998 broadcasting operating expenses was increased by a one-time credit of \$453,000 that we recorded in 1998. The credit related to music licensing fees and represented the proceeds of a settlement between us and the two largest performance rights organizations.

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

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

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

EBITDA. EBITDA increased \$800,000 or 2.9% to \$28.8 million in 1999 from \$28.0 million in 1998. As a percentage of total revenue, EBITDA decreased to 30.8% in 1999 from 35.9% in 1998. EBITDA was negatively impacted by the results of operations of our other media businesses acquired during 1999, which generated a net loss before depreciation and amortization of \$3.6 million during the year. EBITDA excluding the other media businesses increased \$4.3 million or 15.4% to \$32.3 million in 1999 from \$28.0 million in 1998. As a percentage of net broadcasting revenue, EBITDA excluding the other media businesses increased to 37.1% in 1999 from 35.9% in 1998. The increase is primarily attributable to the improved performance of radio stations acquired in 1997 and 1998 that previously operated with formats other than their current format.

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

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

increased \$211,000 to \$633,000 in 1999 from \$422,000 in 1998 primarily due to increased bank commitment fees.

PROVISION (BENEFIT) FOR INCOME TAXES. Provision (benefit) for income taxes as a percentage of income (loss) before income taxes and extraordinary item (that is, the effective tax rate) was (26.5)% for 1999 and (17.8%) for 1998. The effective tax rate in 1999 and 1998 differs from the federal statutory income tax rate of 34.0% primarily due to the effect of state income taxes and certain expenses that are not deductible for tax purposes.

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

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

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed acquisitions of radio stations through borrowings, including borrowings under bank credit facilities and, to a lesser extent, from operating cash flow and selected asset dispositions. We received net proceeds of \$140.1 million from our initial public offering in July 1999, which was used to pay a portion of our senior subordinated notes and amounts outstanding under our credit facility. We have historically funded, and will continue to fund, expenditures for operations, administrative expenses, capital expenditures and debt service required by our credit facility and senior subordinated notes from operating cash flow. At December 31, 2000 we had \$3.9 million of cash and cash equivalents and positive working capital of \$20.0 million.

We will fund future acquisitions from cash on hand, borrowings under our amended credit facility, sales of existing radio stations and operating cash flow. We believe that cash on hand, cash flow from operations, borrowings under our amended credit facility, and proceeds from the sale of some of our existing radio stations will be sufficient to permit us to meet our financial obligations, fund our pending acquisitions and fund operations for at least the next twelve months.

In August 2000, we amended our credit facility and obtained a bridge loan facility principally to finance the acquisition of eight radio stations on August 24, 2000. To finance the acquisitions we borrowed \$109.1 million under the amended credit facility and \$58.0 million under the bridge loan facility with \$7.1 million of the bridge loan proceeds used to fund a 12-month interest reserve.

In August 2000, we supplemented the indenture for our senior subordinated notes in connection with the assignment of substantially all of the assets and liabilities of the company to HoldCo, including the obligations as successor issuer under the indenture.

In November 2000 we paid off the bridge facility using available cash, interest reserves and \$48.3 million borrowed under our credit facility. The bridge facility would otherwise have matured on August 23, 2001 had we not paid it off. Amounts outstanding under the bridge facility bore a floating interest rate of LIBOR plus a spread. The spread ranged from 5% to 6.5%. Interest was payable quarterly. As a result of the repayment of the bridge facility, we wrote-off certain deferred financing

costs. The write-off of \$1,187,000, net of a \$662,000 income tax benefit, was recorded as an extraordinary item in the accompanying statement of operations for the year ended December 31, 2000.

At December 31, 2000, we had \$186.1 million outstanding under our credit facility. Our amended credit facility increased our borrowing capacity from \$150 million to \$225 million, lowered the borrowing rates and modified current financial ratio tests to provide us with additional borrowing flexibility. The amended credit facility matures on June 30, 2007. Aggregate commitments under the amended credit facility begin to decrease commencing March 31, 2002.

Amounts outstanding under our credit facility bear interest at a base rate, at our option, of the bank's prime rate or LIBOR, plus a spread. For purposes of determining the interest rate under our credit facility, the prime rate spread ranges from 0% to 1.5%, and the LIBOR spread ranges from 0.875% to 2.75%.

The maximum amount that we may borrow under our credit facility is limited by a ratio of our existing adjusted debt to pro forma twelve-month cash flow (the "Adjusted Debt to Cash Flow Ratio"). Our credit facility will allow us to adjust our total debt as used in such calculation by the lesser of 50% of the aggregate purchase price of acquisitions of newly acquired non-religious formatted radio stations that we reformat to a religious talk, conservative talk or religious music format or \$30.0 million and the cash flow from such stations will not be considered in the calculation of the ratio. The maximum Adjusted Debt to Cash Flow Ratio allowed under our credit facility is 6.50 to 1 through December 30, 2001. Thereafter, the maximum ratio will decline periodically until December 31, 2005, at which point it will remain at 4.00 to 1 through June 2007. The Adjusted Debt to Cash Flow Ratio at December 31, 2000 was 5.45 to 1, resulting in a borrowing availability of approximately \$39.0 million.

HoldCo is the borrower under the amended credit facility. HoldCo is a wholly-owned subsidiary of Salem and HoldCo is the direct or indirect parent of all operating subsidiaries with the exception of AcquisitionCo and SCA, both of which are direct or indirect subsidiaries of Salem.

Our credit facility contains additional restrictive covenants customary for credit facilities of the size, type and purpose contemplated which, with specified exceptions, limits our ability to enter into affiliate transactions, pay dividends, consolidate, merge or effect certain asset sales, make specified investments, acquisitions and loans and change the nature of our business. The credit facility also requires us to satisfy specified financial covenants, which covenants require the maintenance of specified financial ratios and compliance with certain financial tests, including ratios for maximum leverage as described, minimum interest coverage (not less than 1.75 to 1), minimum debt service coverage (a static ratio of not less than 1.1 to 1) and minimum fixed charge coverage (a static ratio of not less than 1.1 to 1). The amended credit facility is guaranteed by the company and all of its subsidiaries other than HoldCo and is secured by pledges of all of the capital stock of the company's subsidiaries.

In September 1997, we issued \$150 million principal amount of 9¹/₂% senior subordinated notes due 2007. In July 1999, we repurchased \$50 million in principal amount of the senior subordinated notes with a portion of the net proceeds of the offering. After giving effect to this repurchase, we are required to pay \$9.5 million per year in interest on the senior subordinated notes. The indenture for the senior subordinated notes contains restrictive covenants that, among others, limit the incurrence of debt by us and our subsidiaries, the payment of dividends, the use of proceeds of specified asset sales and transactions with affiliates. The senior subordinated notes are guaranteed by all of our subsidiaries.

As a result of the repurchase of our senior subordinated notes in July 1999, we recorded a non-cash charge of \$1.5 million for the write-off of unamortized bond issue costs. This was in addition to the \$3.9 million premium paid in connection with this repurchase.

Net cash provided by operating activities increased to \$10.7 million for the year ended December 31, 2000, compared to \$8.2 million in 1999, primarily due to an increase in broadcast cash

flow and an increase in accounts payable and accrued expenses, partially offset by an increase in accounts receivable and interest expense.

Net cash used in investing activities increased to \$219.8 million for the year ended December 31, 2000, compared to \$35.2 million in 1999 primarily due to acquisitions (cash used of \$234.9 million to purchase 26 radio stations and one network in 2000 compared to cash used of \$23.9 million to purchase three radio stations and other media businesses in 1999).

Net cash provided by financing activities increased to \$178.9 million for the year ended December 31, 2000 compared to \$59.2 million in 1999. The increase was primarily due to borrowings under our credit facility and short-term bridge financing.

Subsequent to December 31, 2000, we purchased the assets (principally intangibles) of the following radio stations:

Acquisition Date	Station	Market Served	Purchase Price
			<i>(in thousands)</i>
February 2, 2001	WXRT-AM	Chicago, IL	\$ 29,000
February 16, 2001	WWTC-AM	Minneapolis, MN	5,000
February 16, 2001	WZER-AM	Milwaukee, WI	2,100
March 9, 2001	WRBP-AM	Warren, OH	500
March 16, 2001	WFIA-AM	Louisville, KY	1,750
			<hr/> \$ 38,350 <hr/>

On January 17, 2001, the company entered into an agreement to purchase the assets of radio station WROL-AM, Boston, MA, for \$11 million. The company anticipates this transaction to close in the first half of 2001.

On January 22, 2001, the company sold the assets of radio station KALC-FM, Denver, CO for \$100 million.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Derivative Instruments

The company does not invest, and during the year ended December 31, 2000 did not invest, in market risk sensitive instruments.

Market Risk

Our market risk exposure with respect to financial instruments is to changes in LIBOR and in the "prime rate" in the United States. As of December 31, 2000, we may borrow up to an additional \$39.0 million under our credit facility. At December 31, 2000, we had borrowed \$186.1 million under our credit facility. Amounts outstanding under the credit facility bear interest at a base rate, at our option, of the bank's prime rate or LIBOR, plus a spread. For purposes of determining the interest rate under our credit facility, the prime rate spread ranges from 0% to 1.5%, and the LIBOR spread ranges from 0.875% to 2.75%. At December 31, 2000, the blended interest rate on amounts outstanding under our credit facility was 9.23%. At December 31, 2000, a hypothetical 100 basis point increase in the prime rate would result in additional interest expense of \$1.9 million on an annualized basis.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Incorporated herein by this reference is the information set forth in the sections entitled "DIRECTORS AND EXECUTIVE OFFICERS - Directors" and "- Executive Officers" and SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE contained in the company's Proxy Statement for its 2001 Annual Meeting of Stockholders (the "2001 Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by this reference is the information set forth in the sections entitled "COMPENSATION AND OTHER INFORMATION" and "COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION" contained in the 2001 Proxy Statement.

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

Incorporated herein by this reference is the information set forth in the sections entitled "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS" and "SECURITY OWNERSHIP OF MANAGEMENT" contained in the 2001 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Incorporated herein by this reference is the information set forth in the section entitled "RELATED PARTY TRANSACTIONS" contained in the 2001 Proxy Statement.

PART IV

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

- (a)
1. Financial Statements.

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

2.
Exhibits.

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Exhibit Number	Description of Exhibits
2.01	Certificate of Incorporation of Salem Communications Holding Corporation. (9)
2.02	Bylaws of Salem Communications Holding Corporation. (9)
2.03	Certificate of Incorporation of Salem Communications Acquisition Corporation. (9)
2.04	Bylaws of Salem Communications Acquisition Corporation. (9)
2.05	Certificate of Incorporation of SCA License Corporation. (9)
2.06	Bylaws of SCA License Corporation. (9)
3.01	Amended and Restated Certificate of Incorporation of Salem Communications Corporation, a Delaware corporation. (5)
3.02	Bylaws of Salem Communications Corporation, a Delaware Corporation. (5)
4.01	Indenture between Salem Communications Corporation, a California corporation, certain named guarantors and The Bank of New York, as Trustee, dated as of September 25, 1997, relating to the 9 1/2% Series A and Series B Senior Subordinated Notes due 2007. (1)
4.02	Form of 9 1/2% Senior Subordinated Note (filed as part of Exhibit 4.01). (1)
4.03	Form of Note Guarantee (filed as part of Exhibit 4.01). (1)
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). (1)
4.05	Borrower Security Agreement, dated as of September 25, 1997, by and between Salem and The Bank of New York, as Administrative Agent of the Lenders (incorporated by reference to Exhibit 4.07 of the previously filed Registration Statement on Form S-4). (1)
4.06	Subsidiary Guaranty and Security Agreement dated as of September 25, 1997, by and between Salem, certain named guarantors, and The Bank of New York, as Administrative Agent (incorporated by reference to Exhibit 4.09 of the previously filed Registration Statement on Form S-4). (1)
4.07	Amendment No. 1 and Consent No. 1, dated as of August 5, 1998, to the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as documentation agent, and the several Lenders (incorporated by reference to Exhibit 10.02 of previously filed Current Report on Form 8-K). (2)
4.08	Amendment No. 2 and Consent No. 2, dated as of January 22, 1999, to the Credit Agreement, dated as of September 25, 1997, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as documentation agent, and the Lenders. (5)
4.09	Specimen of Class A common stock certificate. (5)
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. (5)
4.10.01	Supplemental Indenture No. 2, dated as of August 24, 2000, by and among Salem Communications Corporation, a Delaware corporation, Salem Communications Holding Corporation, a Delaware corporation, the guarantors named therein and The Bank of New York, as Trustee (previously filed as Exhibit 4.11). (9)
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. (5)
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. (5)
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. (5)

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- 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. (5)
- 4.15 First Amended and Restated Credit Agreement by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America NT&SA, as Documentation Agent, and the Lenders named therein. (5)
- 4.16 Amendment No. 1 to First Amended and Restated Credit Agreement, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America, N.A., as Documentation Agent and the Lenders party thereto. (6)
- 4.17 Amendment No. 2 to First Amended and Restated Credit Agreement, by and among Salem, The Bank of New York, as Administrative Agent for the Lenders, Bank of America, N.A., as Documentation Agent and the Lenders party thereto. (6)
- 4.18 Amendment No. 3 to First Amended and Restated Credit Agreement, dated as of August 17, 2000, by and among the Company, The Bank of New York, as administrative Agent for the Lender, Bank of America, N.A., and the Lenders party thereto. (9)
- 4.19 Amendment No. 3 to First Amended and Restated Credit Agreement, dated as of August 24, 2000, by and among Salem Communications Holding Corporation, The Bank of New York, as Administrative Agent, Bank of America, N.A. as Syndication Agent, Fleet National Bank as Documentation Agent, Union Bank of California, N.A. and the Bank of Nova Scotia as Co-Agents and the Lenders party thereto. (9)
- 4.20 Credit Agreement dated as of August 24, 2000, by and among the Company, ING (U.S.) Capital LLC as Administrative Agent, The Bank of New York as Syndication Agent, Fleet National Bank as Documentation Agent, and the Lenders party thereto. (9)
- 4.21 Amendment No. 1, dated as of January 15, 2001, to the Third Amended and Restated Credit Agreement, dated as of November 7, 2000, by and among Salem Communications Corporation, a Delaware Corporation; The Bank of New York, as Administrative Agent; Bank Of America, N.A., as Syndication Agent; Fleet National Bank, as Documentation Agent; Union Bank of California, N.A. and The Bank of Nova Scotia, as Co-Agents; and Lenders.

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- 4.22 Amendment No. 1, dated as of January 15, 2001, to the First Amended and Restated Parent Guaranty, dated as of November 7, 2000, by and among Salem Communications Corporation, a Delaware corporation, Salem Communications Holding Corporation, a Delaware corporation, and The Bank of New York, as Administrative Agent.
 - 4.23 Third Amended and Restated Credit Agreement dated as of November 7, 2000, by and among Salem Communications Holding Corporation, a Delaware corporation, The Bank of New York, as Administrative Agent, Bank of America, N.A., as Syndication Agent, Fleet National Bank as Documentation Agent, Union Bank of California, N.A. and The Bank of Nova Scotia, as Co-agents and lenders.
 - 10.01 Amended and Restated Employment Agreement, dated as of May 19, 1999, between Salem and Edward G. Atsinger III. (5)
 - 10.02 Amended and Restated Employment Agreement, dated as of May 19, 1999, between Salem and Stuart W. Epperson. (5)
 - 10.03.01 Employment Contract, dated November 7, 1991, between Salem and Eric H. Halvorson. (1)
 - 10.03.02 First Amendment to Employment Contract, dated April 22, 1996, between Salem and Eric H. Halvorson. (1)
 - 10.03.03 Second Amendment to Employment Contract, dated July 8, 1997, between Salem and Eric H. Halvorson. (1)
 - 10.03.04 Deferred Compensation Agreement, dated November 7, 1991, between Salem and Eric H. Halvorson. (1)
 - 10.03.05 Third Amendment to Employment Agreement, entered into May 26, 1999, between Salem and Eric Halvorson. (5)
 - 10.05.01 Antenna/tower lease between Caron Broadcasting, Inc. (WHLO-AM/Akron, Ohio) and Messrs. Atsinger and Epperson expiring 2007. (1)
 - 10.05.02 Antenna/tower/studio lease between Caron Broadcasting, Inc. (WTSJ-AM/ Cincinnati, Ohio) and Messrs. Atsinger and Epperson expiring 2007. (1)
 - 10.05.03 Antenna/tower lease between Caron Broadcasting, Inc. (WHK-FM/Canton, Ohio) and Messrs. Atsinger and Epperson expiring 2007. (1)
 - 10.05.04 Antenna/tower/studio lease between Common Ground Broadcasting, Inc. (KKMS-AM/Eagan, Minnesota) and Messrs. Atsinger and Epperson expiring in 2006. (1)
 - 10.05.05 Antenna/tower lease between Common Ground Broadcasting, Inc. (WHK-AM/ Cleveland, Ohio) and Messrs. Atsinger and Epperson expiring 2008. (1)
 - 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. (1)
 - 10.05.07 Antenna/tower/studio lease between Inland Radio, Inc. (KKLA-AM/San Bernardino, California) and Messrs. Atsinger and Epperson expiring 2002. (1)
 - 10.05.08 Antenna/tower lease between Inspiration Media, Inc. (KGNW-AM/Seattle, Washington) and Messrs. Atsinger and Epperson expiring in 2002. (1)
 - 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.(1)

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- 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. (1)
 - 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. (1)
 - 10.05.12 Antenna/tower lease between Radio 1210, Inc. (KPRZ-AM/Olivenhain, California) and The Atsinger Family Trust expiring in 2002. (1)
 - 10.05.13 Antenna/tower lease between Salem Media of Texas, Inc. and Atsinger Family Trust/Epperson Family Limited Partnership (KSLR-AM/San Antonio, Texas). (6)
 - 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. (1)
 - 10.05.15 Antenna/tower lease between Salem Media of Colorado, Inc. (KNUS-AM/Denver-Boulder, Colorado) and Messrs. Atsinger and Epperson expiring 2006. (1)
 - 10.05.16 Antenna/tower lease between Salem Media of Colorado, Inc. and Atsinger Family Trust/Epperson Family Limited Partnership (KRKS-AM/KBJD-AM/Denver, Colorado). (6)
 - 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. (1)

- 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. (1)
- 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. (1)
- 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. (1)
- 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.(1)
- 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.(1)
- 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. (3)
- 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. (3)
- 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). (1)
- 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). (1)

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- 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). (1)
 - 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). (3)
 - 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). (5)
 - 10.07.01 Tower Purchase Agreement dated August 22, 1997 by and between Salem and Sonsinger Broadcasting Company of Houston, L.P. (1)
 - 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. (1)
 - 10.07.03 Promissory Note dated November 11, 1997 made by Sonsinger Broadcasting Company of Houston, L.P. payable to Salem. (1)
 - 10.07.04 Promissory Note dated December 24, 1997 made by Salem payable to Edward G. Atsinger III. (1)
 - 10.07.05 Promissory Note dated December 24, 1997 made by Salem payable to Stuart W. Epperson. (1)
 - 10.08.01 Local Marketing Agreement dated August 13, 1999 between Concord Media Group, Inc. and Radio 1210, Inc. (6)
 - 10.08.02 Asset Purchase Agreement dated as of August 18, 1999, by and between Salem Media of Georgia, Inc. and Genesis Communications, Inc. (WNIV-FM, Atlanta, Georgia and WLTA-FM, Alpharetta, Georgia.) (6)
 - 10.08.03 Asset Purchase Agreement dated as of November 29, 1999, by and among JW Broadcasting, Inc., Salem Media of Georgia, Inc. and Salem Communications Corporation (WGKA-AM, Atlanta, Georgia.) (6)
 - 10.08.04 Asset Exchange Agreement dated as of January 19, 2000 by and among Bison Media, Inc.; AMFM Texas Broadcasting, LP and AMFM Texas Licenses, LP (KSKY-AM, Balch Springs, TX; KPRZ-FM, Colorado Springs, CO). (7)
 - 10.08.05 Asset Purchase Agreement dated as of March 6, 2000 by and among Salem, Citicasters Co., AMFM Texas Broadcasting, LP; AMFM Texas Licenses LP; AMFM Ohio, Inc.; AMFM Radio Licenses LLC; Capstar Radio Operating Company and Capstar TX Limited Partnership (WBOB-AM, KEZY-AM, KXXM-FM, KDGE-FM, WKNR-AM, WRMR-AM, KALC-FM, WYGY-FM). (7)
 - 10.08.06 Asset Exchange Agreement dated as of May 31, 2000 by and among Salem; South Texas Broadcasting, Inc.; Cox Radio, Inc.; and CXR Holdings, Inc. (WALR-FM, Athens, GA; WSUN-AM, Plant City, FL, KLUP-AM, Terrell Hills, TX, KKHT-FM, Conroe, TX). (8)
 - 10.08.07 Asset Purchase Agreement dated as of July 2000, by and among Salem Media of California and Hi-Favor Broadcasting, LLC (KLTX-AM Long Beach, CA). (8)
 - 10.08.08 Asset Purchase Agreement, dated September 2000, by and between Salem Communications Acquisition Corporation, a Delaware corporation and Emmis Communications Corporation, an Indiana corporation (KALC-FM Denver, CO).

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- 10.08.09 Asset Purchase Agreement, dated as of July 2000, by and between Truth Broadcasting Corporation, a North Carolina corporation, and Salem Media Of Kentucky, Inc., a Kentucky corporation (WLKY-AM Louisville, KY).
 - 10.08.10 Asset Purchase Agreement, dated December 2000, by and between Carter Broadcasting, Inc. and SCA License Corporation, a Delaware corporation (WROL-AM Boston, MA).
 - 10.08.11 Asset Purchase Agreement, dated as of November 6, 2000, by and among Infinity Broadcasting Corporation of Illinois, a Delaware corporation, Infinity Broadcasting Corporation, a Delaware corporation, and Salem Communications Corporation, a Delaware corporation (WXRT-AM Chicago, IL).
 - 10.08.12 Promissory Note dated November 7, 2000 made by Salem Communications Corporation payable to Salem Communications Holding Corporation.
 - 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. (1)
 - 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. (1)
 - 10.09.03 Evidence of Key man life insurance policy no. 2257476B insuring Stuart W. Epperson in the face amount of \$5,000,000. (1)
 - 10.10 1999 Stock Incentive Plan. (5)
 - 21.01 Subsidiaries of Salem.
 - 23.1 Consent of Independent Auditors.
 - 99.1 Supplemental Report of Salem Communications Holding Corporation.

<u>/s/ EDWARD G. ATSINGER III</u>	President and Chief Executive Officer (Principal Executive Officer)	March 30, 2001
Edward G. Atsinger III		
<u>/s/ DAVID A.R. EVANS</u>	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 30, 2001
David A.R. Evans		
<u>/s/ EILEEN E. HILL</u>	Vice President, Finance and Accounting (Principal Accounting Officer)	March 30, 2001
Eileen E. Hill		
<u>/s/ EDWARD G. ATSINGER III</u>		
Edward G. Atsinger III	Director	March 30, 2001
<u>/s/ STUART W. EPPERSON</u>		
Stuart W. Epperson	Director	March 30, 2001
<u>/s/ ERIC H. HALVORSON</u>		
Eric H. Halvorson	Director	March 30, 2001
<u>/s/ RICHARD A. RIDDLE</u>		
Richard A. Riddle	Director	March 30, 2001
<u>/s/ ROLAND S. HINZ</u>		
Roland S. Hinz	Director	March 30, 2001
<u>/s/ DONALD P. HODEL</u>		
Donald P. Hodel	Director	March 30, 2001
<u>/s/ JOSEPH S. SCHUCHERT</u>		
Joseph S. Schuchert	Director	March 30, 2001

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REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
of Salem Communications Corporation

We have audited the accompanying consolidated balance sheets of Salem Communications Corporation (the "Company") as of December 31, 1999 and 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Salem Communications Corporation at December 31, 1999 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic

Woodland Hills, California
March 5, 2001

SALEM COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	December 31,	
	1999	2000
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 34,124	\$ 3,928
Accounts receivable (less allowance for doubtful accounts of \$1,753 in 1999 and \$3,550 in 2000)	17,481	25,129
Other receivables	645	1,230
Prepaid expenses	1,628	1,558
Due from stockholders	905	450
Deferred income taxes	732	2,250
Total current assets	55,515	34,545
Property, plant, equipment and software, net	50,665	69,004
Intangible assets:		
Broadcast licenses	177,487	397,137
Noncompetition agreements	14,625	12,618
Customer lists and contracts	4,097	3,301
Favorable and assigned leases	1,800	1,800
Goodwill	15,177	16,739
Other intangible assets	4,799	4,899
	217,985	436,494
Less accumulated amortization	67,465	78,012
Intangible assets, net	150,520	358,482
Bond issue costs	2,750	2,396
Other assets	4,914	6,241
Total assets	\$ 264,364	\$ 470,668
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,600	\$ 4,786
Accrued expenses	825	1,245
Accrued compensation and related	2,478	3,361
Accrued interest	2,546	3,299
Deferred subscription revenue	1,670	1,509
Income taxes	148	300
Current portion of long-term debt and capital lease obligations	3,248	93
Total current liabilities	13,515	14,593
Long-term debt, less current portion	100,087	286,050
Deferred income taxes	7,232	15,279
Other liabilities	691	1,798
Stockholders' equity:		
Class A common stock, \$.01 par value; authorized 80,000,000 shares; issued and outstanding 17,902,392 shares	179	179
Class B common stock, \$.01 par value; authorized 20,000,000 shares; issued and outstanding 5,553,696 shares	56	56
Additional paid-in capital	147,380	147,380
Retained earnings (deficit)	(4,776)	5,333
Total stockholders' equity	142,839	152,948
Total liabilities and stockholders' equity	\$ 264,364	\$ 470,668

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

	Year Ended December 31,		
	1998	1999	2000
Gross broadcasting revenue	\$ 85,411	\$ 95,277	\$ 120,123
Less agency commissions	7,520	8,155	10,026
Net broadcasting revenue	77,891	87,122	110,097
Other media revenue	—	6,424	7,916
Total revenue	77,891	93,546	118,013
Operating expenses:			
Broadcasting operating expenses	42,526	46,291	60,714
Other media operating expenses	—	9,985	14,863
Corporate expenses	7,395	8,507	10,457
Stock and related cash grant	—	2,550	—
Depreciation (including \$1,817 in 1999 and \$1,344 in 2000 for other media businesses)	4,305	6,599	7,087
Amortization (including \$420 in 1999 and \$1,146 in 2000 for other media businesses)	9,753	11,634	18,392
Total operating expenses	63,979	85,566	111,513
Net operating income	13,912	7,980	6,500
Other income (expense):			
Interest income	291	1,005	534
Gain (loss) on sale of assets	236	(219)	773
Gain on sale of assets to related party	—	—	28,794
Interest expense	(15,941)	(14,219)	(17,452)
Other expense	(422)	(633)	(857)
Income (loss) before income taxes and extraordinary item	(1,924)	(6,086)	18,292
Provision (benefit) for income taxes	(343)	(1,611)	6,996
Income (loss) before extraordinary item	(1,581)	(4,475)	11,296
Extraordinary loss on early extinguishment of debt (net of income tax benefit of \$1,986 in 1999 and \$662 in 2000)	—	(3,570)	(1,187)
Net income (loss)	\$ (1,581)	\$ (8,045)	\$ 10,109
Basic and diluted earnings (loss) per share before extraordinary item	\$ (0.09)	\$ (0.22)	\$ 0.48
Extraordinary loss per share	—	(0.18)	(0.05)
Basic and diluted net earnings (loss) per share	\$ (0.09)	\$ (0.40)	\$ 0.43
Basic weighted average shares outstanding	16,661,088	20,066,006	23,456,088
Diluted weighted average shares outstanding	16,661,088	20,066,006	23,466,849

See accompanying notes.

SALEM COMMUNICATIONS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

Class A Common Stock	Class B Common Stock	Additional Paid-In	Retained Earnings/
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	Shares	Amount	Shares	Amount	Capital	(Deficit)	Total
Stockholders' equity, January 1, 1998	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
Stock grant	75,000	1	—	—	1,687	—	1,688
Issuance of Class A common stock	6,720,000	67	—	—	140,028	—	140,095
Net loss	—	—	—	—	—	(8,045)	(8,045)
Stockholders' equity, December 31, 1999	17,902,392	179	5,553,696	56	147,380	(4,776)	142,839
Net income	—	—	—	—	—	10,109	10,109
Stockholders' equity, December 31, 2000	17,902,392	\$ 179	5,553,696	\$ 56	\$ 147,380	\$ 5,333	\$ 152,948

See accompanying notes.

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

	Year Ended December 31,		
	1998	1999	2000
Operating Activities			
Net income (loss)	\$ (1,581)	\$ (8,045)	\$ 10,109
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	14,058	18,233	25,479
Amortization of bank loan fees	42	87	678
Amortization of bond issue costs	531	443	354
Deferred income taxes	(730)	(4,106)	5,790
(Gain) loss on sale of assets	(236)	219	(29,567)
Loss on early extinguishment of debt, before taxes	—	5,556	1,849
Noncash stock grant	—	1,688	—
Changes in operating assets and liabilities:			
Accounts receivable	(2,048)	(2,573)	(8,632)
Prepaid expenses and other current assets	(18)	(1,747)	422
Accounts payable and accrued expenses	1,035	(1,555)	4,224
Deferred subscription revenue	—	384	(161)
Other liabilities	166	(439)	15
Income taxes	(204)	59	152
Net cash provided by operating activities	11,015	8,204	10,712
Investing Activities			
Purchases of property, plant, equipment and software	(6,865)	(9,142)	(14,804)
Deposits on radio station acquisitions	4,907	(1,325)	(512)
Purchases of radio stations	(33,682)	(11,837)	(234,853)
Purchases of other media businesses	—	(12,049)	—
Proceeds from sale of property, plant and equipment and intangible assets	4,226	73	30,080
Expenditures for tower construction project held for sale	(495)	(410)	—
Proceeds from sale of tower construction project	—	914	—
Other assets	147	(1,383)	241
Net cash used in investing activities	(31,762)	(35,159)	(219,848)
Financing Activities			
Proceeds from issuance of long-term debt and notes payable to stockholders	40,500	18,750	204,050
Proceeds from issuance of bridge financing	—	—	58,000
Net proceeds from issuance of common stock	—	140,095	—
Payments of long-term debt and notes payable to stockholders	(19,200)	(94,860)	(20,810)
Payments of bridge financing	—	—	(58,000)
Payments on capital lease obligations	—	(239)	(250)
Payment of premium on senior subordinated notes	—	(3,875)	—
Payments of costs related to bank credit facility and bridge financing	—	(709)	(4,050)
Payments of bond issue costs	(281)	—	—
Net cash provided by financing activities	21,019	59,162	178,940
Net (decrease) increase in cash and cash equivalents.	272	32,207	(30,196)
Cash and cash equivalents at beginning of year	1,645	1,917	34,124

Cash and cash equivalents at end of year	\$	1,917	\$	34,124	\$	3,928
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Supplemental disclosures of cash flow information:

Cash paid during the year for:						
Interest	\$	14,965	\$	15,048	\$	15,831
Income taxes		591		450		390
Non-cash investing activities						
Fair value of assets exchanged involving boot, excluding amount paid in cash		—		—	\$	5,500
No other exchange transactions had an impact on the carrying amount of the assets						

See accompanying notes.

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Reorganization

The accompanying consolidated financial statements of Salem Communications Corporation ("Salem" or the "Company") include the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

The Company is a holding company with substantially no assets, operations or cash flows other than its investments in subsidiaries. In May 2000, the Company formed two new wholly-owned subsidiaries, Salem Communications Holding Corporation ("HoldCo") and Salem Communications Acquisition Corporation ("AcquisitionCo"), each a Delaware corporation. In July 2000, the Company formed SCA License Corporation ("SCA"), a Delaware corporation. HoldCo and AcquisitionCo are direct subsidiaries of the Company; SCA is a wholly-owned subsidiary of AcquisitionCo. HoldCo and all of its subsidiaries are Guarantors of the 9¹/₂% Senior Subordinated Notes due 2007 (the "Notes") discussed in Note 5. The Guarantors (i) are wholly-owned subsidiaries of the HoldCo, (ii) comprise substantially all the HoldCo's direct and indirect subsidiaries and (iii) have fully and unconditionally guaranteed on a joint and several basis, the Notes. AcquisitionCo and SCA are not guarantors of the 9¹/₂% Senior Subordinated Notes due 2007. SCA owns the assets of KALC-FM.

Description of Business

Salem is a domestic U.S. radio broadcast company which has traditionally provided talk and music programming targeted at audiences interested in religious and family issues. Salem operated 71 and 54 radio stations across the United States at December 31, 2000 and 1999, respectively. The Company also owns and operates Salem Radio Network ("SRN"), SRN News Network ("SNN"), Salem Music Network ("SMN"), Reach Satellite Network ("RSN") and Salem Radio Representatives ("SRR"). SRN, SNN, SMN and RSN are radio networks which produce and distribute talk, news and music programming to radio stations in the U.S., including some of Salem's stations. SRR sells commercial air time to national advertisers for Salem's radio stations and networks, and for independent radio station affiliates.

Salem also owns and operates OnePlace, LLC ("OnePlace") and CCM Communications, Inc. ("CCM"). OnePlace provides on-demand audio streaming and related services. CCM publishes magazines that follow the Christian music industry. The revenue and related operating expenses of these businesses are reported as "other media" on the consolidated statements of operations.

Segments

The Company has adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company identifies its operating segments based on business activities. The Company's chief operating decision maker reviews financial information to manage the business consistent with the manner presented in the consolidated financial statements. As the Company acquires and integrates new businesses it evaluates, based on the nature, size and integration and management strategies, whether it has separate reportable segments. During the three years ended December 31, 2000, the Company had one reportable segment.

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Revenue Recognition

Revenues are recognized when pervasive evidence of an arrangement exists, delivery has occurred or the service has been rendered, the price to the customer is fixed or determinable and collection of the arrangement fee is reasonably assured.

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

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

Advertising by the radio stations exchanged for goods and services is recorded as the advertising is broadcast and is valued at the estimated value of goods or services received or to be received. The value of the goods and services received in such barter transactions is charged to expense when used. The estimated fair value of the barter advertising provided for the years ended December 31, 1998, 1999 and 2000, was approximately \$2,510,000, \$2,936,000 and \$3,053,000, respectively. Barter expenses were approximately the same. Barter advertising provided and barter expenses incurred are included net in broadcasting operating expenses.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that all derivatives be recorded in the balance sheet as either an asset or liability measured at fair value and that changes in fair value be recognized currently in earnings, unless specific hedge accounting criteria are met. Certain provisions of SFAS No. 133, including its required implementation date, were subsequently amended. The Company will adopt SFAS No. 133, as amended, in the first quarter of 2001 and its adoption will not have a material effect on the Company's

results of operations or financial position.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements. The Company adopted SAB No. 101 in the fourth quarter of 2000 and its adoption has not had a material effect on the Company's results of operations or financial position.

Cash Equivalents

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

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Property, Plant, Equipment and Software

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

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

The carrying value of property, plant, equipment and software is evaluated periodically in relation to the operating performance and anticipated future cash flows of the underlying radio stations and businesses for indicators of impairment. When indicators of impairment are present and the undiscounted cash flows estimated to be generated from these assets are less than the carrying value of these assets an adjustment to reduce the carrying value to the fair market value of the assets is recorded, if necessary. No adjustments to the carrying amounts of property, plant, equipment and software have been made during the years ended December 31, 1998, 1999 and 2000.

Intangible Assets

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

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

The carrying value of intangibles is evaluated periodically in relation to the operating performance and anticipated future cash flows of the underlying radio stations and businesses for indicators of impairment. When indicators of impairment are present and the undiscounted cash flows estimated to be generated from these assets are less than the carrying amounts of these assets, an adjustment to reduce the carrying value to the fair market value of these assets is recorded, if necessary. No adjustments to the carrying amounts of intangible assets have been made during the year ended December 31, 1998, 1999 and 2000.

Bond Issue Costs

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

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Accounting For Stock Based Compensation

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

The Company generally awards options for a fixed number of shares at an option price equal to the fair value at the date of grant. The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" (see Note 8).

Income Taxes

The Company accounts for income taxes in accordance with the liability method of providing for deferred income taxes. Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

Basic and Diluted Net Earnings (Loss) Per Share

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

Options to purchase 0 shares, 304,500 shares and 300,939 shares of common stock with exercise prices greater than the average market prices of common stock were outstanding at December 31, 1998, 1999 and 2000, respectively. These options were excluded from the respective computations of diluted net loss per share because their effect would be anti-dilutive.

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

	Year Ended December 31,		
	1998	1999	2000
Numerator:			
Net income (loss)	\$ (1,581,000)	\$ (8,045,000)	\$ 10,109,000
Denominator for basic earnings (loss) per share:			
Weighted average shares	16,661,088	20,066,066	23,456,088
Denominator for diluted earnings (loss) per share:			
Effect of dilutive securities—stock options	—	—	10,761
Weighted average shares adjusted for dilutive securities	16,661,088	20,066,066	23,466,849
Basic and diluted earnings (loss) per share	\$ (0.09)	\$ (0.40)	\$ 0.43

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 account for a significant volume of revenue or outstanding receivables. The Company does not normally require

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

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

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During the year ended December 31, 2000, the Company purchased the assets (principally intangibles) of the following radio stations:

Acquisition Date	Station	Market Served	Allocated Purchase Price
			<i>(in thousands)</i>
January 4, 2000	WNIV-AM and WLTA-AM	Atlanta, GA	\$ 8,000
January 10, 2000	WABS-AM	Washington, D.C.	4,100
January 25, 2000	KJQI-FM	San Francisco, CA	8,000
February 15, 2000	KAIM-AM/FM	Honolulu, HI	1,800
February 16, 2000	KHNR-AM and KGU-AM	Honolulu, HI	1,700
April 4, 2000	WGKA-AM	Atlanta, GA	8,000
June 30, 2000	KSKY-AM	Dallas, TX	13,000
August 24, 2000 (1)	KALC-FM	Denver, CO	100,000
August 24, 2000 (1)	KDGE-FM	Dallas, TX	33,271
August 24, 2000 (1)	WYGY-FM	Cincinnati, OH	18,109
August 24, 2000 (1)	KEZY-AM (now KXMX-AM)	Anaheim, CA	12,449
August 24, 2000 (1)	KXMX-FM (now KFSH-FM)	Anaheim, CA	9,069
August 24, 2000 (1)	WKNR-AM	Cleveland, OH	7,437
August 24, 2000 (1)	WRMR-AM	Cleveland, OH	4,738
August 24, 2000 (1)	WBOB-AM	Cincinnati, OH	527
October 2, 2000	KCBQ-AM	San Diego, CA	4,250
October 5, 2000	WGTK-AM	Louisville, KY	1,750

(1) These stations were acquired in one transaction for \$185.6 million.

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

	Amount
	<i>(in thousands)</i>
Asset	
Property and equipment	\$ 12,885
Broadcast licenses	222,624
Goodwill and other intangibles	691
	\$ 236,200

On February 25, 2000, the Company purchased the KRLA-AM transmitter site in Los Angeles, CA, for \$2.8 million.

On March 31, 2000, the Company purchased all of the outstanding shares of stock of RSN for \$3.1 million. RSN owns and operates Solid Gospel, a radio broadcasting network that produces and distributes music programming to its own radio stations WBOZ-FM and WVRV-FM, Nashville, TN, and to independent radio station affiliates. RSN also owns and operates SolidGospel.com, a web site on the Internet.

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During 2000, the Company sold certain assets of OnePlace resulting in a loss of \$3.5 million recorded in gain (loss) on sale of assets.

On June 30, 2000, the Company exchanged the assets of radio station KPRZ-FM, Colorado Springs, CO, plus \$7.5 million for the assets of radio station KSKY-AM, Dallas, Texas.

On August 22, 2000, the Company sold the assets of radio station KLTX-AM, Los Angeles, CA for \$29.5 million to a corporation owned by one of our Board members, resulting in a gain of \$28.8 million.

On September 1, 2000, the Company exchanged the assets of radio station KKHT-FM, Houston, TX for the assets of radio stations WALR-FM (now WFSH-FM), Atlanta, GA, KLUP-AM, San Antonio, TX, and WSUN-AM, Tampa, FL. No gain or loss was recognized on this transaction.

On November 9, 2000, the Company entered into an agreement to exchange the assets of radio station WHK-AM, Cleveland, OH and WHK-FM, Canton, OH plus \$10.5 million for the transmitting facility of radio station WCLV-FM, Cleveland, OH. The Company anticipates this transaction to close in the first half of 2001.

On November 20, 2000, the Company exchanged the assets of radio station KDGE-FM, Dallas, TX for the assets of radio station KLTU-FM, Dallas, TX. No gain or loss was recognized on this transaction.

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

Acquisition Date	Station	Market Served	Allocated Purchase Price
			<i>(in thousands)</i>
April 30, 1999	KKOL-AM	Seattle, WA	\$ 1,750
July 23, 1999	KCTK-AM	Phoenix, AZ	5,000
September 13, 1999	WLSY-FM	Louisville, KY	2,500
September 13, 1999	WRVI-FM	Louisville, KY	2,500
			\$ 11,750

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

	Amount
	<i>(in thousands)</i>
Asset	
Property and equipment	\$ 2,160
Broadcast licenses	9,557
Goodwill and other intangibles	33
	\$ 11,750

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

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

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

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

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

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

The table below summarizes the other media acquisitions during 1999:

Acquisition Date	Entity	Allocated Purchase Price
		<i>(in thousands)</i>
January 29, 1999	OnePlace	\$ 6,150
January 29, 1999	CCM	1,886
March 11, 1999	Christian Research Report	300
August 25, 1999	AudioCentral	1,000
October 19, 1999	Gospel Media Network, Inc.	475
November 30, 1999	Involved Christian Radio Network	3,000
		<u>\$ 12,811</u>

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

	Amount
	<i>(in thousands)</i>
Assets	
Accounts receivable and other current assets	\$ 1,453
Property, plant, equipment and software	5,764
Subscriber base and domain names	2,246
Goodwill and other intangible assets	8,790
Other assets	607
	<u>18,860</u>
Liabilities	
Accounts payable and other current liabilities	(3,437)
Other long-term liabilities	(2,612)
	<u>(6,049)</u>
Purchase price	<u>\$ 12,811</u>

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

Acquisition Date	Station	Market Served	Allocated Purchase Price
			<i>(in thousands)</i>
August 21, 1998	KKMO-AM	Tacoma, WA	\$ 500
August 26, 1998	KIEV-AM (now KRLA-AM)	Los Angeles, CA	33,210
October 30, 1998	KYCR-AM	Minneapolis, MN	500
October 30, 1998	KTEK-AM	Houston, TX	2,061
			<u>\$ 36,271</u>

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

	Amount	
	(in thousands)	
Assets		
Property and equipment	\$	4,507
Broadcast licenses		29,627
Goodwill and other intangibles		2,137
	\$	36,271

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.

3. DUE FROM STOCKHOLDERS

The amounts due from stockholders represent short-term advances made to stockholders of the Company.

4. PROPERTY, PLANT, EQUIPMENT AND SOFTWARE

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

	December 31,	
	1999	2000
	(in thousands)	
Land	\$ 1,974	\$ 4,341
Buildings	1,742	3,335
Office furnishings and equipment	12,952	16,041
Antennae, towers and transmitting equipment	32,672	38,023
Studio and production equipment	18,613	20,026
Computer software	4,427	2,528
Record and tape libraries	527	534
Automobiles	166	298
Leasehold improvements	4,877	6,182
Construction-in-progress	4,658	14,357
	82,608	105,665
Less accumulated depreciation	31,943	36,661
	\$ 50,665	\$ 69,004

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SALEM COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT

Long-term debt consisted of the following at:

	December 31,	
	1999	2000
	(in thousands)	
Revolving line of credit with banks	\$ —	\$ 186,050
9 ¹ / ₂ % Senior Subordinated Notes due 2007	100,000	100,000
Obligation to acquire KRLA-AM property	2,810	—
Capital leases acquired through OnePlace	344	93
Seller financed note to acquire GospelMedia	181	—
	103,335	286,143
Less current portion	3,248	93
	\$ 100,087	\$ 286,050

Since the revolving line of credit with banks carries a floating interest rate, the carrying amount approximates its fair market value. The Notes were issued in September 1997 at par. At December 31, 2000, the fair market value of the Notes was approximately \$95.0 million.

Revolving Line of Credit with Banks

HoldCo has a credit agreement with a syndicate of lending institutions (the "Credit Agreement") to provide for borrowing capacity of up to \$225 million under a revolving line of credit. The maximum amount that HoldCo may borrow under the Credit Agreement is limited by a ratio of HoldCo's existing adjusted debt to pro forma twelve-month cash flow, as defined in the Credit Agreement (the Adjusted Debt to Cash Flow Ratio). At December 31, 2000, the maximum Adjusted Debt to Cash Flow Ratio allowed under the Credit Agreement was 6.50 to 1.00. At December 31, 2000, the Adjusted Debt to Cash Flow Ratio was 5.45 to 1.00, resulting in total borrowing availability of approximately \$39.0 million. The maximum Adjusted Debt to Cash Flow Ratio allowed under the Credit Agreement is 6.50 to 1 through December 30, 2001. Thereafter, the maximum ratio will decline periodically until December 31, 2005, at which point it will remain at 4.00 to 1 through June 2007.

The note underlying the revolving line of credit bears interest at a fluctuating base rate plus a spread that is determined by Salem's Adjusted Debt to Cash Flow Ratio. At HoldCo'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 1.5%, and the LIBOR spread ranges from .875% to 2.75%. Interest is payable quarterly. Commencing March 31, 2002, and every quarter thereafter, the commitment under the Credit Agreement reduces by increasing amounts through June 30, 2007, when it expires.

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 HoldCo to maintain certain financial ratios and other covenants. Salem has pledged all of its assets as collateral under the Credit Agreement. Additionally, all the Company's stock holdings in its subsidiaries are pledged as collateral.

In July 1999, the Company used a portion of the net proceeds from its initial public offering to repay all amounts due under a previous revolving line of credit with the banks, and to repurchase

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

9¹/₂% Senior Subordinated Notes due 2007

On August 24, 2000, the Company supplemented the indenture for the senior subordinated notes in connection with the assignment of substantially all of the assets and liabilities of the Company to HoldCo, including the obligations as successor issuer under the indenture.

The Notes bear interest at 9 1/2% per annum, with interest payment dates on April 1 and October 1, commencing April 1, 1998. Principal is due on the maturity date, October 1, 2007. The Notes are redeemable at the option of the Company, in whole or in part, at any time on or after October 1, 2002, at the redemption prices specified in the indenture. The Notes are fully and unconditionally guaranteed, jointly and severally, on a senior subordinated basis by the Guarantors (the HoldCo 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.

Bridge Loan

In order to finance the eight radio stations acquired on August 24, 2000, the Company borrowed \$58 million under a bridge loan provided by ING (U.S.) Capital, LLC as Agent. The entire amount borrowed was due on August 24, 2001. On November 7, 2000, the Company paid off the bridge loan using available cash, interest reserves and \$48.3 million of borrowing under the existing credit facility. In connection with the repayment of the bridge loan, the Company wrote-off certain deferred financing costs. The write-off of \$1,187,000, net of a \$662,000 income tax benefit, was recorded as an extraordinary item in the accompanying statement of operations for the year ended December 31, 2000.

Other Debt

In August 1998, in connection with the Company's acquisition of KRLA-AM, the Company agreed to lease the real property on which the station's towers and transmitter are located for \$10,000 per month. The Company also agreed to purchase the property for \$3 million in February 2000. The Company recorded this transaction in a manner similar to a capital lease. The amount recorded as a long-term obligation at December 31, 1998, represents the present value of the future commitments under the lease and purchase contract, discounted at 8.5%. The obligation is classified as current at December 31, 1999 and was paid in February 2000.

In connection with the acquisition of OnePlace in January 1999, the Company acquired several capital leases related to various data processing equipment. The obligation recorded at December 31, 1999 and 2000 represents the present value of future commitments under the lease agreements.

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In connection with the acquisition of Gospel Media Network, Inc. ("Gospel Media"), the Company incurred an obligation to make future payments to the seller. The Company sold Gospel Media on August 14, 2000. As part of the sale agreement, these future commitments were forgiven.

Maturities of Long-Term Debt

Principal repayment requirements under all long-term debt agreements outstanding at December 31, 2000, for each of the next five years and thereafter are as follows:

2001	\$	93
2002		—
2003		—
2004		—
2005		—
Thereafter		286,050
	\$	286,143

6. INCOME TAXES

In connection with the 1999 acquisition of CCM the Company recorded a net deferred tax liability of \$1,468,000 and in connection with the 2000 acquisition of RSN, the Company recorded a net deferred tax liability of \$739,000, which amounts were recorded as an increase to the deferred tax liability and is not reflected in the income tax benefit in 1999 and the income tax provision in 2000.

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

	1998	1999	2000
	<i>(in thousands)</i>		
Current:			
Federal	\$ —	\$ —	\$ —
State	387	509	543
	387	509	543
Deferred:			
Federal	(467)	(3,507)	5,941
State	(263)	(599)	512
	(730)	(4,106)	6,996
Current tax benefit reflected in net extraordinary loss	—	(1,986)	(662)
Income tax provision (benefit)	\$ (343)	\$ (1,611)	\$ 6,334

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

	1999	2000
	<i>(in thousands)</i>	
Deferred tax assets:		
Financial statement accruals not currently deductible	\$ 1,140	\$ 2,233
Net operating loss, AMT credit and other carryforwards	5,413	10,060
State taxes	176	185
Other	537	462
Total deferred tax assets	7,266	12,940
Valuation allowance for deferred tax assets	(860)	(2,057)
Net deferred tax assets	6,406	10,883
Deferred tax liabilities:		
Excess of net book value of property, plant, equipment and software for financial reporting purposes over tax basis	4,291	3,851
Excess of net book value of intangible assets for financial reporting purposes over tax basis	7,842	19,267
Other	772	794
Total deferred tax liabilities	12,906	23,912
Net deferred tax liabilities	\$ 6,500	\$ 13,029

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:

	Year Ended December 31,		
	1998	1999	2000
Statutory federal income tax rate	(34)%	(34)%	35%
State income taxes, net	4	1	4
Nondeductible expenses	7	7	1
Exclusion of income taxes of S corporations and the Partnership	—	—	—
Change in taxable entity (S corporation to C corporation)	—	—	—
Other, net	5	—	(2)
	(18)%	(26)%	38%

At December 31, 2000, the Company has net operating loss carryforwards for federal income tax purposes of approximately \$22,200,000 which expire in years 2010 through 2020 and for state income tax purposes of approximately \$52,100,000 which expire in years 2002 through 2020. The Company has federal alternative minimum tax credit carryforwards of approximately \$147,000. For financial reporting purposes at December 31, 2000 the Company has a valuation allowance of \$2,057,000 to offset a portion of the deferred tax assets related to the state net operating loss carryforwards.

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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 \$4,800,000, \$6,000,000 and \$7,400,000 in 1998, 1999, and 2000, 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, 2000, are as follows:

	Related Parties	Other	Total
	<i>(in thousands)</i>		
2001	\$ 1,148	\$ 5,201	\$ 6,349
2002	1,002	4,428	5,430
2003	919	4,154	5,073
2004	739	3,934	4,673
2005	667	3,039	3,706
Thereafter	1,445	13,631	15,076
	<u>\$ 5,920</u>	<u>\$ 34,387</u>	<u>\$ 40,307</u>

The Company had a deferred compensation agreement with one of its officers, which would have provided for retirement payments to the officer for a period of ten consecutive years, if he remained employed by the Company until age 60. The retirement payments were based on a formula defined in the agreement. The estimated obligation under the deferred compensation agreement was being provided for over the service period. At December 31, 1998 and 1999, a liability of approximately \$432,000 and \$494,000 respectively, is included in other liabilities in the accompanying balance sheet for the amounts earned under this agreement. The officer terminated his employment with the Company in 2000 and therefore there is no liability recorded as of December 31, 2000. Corporate expenses were reduced by \$404,000 in 2000 due to the termination of this agreement.

The Company and its subsidiaries, incident to its business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims, including the Gospel Communications International, Inc. ("GCI") matter described in more detail below. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Also, the Company maintains insurance which may provide coverage for such matters. Consequently, the Company is unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to these matters as of December 31, 2000. However, the Company believes, at this time, that the final resolution of these matters, individually and in the aggregate, will not have a material adverse effect upon the Company's annual consolidated financial position, results of operations or cash flows.

On December 6, 2000, GCI made a demand for arbitration upon Salem. The demand, pending before an arbitration panel of the American Arbitration Association, alleges Salem and its subsidiary OnePlace, Ltd. failed to provide certain e-commerce software to GCI pursuant to a written contract between GCI and OnePlace, for which GCI seeks \$5.0 million in damages. The Company has filed an answer to the demand, denying the factual basis for certain elements of GCI's claims and has asserted

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counterclaims against GCI for breach of contract. By consent of the parties, the matter has been submitted to nonbinding mediation. Although there can be no assurance that the GCI matter will be resolved in favor of the Company, Salem will vigorously defend the action and pursue its counterclaims against GCI.

8. STOCK OPTION PLAN

The 1999 Stock Incentive Plan (the "Plan") allows the Company to grant stock options to employees, directors, officers and advisors of the Company. A maximum of 1,000,000 shares were authorized under the Plan. Options generally vest over five years and have a maximum term of 10 years. The Plan provides that vesting may be accelerated in certain corporate transactions of the Company. The Plan provides that the Board of Directors, or a committee appointed by the Board, has discretion, subject to certain limits, to modify the terms of outstanding options. At December 31, 2000, the Company had 644,500 shares available for future grants under its Plan.

A summary of stock option activity is as follows:

	Options	Weighted Average Exercise Price	Exercisable Options	Weighted Average Exercise Price
Outstanding at December 31, 1998	—	—	—	—
Granted	304,500	\$ 22.65		
Outstanding at December 31, 1999	304,500	\$ 22.65	—	—
Granted	110,000	\$ 16.32		
Cancelled	102,800	\$ 22.86		
Outstanding at December 31, 2000	<u>311,700</u>	<u>\$ 20.35</u>	<u>51,020</u>	<u>\$ 22.53</u>

Additional information regarding options outstanding as of December 31, 2000, is as follows:

Range of Exercise Prices	Options	Weighted Average Contractual Life Remaining (Years)	Weighted Average Exercise Price	Exercisable Options	Weighted Average Exercise Price
\$10.00 - \$13.00	66,000	9.6	\$ 12.21	—	—
\$22.50 - \$27.07	245,700	8.6	\$ 22.54	51,020	\$ 22.53
\$10.00 - \$27.07	311,700	8.8	\$ 20.35	51,020	\$ 22.53

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized in the results of operations for the stock option grants. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date, amortized over the vesting period, for

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awards in 1999 and 2000 consistent with the provisions of SFAS No. 123, the Company's net income and basic earnings per share would have been reduced to the pro forma amounts as follows:

	Year Ended December 31,		
	1998	1999	2000
Net income (loss)	\$ (1,581)	\$ (8,045)	\$ 10,109
Pro forma net income (loss)	(1,581)	(8,845)	9,262
Pro forma basic and diluted earnings (loss) per share	\$ (0.09)	\$ (0.44)	\$ 0.39

Using the Black-Scholes valuation model, the per share weighted-average fair value of stock options granted during the years ended December 31, 1999 and 2000 was \$11.36 and \$9.36, respectively. The pro forma effect on the Company's net loss and basic and diluted loss per share for 1999 and 2000 is not representative of the pro forma effect in future years. The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants made in 1999: dividend yield of 0%; expected volatility of 58.0%; risk-free interest rate of 5.8%; expected life of 4 years. The following assumptions were made for grants made in 2000: dividend yield of 0%; expected volatility of 96.0%; risk-free interest rate of 5.8%; expected life of 4 years. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options. The assumptions used in option valuation models are highly subjective, particularly the expected stock price volatility of the underlying stock. Because changes in these subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not provide a reliable single measure of the fair value of its employee stock options.

9. RELATED PARTY TRANSACTIONS

In December 1998, the Company borrowed \$1.8 million from a stockholder pursuant to a promissory note with a revolving principal amount of up to \$2.5 million. The outstanding balance on the note as of December 31, 1998 was \$1.8 million (see Note 5). The note was repaid in full and cancelled in April 1999.

A stockholder's trust owns real estate on which certain assets of two radio stations are located. One of the stations, KAVC-FM, was sold during 1998. Salem, in the ordinary course of its business, entered into two separate lease agreements with this trust. Rental expense included in operating expense for 1998, 1999 and 2000 amounted to \$60,000, \$48,000 and \$49,000, 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 1998, 1999 and 2000 amounted to \$1.0 million, \$1.4 million and \$1.5 million, respectively.

In June 1997, the Company entered into a local marketing agreement ("LMA") with a corporation, Sonsinger, Inc. ("Sonsinger"), owned by two of Salem's stockholders for radio station KKOL-AM. The stockholders and the Company are parties to an Option to Purchase Agreement whereunder the Company had been granted an option to purchase KKOL-AM from the stockholders at any time on or before December 31, 1999 at a price equal to the lower of the cost of the station to the stockholders, \$1.4 million, and its fair market value as determined by an independent appraisal. The Company acquired KKOL-AM from Sonsinger on April 30, 1999 for \$1.4 million and associated real estate for \$400,000. Under the LMA, Salem programmed KKOL-AM and sold all the airtime. Salem retained all

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of the revenue and incurred all of the expenses related to the operation of KKOL-AM and incurred approximately \$164,000 and \$43,000 in 1998 and 1999, respectively, in LMA fees to Sonsinger.

On August 22, 2000, the Company sold the assets of radio station KLTX-AM, Los Angeles, CA for \$29.5 million to a corporation owned by one of its Board members, resulting in a gain of \$28.8 million.

On October 5, 2000, the Company acquired the assets of radio station WGTX-AM, Louisville, KY for \$1.8 million from a corporation owned by a relative of one of its Board members.

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 1998, 1999 and 2000 amounted to approximately \$69,000, \$156,000 and \$149,000, respectively.

10. DEFINED CONTRIBUTION PLAN

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

in excess of 10% of their compensation per pay period. The Company contributed and expensed \$87,000, \$237,000 and \$320,000 to the Plan in 1998, 1999 and 2000, respectively.

11. 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.

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On May 26, 1999, the Company awarded 75,000 shares of Class A common stock to an officer of the Company. The Company also agreed to pay the individual federal and state income tax liabilities associated with the stock award. The Class A common stock award was valued based on the initial public offering price and along with the compensation resulting from the payment of the individual federal and state income taxes associated with the award was recognized as compensation expense of \$2.6 million during the year ended December 31, 1999.

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

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

12. SUBSEQUENT EVENTS (UNAUDITED)

Subsequent to December 31, 2000, the Company purchased the assets (principally intangibles) of the following radio stations:

Acquisition Date	Station	Market Served	Allocated Purchase Price
<i>(in thousands)</i>			
February 2, 2001	WXRT-AM	Chicago, IL	\$ 29,000
February 16, 2001	WWTC-AM	Minneapolis, MN	5,000
February 16, 2001	WZER-AM	Milwaukee, WI	2,100
March 9, 2001	WRBP-AM	Warren, OH	500
March 16, 2001	WFIA-AM	Louisville, KY	1,750
			\$ 38,350

On January 17, 2001, the Company entered into an agreement to purchase the assets of radio station WROL-AM, Boston, MA, for \$11 million. The Company anticipates this transaction to close in the first half of 2001.

On January 22, 2001, the Company sold the assets of radio station KALC-FM, Denver, CO for \$100 million.

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13. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED):

	March 31		June 30		September 30		December 31	
	1999	2000	1999(1)	2000	1999	2000(2)	1999	2000
<i>(in thousands, except per share data)</i>								
Total revenue	\$ 21,520	\$ 24,400	\$ 22,718	\$ 26,824	\$ 23,100	\$ 29,811	\$ 26,208	\$ 36,979
Net operating income	2,936	158	(89)	1,130	2,345	1,569	2,788	3,644
Net income (loss) before extraordinary item	(1,308)	(1,657)	(3,516)	1,601	(138)	13,786	487	(2,399)
Extraordinary loss	—	—	—	—	(3,570)	—	—	(1,187)
Net income (loss)	\$ (1,308)	\$ (1,657)	\$ (3,516)	\$ 1,601	\$ (3,708)	\$ 13,786	\$ 487	\$ (3,586)
Basic and diluted earnings (loss) per share before extraordinary item	\$ (0.08)	\$ (0.07)	\$ (0.21)	\$ 0.07	\$ (0.01)	\$ 0.59	\$ 0.02	\$ (0.10)
Extraordinary loss per share	—	—	—	—	(0.15)	—	—	(0.05)
Basic and diluted earnings (loss) per share	\$ (0.08)	\$ (0.07)	\$ (0.21)	\$ 0.07	\$ (0.16)	\$ 0.59	\$ 0.02	\$ (0.15)

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

(2) Includes a gain of \$28.8 million on the sale of the assets of radio station KLTX-AM, Los Angeles, CA to a corporation owned by one of its Board members.

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Salem Communications Corporation
Schedule II - Valuation & Qualifying Accounts

Description	Balance Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Cost and Expense	Charged to Other Accounts	Bad Debt Write-offs	
Year Ended December 31, 1998 Allowance for Doubtful Accounts	\$ 1,249	\$ 2,087	\$ —	\$ (2,474)	\$ 862
Year Ended December 31, 1999 Allowance for Doubtful Accounts	862	2,670	—	(1,779)	1,753
Year Ended December 31, 2000 Allowance for Doubtful Accounts	1,753	3,678	—	(1,881)	3,550

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[SALEM COMMUNICATIONS CORPORATION CONSOLIDATED BALANCE SHEETS \(In thousands, except share and per share data\)](#)

[SALEM COMMUNICATIONS CORPORATION CONSOLIDATED STATEMENTS OF OPERATIONS \(In thousands, except share and per share data\)](#)

[Salem Communications Corporation Schedule II - Valuation & Qualifying Accounts](#)

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDMENT NO. 1

AMENDMENT NO. 1 (this "AMENDMENT"), dated as of January 15, 2001, to the Third Amended and Restated Credit Agreement, dated as of November 7, 2000, by and among SALEM COMMUNICATIONS HOLDING CORPORATION, a Delaware corporation (the "BORROWER"), THE BANK OF NEW YORK, as administrative agent for the Lenders thereunder (in such capacity, the "ADMINISTRATIVE AGENT"), BANK OF AMERICA, N.A., as Syndication Agent, FLEET NATIONAL BANK, as Documentation Agent, and UNION BANK OF CALIFORNIA, N.A. and THE BANK OF NOVA SCOTIA, as Co-Agents, and the Lenders party thereto (the "CREDIT AGREEMENT").

RECITALS

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

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

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

1. Section 1.1 of the Credit Agreement shall be amended by adding the following defined terms in the appropriate alphabetical order:

"KALC DEPOSIT ARRANGEMENT": the deposit of the proceeds received from the KALC Sale with the Exchange Agent pursuant to a intermediary agreement in all respects satisfactory to the Administrative Agent in connection with the qualification of the KALC Sale as a like-kind exchange under Section 1031 of the Code.

"KALC EXCHANGE AGENT": BNY or such other intermediary satisfactory to the Administrative Agent.

"PENDING TRANSACTIONS": as defined in Section 8.3(d).

2. Section 1.1 of the Credit Agreement shall be amended by amending and restating the defined terms "Equity Issuance", "Fixed Charges" and "Stock" to read as follows:

"EQUITY ISSUANCE": (a) the issuance or sale by the Parent or any of its Subsidiaries after the Second Restatement Date of (i) any capital stock (other than capital stock issued on the exercise of the Bridge Warrants or any other warrants or options described in clause (ii) below), (ii) any warrants or options exercisable in respect of capital stock (other than any warrants or options issued to directors, officers or employees of the Parent or of any of its Subsidiaries), (iii) any other security or instrument representing an equity interest (or the right to obtain any equity interest) in the issuing or selling Person or (b) the receipt by the Parent or any of its Subsidiaries after the Second Restatement Date of any capital contribution (whether or not evidenced by any equity security issued by the recipient of that contribution) other than (x) the Dropdown (as defined in the Parent Guaranty) and (y) any capital contribution by (1) any Subsidiary of the Parent to the Parent or to any wholly-owned Subsidiary of the Parent or (2) the Parent or by any wholly-owned Subsidiary of the Parent to any Subsidiary of the Parent (other than a capital contribution made with the Net Equity Proceeds of an Equity Issuance described in clause (a) of this definition); PROVIDED that an "Equity Issuance" shall not include the issuance or sale by the Parent of Class A common Stock of the Parent to the extent that such Stock or the Net Equity Proceeds derived from the sale or issuance of such Stock shall be used to make an acquisition of one or more Broadcasting Stations pursuant to Section 8.3(c)(i). For purposes of this definition, prior to the Bridge Termination Date, Subsidiaries of the Parent shall not include Acquisition Corp. or any of its Subsidiaries.

"FIXED CHARGES": at any date of determination, the sum, without duplication, of (a) Debt Service, (b) cash income taxes paid (other than cash taxes paid in connection with a sale of Property but only to the extent such cash taxes are paid from the proceeds of such sale), (c) capital expenditures (excluding (i) capital expenditures made with insurance proceeds and capital expenditures associated with an acquisition made within the 12 month period immediately following such acquisition and (ii) capital expenditures made in the network operations center located in Dallas, Texas (not in excess of \$4,000,000

in the aggregate)), and (d) intercompany loans made to, or investments made in, the Other Media Subsidiaries, PROVIDED that if Other Media Cash Flow is negative, such negative Other Media Cash Flow (expressed as a positive number) shall be subtracted from such intercompany loans and investments (provided that

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the resulting difference shall not be less than \$0), in each case of the Parent and its Subsidiaries on a Consolidated basis, determined in accordance with GAAP, for the period of four consecutive fiscal quarters ending on, or most recently before, such date.

"STOCK": any and all shares, interests, participations, options, warrants or other equivalents (however designated) of corporate stock, partnership interests and membership and other limited liability company interests.

3. Section 1.1 of the Credit Agreement shall be amended by amending the defined term "Operating Cash Flow" to add the words "and interest income" immediately after the parenthetical phrase "(exclusive of reciprocal and barter revenues)" appearing in clause (i) thereof.

4. Section 2.4(b) of the Credit Agreement shall be amended by (a) inserting the word "cash" before the word "proceeds" in the third line of clause (iv) thereof and (b) inserting the word "cash" before the word "proceeds" in the third line of clause (v) thereof.

5. Section 2.5(b) of the Credit Agreement shall be amended by amending and restating the second sentence thereof to read as follows:

Upon receipt of any Net Sale Proceeds (to the extent received in cash), including the receipt by the Parent or any of its Subsidiaries of Net Sale Proceeds from the KALC Sale (provided that, to the extent that such KALC Sale Net Sale Proceeds have been deposited with the KALC Exchange Agent in accordance with the KALC Deposit Arrangement, such Net Sales Proceeds shall not be deemed received in cash until the KALC Exchange Agent shall have released such Net Sales Proceeds to the Parent or any of its Subsidiaries), the Borrower shall immediately prepay the KALC RC Loans in an equal amount until the KALC RC Loans are repaid in full.

6. Section 6.3 of the Credit Agreement is amended and restated in its entirety to read as follows:

6.3 CONSOLIDATED ANNUAL OPERATING CASH FLOW TO INTEREST EXPENSE.

The Parent shall maintain as at the end of each fiscal quarter during the applicable periods set forth below a ratio of Consolidated Annual Operating Cash Flow to Interest Expense not less than the ratio set forth below opposite the applicable period set forth below:

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<TABLE>
<CAPTION>

PERIODS	RATIO
Second Restatement Date through December 31, 2000	1.75:1.00
January 1, 2001 through September 30, 2001	1.50:1.00
October 1, 2001 through March 30, 2002	1.75:1.00
March 31, 2002 through March 30, 2003	2.00:1.00
March 31, 2003 through March 30, 2004	2.25:1.00
March 31, 2004 and thereafter	2.50:1.00

</TABLE>

provided that if the Borrower shall make an acquisition pursuant to Section 8.3(d) (i) (A) or 8.3(d) (i) (B) at any time during the period from January 1, 2001 through September 30, 2001, the required ratio of Consolidated Annual Operating Cash Flow to Interest Expense for the balance of such period shall automatically increase to 1.75:1.00.

7. Section 7.3 of the Credit Agreement is amended and restated in its entirety to read as follows:

Except as otherwise permitted by Sections 8.3 and 8.7,

maintain, and cause each Subsidiary to maintain, its corporate or other existence, and maintain, and cause each Subsidiary to maintain, its good standing in the jurisdiction of its incorporation or organization and in each other jurisdiction in which failure so to do could reasonably be expected to have a Material Adverse Effect.

8. Section 8.3 of the Credit Agreement is amended and restated in its entirety to read as follows:

8.3 MERGER OR ACQUISITION OF PROPERTY.

Consolidate with, be acquired by, or merge into or with any Person, or acquire all or substantially all of the Stock or Property of any Person, or any Broadcasting Station (which term for purposes of this Section 8.3 shall include any broadcast license issued by the FCC for the operation of a Broadcasting Station), or permit any Subsidiary so to do, except:

(a) any wholly-owned Subsidiary may (i) merge with the Borrower (with the Borrower as survivor) or (ii) merge with or acquire all or substantially all of the Stock or Property of another wholly-owned Subsidiary;

(b) the Borrower or any wholly-owned Subsidiary may acquire one or more Broadcasting Stations owned by another Person in exchange

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(pursuant to an exchange permitted pursuant to Section 8.7(d)) for one or more Broadcasting Stations owned by the Borrower or such wholly-owned Subsidiary, PROVIDED that not later than 15 days prior to the consummation of any such exchange, the Borrower shall have delivered to the Administrative Agent financial statements for the next four full fiscal quarters of the Borrower, prepared on a pro forma basis reflecting the consummation of such exchange, together with a certificate of an Authorized Signatory of the Borrower certifying that the Borrower is in pro forma compliance with the terms, covenants, provisions and conditions of this Agreement, including Sections 6.1, 6.2, 6.3, 6.4 and 6.5 (and attaching calculations with respect to Sections 6.1, 6.2, 6.3, 6.4 and 6.5), all in form and substance reasonably satisfactory to the Administrative Agent;

(c) provided that immediately before and after giving effect thereto, all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist:

(i) the Borrower or any wholly-owned Subsidiary may make acquisitions, including through a merger (with the Borrower or such wholly-owned Subsidiary (or a Person that becomes a wholly-owned Subsidiary) as the survivor thereof), of Broadcasting Stations, PROVIDED that the aggregate gross consideration paid for such acquisition is payable solely in Class A common Stock of the Parent and/or Net Equity Proceeds received by the Parent not earlier than 10 days prior to such acquisition from the issuance or sale of Class A common Stock of the Parent,

(ii) the Borrower or any wholly-owned Subsidiary may consummate those transactions which are listed on Schedule 8.3(c) (collectively, the "DESIGNATED TRANSACTIONS"), PROVIDED that not later than 15 days prior to the consummation of any such transaction, the Borrower shall have delivered to the Administrative Agent financial statements for the next four full fiscal quarters of the Borrower, prepared on a pro forma basis reflecting the consummation of such transaction, together with a certificate of an Authorized Signatory of the Borrower certifying that the Borrower is in pro forma compliance with the terms, covenants, provisions and conditions of this Agreement, including Sections 6.1, 6.2, 6.3, 6.4 and 6.5 (and attaching calculations with respect to Sections 6.1, 6.2, 6.3, 6.4 and 6.5), all in form and substance reasonably satisfactory to the Administrative Agent, and

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(iii) the Borrower may acquire all of the issued and outstanding Stock of Acquisition Corp. and any intercompany Indebtedness of Acquisition Corp. held by the Parent pursuant to the Dropdown (as defined in the Parent Guaranty);

(d) upon 30 days' notice to the Administrative Agent, the Borrower or any wholly-owned Subsidiary may make other acquisitions, including through a merger (with the Borrower or such wholly-owned Subsidiary (or a Person that becomes a wholly-owned Subsidiary) as the survivor thereof), PROVIDED that:

(i): such acquisition or merger shall meet any of the following requirements:

(A) if immediately before or after giving effect to such acquisition or merger the Total Leverage Ratio shall exceed 5.50:1.00 (in such case, a "LEVERAGED ACQUISITION"), (I) the aggregate gross consideration paid or payable for such Leveraged Transaction (including capital expenditures relating to such Leveraged Acquisition that are reasonably anticipated for the 12 month period following such Leveraged Acquisition), when added to the aggregate gross consideration paid or payable for all Leveraged Acquisitions (including capital expenditures relating to each such Leveraged Acquisition that were reasonably anticipated for the 12 month period following such Leveraged Acquisition) made during the period commencing on the Second Restatement Date and ending through and including the date of the Leveraged Acquisition then being contemplated, shall not exceed \$50,000,000 LESS the aggregate gross consideration paid or payable for each acquisition or merger made pursuant to Section 8.3(d) (i) (D) (including capital expenditures relating to each such acquisition or merger that were reasonably anticipated for the 12 month period following such acquisition or merger) if immediately before or after giving effect to such acquisition or merger made pursuant to Section 8.3(d) (i) (D) the Total Leverage Ratio shall exceed 5.50:1.00, and (II) immediately before and after giving effect to such Leveraged Acquisition the ratio of Consolidated Annual Operating Cash Flow to Interest Expense shall not be less than 1.75:1.00,

(B) immediately before and after giving effect to such acquisition or merger (I) the Total Leverage Ratio shall be less than or equal to 5.50:1.00 and (II) the ratio of Consolidated Annual Operating Cash Flow to Interest Expense shall not be less than 1.75:1.00,

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(C) the aggregate gross consideration paid or payable for such acquisition or merger (including capital expenditures relating to such acquisition or merger that are reasonably anticipated for the 12 month period following such acquisition or merger), when added to the aggregate gross consideration paid or payable for each such acquisition or merger (including capital expenditures relating to each such acquisition or merger that were reasonably anticipated for the 12 month period following such acquisition or merger) made during the period commencing on January 15, 2001 and ending through and including the date of the acquisition or merger then being contemplated, shall not exceed 50% of the Net Sale Proceeds received from the sale of Property pursuant to Section 8.7(d) after January 15, 2001, or

(D) such acquisition or merger is one of the pending transactions set forth on Schedule 8.3(d) (collectively, the "PENDING TRANSACTIONS"),

(ii) immediately before and after giving effect to any such proposed acquisition or merger, all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist,

(iii) the Borrower shall have received with respect to each such acquisition or merger an order from the FCC in respect of the acquisition or merger of a Broadcasting Station (which FCC order need not have become a final order) and all other similar material orders from all other applicable Governmental Authorities, with regard to the acquisition or merger, authorizing the applicable transactions, if required by applicable law, and the Administrative Agent shall have received true, complete and correct copies, certified by an Authorized Signatory of the Borrower, of all such orders, and

(iv) not later than 15 days prior to the consummation of any such acquisition or merger, the Borrower shall have delivered to the Administrative Agent financial statements for the next four full fiscal quarters of the Borrower, prepared on a pro forma basis reflecting the consummation of such acquisition, together with a certificate of an Authorized Signatory of the Borrower certifying that the Borrower is in pro forma compliance with the terms, covenants, provisions and conditions of this Agreement, including Sections 6.1, 6.2, 6.3, 6.4 and 6.5 (and attaching calculations with respect to Sections 6.1, 6.2, 6.3, 6.4 and 6.5), all in form and substance reasonably satisfactory to the Administrative Agent.

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(e) as permitted under Section 8.5; and

(f) the Common Ground Reorganization, PROVIDED that (i)

immediately before and after giving effect to the Common Ground Reorganization, all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist, (ii) the Borrower shall have received with respect to the Common Ground Reorganization an order (subject to no pending contest or administrative review) from the FCC (in respect of each affected Broadcasting Station) and all other similar material orders from all other applicable Governmental Authorities, with regard to the Common Ground Reorganization, authorizing the applicable transactions, if required by applicable law, and the Administrative Agent shall have received true, complete and correct copies, certified by an Authorized Signatory of the Borrower, of all such orders, (iii) the Common Ground Collateral Release shall not have occurred more than five Business Days prior to the consummation of the Common Ground Reorganization and (iv) within five Business Days after the consummation of the Common Ground Reorganization, (A) Common Ground Broadcasting, Inc. and each Subsidiary that receives transferred assets and that is not then a party to the Subsidiary Guaranty shall become a party to the Subsidiary Guaranty, and (B) the Borrower and each Subsidiary that receives transferred assets shall grant a security interest pursuant to the Borrower Security Agreement or the Subsidiary Guaranty in and to all of the assets transferred to it, all in the manner required by this Section 8.3.

If the aggregate gross consideration for any such acquisition or merger permitted by Section 8.3(b) or 8.3(d) (including capital expenditures relating to such acquisition or merger that are reasonably anticipated for the 12 month period following such acquisition or merger) exceeds \$10,000,000, (i) the Borrower shall have delivered to the Administrative Agent and each Lender such details of such transaction as the Administrative Agent or any Lender (through the Administrative Agent) shall reasonably request, and (ii) the Borrower shall have delivered to the Administrative Agent a certificate of an Authorized Signatory of the Borrower certifying that (A) the Borrower is in pro-forma compliance with the terms, covenants, provisions, and conditions of this Agreement, including, without limitation, Sections 6.1, 6.2, 6.3, 6.4 and 6.5 (and attaching calculations with respect to Sections 6.1, 6.2, 6.3, 6.4 and 6.5), and (B) immediately before and after giving effect to any such acquisition or merger, all representations and warranties contained in the Loan Documents are true and correct and no Default or Event of Default exists.

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If the aggregate gross consideration for any such acquisition or merger permitted by Section 8.3(b) or 8.3(d) (including capital expenditures relating to such acquisition or merger that are reasonably anticipated for the 12 month period following such acquisition or merger) exceeds \$20,000,000, the Borrower shall have delivered to the Administrative Agent and each Lender an independent appraisal of each Property to be acquired, such appraisal to be in all respects satisfactory to the Administrative Agent.

Immediately upon the consummation of any acquisition or merger permitted under Sections 8.3(b), 8.3(c) or 8.3(d), (i) the Borrower shall have delivered to the Administrative Agent such UCC financing statements and other documents as the Administrative Agent shall reasonably require in order to grant to the Administrative Agent a first priority perfected security interest in the Property acquired under and pursuant to the Collateral Documents, subject to no Liens other than Permitted Liens, (ii) if the Borrower shall have created or acquired a Subsidiary in connection with such acquisition, such Subsidiary shall have become a party to the Subsidiary Guaranty and (iii) the Borrower shall have delivered to the Administrative Agent such opinions and other documents as the Administrative Agent shall reasonably require in connection therewith.

9. Section 8.7(b) of the Credit Agreement is amended and restated in its entirety to read as follows:

(b) transfers permitted by Section 8.3 and Section 8.5;

10. Section 8.7(e) of the Credit Agreement is amended and restated in its entirety to read as follows:

(e) Acquisition Corp. may consummate the KALC Sale in accordance with the terms of the KALC Purchase Agreement, provided that the Borrower shall immediately prepay the then outstanding balance of the KALC RC Loans upon receipt of the proceeds of the KALC Sale in accordance with Section 2.5; provided further that, in the event that the Loan Party receiving such proceeds shall elect to deposit the proceeds of the KALC Sale with the KALC Exchange Agent in accordance with the KALC Deposit Arrangement, such Loan Party shall grant to the Administrative Agent a first priority perfected security interest in and to all of such Loan Party's right, title and interest in and to

such deposit and all documentation executed and delivered in connection with the KALC

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Deposit Arrangement pursuant to documentation in all respects satisfactory to the Administrative Agent.

11. Section 8.19 of the Credit Agreement is amended and restated in its entirety to read as follows:

8.19 CHANGE IN NAME, JURISDICTION OF ORGANIZATION; NATURE OF BUSINESS.

Change its legal name or the jurisdiction of its organization, make any material change in the nature of its business, taken as a whole, as conducted on the Second Restatement Date, or convert its form of organization to another form of organization, or permit any of its Subsidiaries so to do, except that any Subsidiary may change its name or the jurisdiction of its organization or convert its form of organization to a corporation or limited liability company, PROVIDED that the Subsidiary (i) shall provide to the Administrative Agent 30 days (or such lesser period as shall be satisfactory to the Administrative Agent) prior written notice of such change or conversion, (ii) no fewer than 10 days (or such lesser period as shall be satisfactory to the Administrative Agent) prior to the applicable change or conversion, shall have taken all steps necessary or reasonably required by the Administrative Agent to maintain its guaranty and the perfection of the Security Interest under the Subsidiary Guaranty and (iii) shall deliver to the Administrative Agent such certificates, Uniform Commercial Code financing statements, legal opinions and other documents as the Administrative Agent shall reasonably require.

12. The Credit Agreement is amended to add a new Schedule 8.3(d) in the form attached hereto.

13. The Required Lenders hereby consent to the execution and delivery of Amendment No. 1 to the Parent Guaranty substantially in the form attached hereto.

14. Paragraphs 1-13 of this Amendment shall not become effective until the Administrative Agent shall have received:

(a) counterparts of this Amendment duly executed by the Borrower, the Subsidiary Guarantors, the Administrative Agent and the Required Lenders;

(b) counterparts of Amendment No. 1 to the Parent Guaranty substantially in the form attached hereto duly executed by the Parent, the Borrower and the Administrative Agent;

(c) a certificate, dated the date hereof, of the Secretary or an Assistant Secretary of each Loan Party attaching a true and complete copy of the resolutions

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of its Board of Directors or other authorizing documents and of all documents evidencing all necessary corporate or other action (in form and substance reasonably satisfactory to the Administrative Agent) taken by it to authorize this Amendment, Amendment No. 1 to the Parent Guaranty and the transactions contemplated hereby and thereby;

(d) an opinion of the General Counsel of the Parent and the Borrower, addressed to the Administrative Agent and the other Credit Parties in form and substance satisfactory to the Administrative Agent. It is understood that such opinion is being delivered to the Administrative Agent and the other Credit Parties upon the direction of the Parent and the other Loan Parties and that the Administrative Agent and the other Credit Parties may and will rely upon such opinion; and

(e) for the account of each Lender executing and delivering (without condition) this Amendment and Amendment No. 1 to the Parent Guaranty to the Administrative Agent before 5:00 p.m. (New York City time) on January 29, 2001, an amendment fee equal to 0.125% of such Lender's RC Commitment on such date.

Upon this Amendment becoming effective in accordance with this Paragraph 14, the definition of "Fixed Charges", as amended and restated pursuant to Paragraph 2, shall be deemed effective as of the Second Restatement Date.

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

16. In order to induce the Administrative Agent and the Required Lenders to execute and deliver this Amendment, the Borrower and the Subsidiary Guarantors each (a) certifies that, immediately 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 Loan Documents or this Amendment, (b) certifies that, immediately 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.

17. 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

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hereof it has no valid defenses to or offsets against any of its obligations to any Credit Party under any Loan Document to which it is a party.

18. 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.

19. 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.

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

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SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDMENT NO. 1 TO CREDIT AGREEMENT

SALEM COMMUNICATIONS HOLDING
CORPORATION

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDMENT NO. 1 TO CREDIT AGREEMENT

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.
REACH SATELLITE NETWORK, INC.
SALEM COMMUNICATIONS ACQUISITION CORPORATION
SALEM MEDIA CORPORATION
SALEM MEDIA OF COLORADO, INC.
SALEM MEDIA OF GEORGIA, INC.
SALEM MEDIA OF HAWAII, INC.
SALEM MEDIA OF KENTUCKY, INC.
SALEM MEDIA OF OHIO, INC.
SALEM MEDIA OF OREGON, INC.
SALEM MEDIA OF PENNSYLVANIA, INC.
SALEM MEDIA OF VIRGINIA, INC.
SALEM MEDIA OF TEXAS, INC.

SALEM MUSIC NETWORK, INC.
SALEM RADIO NETWORK INCORPORATED
SALEM RADIO PROPERTIES, INC.
SALEM RADIO REPRESENTATIVES, INC.
SCA LICENSE CORPORATION
SOUTH TEXAS BROADCASTING, INC.
SRN NEWS NETWORK, INC.
VISTA BROADCASTING, INC.

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDMENT NO. 1 TO CREDIT AGREEMENT

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

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDMENT NO. 1 TO CREDIT AGREEMENT

THE BANK AMERICA, N.A.

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDMENT NO. 1 TO CREDIT AGREEMENT

FLEET NATIONAL BANK

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDMENT NO. 1 TO CREDIT AGREEMENT

UNION BANK OF CALIFORNIA, N.A.

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDMENT NO. 1 TO CREDIT AGREEMENT

THE BANK OF NOVA SCOTIA

By: _____

Name: _____
Title: _____

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDMENT NO. 1 TO CREDIT AGREEMENT

FIRST HAWAIIAN BANK

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDMENT NO. 1 TO CREDIT AGREEMENT

SUMMIT BANK

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDMENT NO. 1 TO CREDIT AGREEMENT

CITY NATIONAL BANK

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDMENT NO. 1 TO CREDIT AGREEMENT

ING BARINGS LLC

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDMENT NO. 1 TO CREDIT AGREEMENT

SALEM HOLDINGS

SCHEDULE 8.3(d) TO THE CREDIT AGREEMENT
DATED AS OF NOVEMBER 7, 2000

LIST OF PENDING ACQUISITIONS

1. Acquisition of WFIA-AM, Louisville, Kentucky
Purchase Agreement dated December 6, 2000 between
Blue Chip Broadcasting, Ltd., Blue Chip Broadcasting Licenses
II, Ltd., SCA License Corporation and Salem Communications
Corporation
Purchase Price -- \$1,750,000

2. Acquisition of WRBP-AM, Warren, Ohio
Purchase Agreement dated November 6, 2000 between
Star Communications, Inc. and Salem Communications Corporation
Purchase Price -- \$675,000
3. Acquisition of WROL-AM, Boston, Massachusetts
Purchase Agreement dated December 29, 2000 between
Carter Broadcasting, Inc. and SCA License Corporation
Purchase Price -- \$11,000,000
4. Acquisition of WXRT-AM, Chicago, Illinois
Purchase Agreement dated November 6, 2000 between
Infinity Broadcasting Corporation of Illinois, Infinity
Broadcasting Corporation and Salem Communications Corporation
Purchase Price -- \$29,000,000
5. Acquisition of WZER-AM, Milwaukee, Wisconsin and WWTC-AM,
Minneapolis, Minnesota
Purchase Agreement dated October 16, 2000 between
CRN Operations, L.L.C., CRN Licenses, L.L.C. and Salem
Communications Corporation
Purchase Price -- \$7,000,000

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 1 TO PARENT GUARANTY

AMENDMENT NO. 1 (this "AMENDMENT"), dated as of January 15, 2001, to the First Amended and Restated Parent Guaranty, dated as of November 7, 2000, by and among SALEM COMMUNICATIONS CORPORATION, a Delaware corporation (the "GUARANTOR"), SALEM COMMUNICATIONS HOLDING CORPORATION, a Delaware corporation (the "BORROWER"), and THE BANK OF NEW YORK (the "ADMINISTRATIVE AGENT"), in its capacity as administrative agent for the Lenders under the Credit Agreement and the Rate Protection Lenders as defined therein (the "PARENT GUARANTY").

RECITALS

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

II. The Guarantor has requested that the Administrative Agent amend the Parent Guaranty upon the terms and conditions contained herein, and the Administrative Agent is willing to do so.

Accordingly, in consideration of the covenants, conditions and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and pursuant to Section 13(g) of the Parent Guaranty and Section 11.1 of the Credit Agreement, the parties hereto agree as follows:

1. Section 1 of the Parent Guaranty shall be amended by adding the following defined terms in the appropriate alphabetical order:

"KALC DEPOSIT ARRANGEMENT": the deposit of the proceeds received from the KALC Sale with the Exchange Agent pursuant to an intermediary agreement in all respects satisfactory to the Administrative Agent in connection with the qualification of the KALC Sale as a like-kind exchange under Section 1031 of the Code.

"KALC EXCHANGE AGENT": BNY or such other intermediary satisfactory to the Administrative Agent.

2. Section 5(c) of the Parent Guaranty shall be amended and restated in its entirety to read as follows:

(c) LEGAL EXISTENCE. Except as provided in Section 7.3 of the Credit Agreement, maintain, and cause each Subsidiary to maintain, its

corporate or other existence, and maintain, and cause each Subsidiary to maintain, its good standing in the jurisdiction of its incorporation or organization and in each other jurisdiction in which the failure so to do could reasonably be expected to have a Material Adverse Effect.

3. Section 6(g) of the Parent Guaranty shall be amended and restated in its entirety to read as follows:

(g) SALE OF PROPERTY. Sell, exchange, lease, transfer or otherwise dispose of any Property to any Person, or permit any Subsidiary so to do, except (i) as permitted in Section 8.7 of the Credit Agreement, (ii) as permitted by Section 6(e) and (iii) Acquisition Corp. may consummate the KALC Sale, PROVIDED that, immediately upon receipt of any Net Sale Proceeds or any Liquidated Damages Amount (as defined in the KALC Purchase Agreement) (to the extent received in cash) from the KALC Sale (provided that, to the extent that such KALC Sale Net Sale Proceeds have been deposited with the KALC Exchange Agent in accordance with the KALC Deposit Arrangement, such Net Sales Proceeds shall not be deemed received in cash until the KALC Exchange Agent shall have released such Net Sales Proceeds to the Guarantor or any of its Subsidiaries), Acquisition Corp. shall immediately transfer (by way of a dividend or an advance) such Net Sale Proceeds thereof and Liquidated Damages Amount (as defined in the KALC Purchase Agreement) to the Guarantor in an aggregate amount not less than the original principal amount of the KALC Intercompany Loan or the KALC Borrower Dividend, as applicable, upon receipt of which the Guarantor shall immediately repay the KALC Intercompany Loan or make a capital contribution or advance to the Borrower, as applicable, in an amount equal to the Net Sale Proceeds or Liquidated Damages received until the KALC Intercompany Loan is repaid in full or until the aggregate amount of such capital contributions and advances shall equal the KALC Borrower Dividend, as applicable.

4. Paragraphs 1-3 of this Amendment shall not become effective until:

(a) the Administrative Agent shall have received counterparts

of this Amendment duly executed by the Guarantor, the Borrower and the Administrative Agent; and

(b) Amendment No. 1, dated as of the date hereof, to the Credit Agreement shall have become effective.

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5. In all other respects the Parent Guaranty shall remain in full force and effect.

6. In order to induce the Administrative Agent to execute and deliver this Amendment (and the Required Lenders to consent thereto), the Guarantor and the Borrower each (a) certifies that, immediately 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 Loan Documents or this Amendment, (b) certifies that, immediately 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 Guarantor and the Borrower (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 any Credit Party under any Loan Document 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.

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SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 1 TO PARENT GUARANTY

SALEM COMMUNICATIONS CORPORATION

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS HOLDING
CORPORATION

By: _____
Name: _____
Title: _____

SALEM COMMUNICATIONS CORPORATION
AMENDMENT NO. 1 TO PARENT GUARANTY

THE BANK OF NEW YORK,
as Administrative Agent

By: _____
Name: _____

Title: -----

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SALEM COMMUNICATIONS HOLDING CORPORATION

THIRD AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF NOVEMBER 7 , 2000

BY AND AMONG

SALEM COMMUNICATIONS HOLDING CORPORATION,

THE BANK OF NEW YORK,
AS ADMINISTRATIVE AGENT,

BANK OF AMERICA, N.A.
AS SYNDICATION AGENT,

FLEET NATIONAL BANK
AS DOCUMENTATION AGENT,

UNION BANK OF CALIFORNIA, N.A.

AND

THE BANK OF NOVA SCOTIA,

AS CO-AGENTS

AND

THE LENDERS PARTY HERETO

WITH

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

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THIRD AMENDED AND RESTATED CREDIT AGREEMENT, dated as of November 7, 2000, by and among SALEM COMMUNICATIONS HOLDING CORPORATION, a Delaware corporation (the "BORROWER"), THE BANK OF NEW YORK, as administrative agent for the Lenders hereunder (in such capacity, the "ADMINISTRATIVE AGENT"), BANK OF AMERICA, N.A. as Syndication Agent (in such capacity, the "SYNDICATION AGENT"), FLEET NATIONAL BANK, as Documentation Agent (in such capacity, the "DOCUMENTATION AGENT"), UNION BANK OF CALIFORNIA and THE BANK OF NOVA SCOTIA, as Co-Agents (in such capacity, the "CO-AGENTS") and each Lender party hereto or which becomes a "Lender" pursuant to the provisions of Section 11.7 (each a "LENDER" and, collectively, the "LENDERS").

RECITALS

A. Reference is made to the Credit Agreement, dated as of September 25, 1997, by and among Salem Communications Corporation, a California corporation ("SALEM CALIFORNIA"), the lenders party thereto, Bank of America NT&SA, as Documentation Agent, and The Bank of New York, as Administrative Agent (as amended prior to the First Restatement Date (as defined below), the "ORIGINAL CREDIT AGREEMENT").

B. On March 31, 1999, Salem California merged into Salem Communications Corporation, a Delaware corporation (the "PARENT") with the Parent as the survivor. In connection therewith, the Parent assumed all of the obligations of Salem California under the Loan Documents (as defined in the Original Credit Agreement).

C. The Original Credit Agreement was amended and restated in its entirety by the First Amended and Restated Credit Agreement, dated as of June 30, 1999 (the "FIRST RESTATEMENT DATE"), by and among the Parent, as borrower, The Bank of New York, as Administrative Agent, Bank of America NT&SA, as Documentation Agent, BankBoston, N.A., Fleet Bank, N.A. and Union Bank of California, N.A., as Co-Agents and each Lender party thereto (as amended prior to the Second Restatement Date (as defined below), the "FIRST RESTATED AGREEMENT").

D. The First Restated Agreement was amended and restated in its entirety by the Second Amended and Restated Credit Agreement, dated as of August

24, 2000 (the "SECOND RESTATEMENT DATE"), by and among the Borrower, as borrower, The Bank of New York, as Administrative Agent, Bank of America, N.A., as Syndication Agent, Fleet National Bank, as Documentation Agent, Union Bank of California and The Bank of Nova Scotia, as Co-Agents and each Lender party thereto (as amended prior to the Third Restatement Date (as defined below), the "SECOND RESTATED AGREEMENT").

E. Pursuant to the Agreement to Amend (as hereinafter defined) and the Contribution Documents (as hereinafter defined), immediately prior to the effectiveness

of the Second Restated Agreement, the Parent contributed all of its assets (other than its Stock in the Borrower and Acquisition Corp. (as hereinafter defined) and the proceeds of the Bridge Loans (as hereinafter defined)) to the Borrower (the "BORROWER CONTRIBUTION") and the Borrower assumed all of the Parent's liabilities, including, without limitation, its liabilities under the First Restated Agreement;

F. Prior to the effectiveness of the Second Restated Agreement, Salem Media of California, Inc., a former wholly-owned Subsidiary of the Parent ("SALEM MEDIA"), entered into the Asset Purchase Agreement, dated July 14, 2000, between Salem Media and Hi-Favor Broadcasting, LLC, as amended by Amendment No. 1, dated as of August 15, 2000 (the "KLTX SALE AGREEMENT") for the sale of KLTX-AM serving Long Beach, California (the "KLTX SALE"). In connection with the KLTX Sale Agreement, Salem Media entered into the Exchange Agreement, dated August 17, 2000 (the "EXCHANGE AGREEMENT"), between Salem Media and Chicago Deferred Exchange Corporation pursuant to which proceeds from the KLTX Sale (the "KLTX PROCEEDS") were deposited into the Exchange Trust Account (as defined in the Exchange Agreement). The KLTX Proceeds were used to partially fund the Borrower Acquisitions (as hereinafter defined).

G. Prior to, or contemporaneously with, the effectiveness of the Second Restated Agreement, the following events occurred:

(1) The Parent entered into the Bridge Credit Agreement and borrowed \$58,000,000 thereunder;

(2) The Parent made an equity contribution of the net proceeds of the Bridge Loans (other than an amount to fund an interest reserve of approximately \$7,200,000 and an amount to pay transaction expenses related to the Bridge Loans and the Acquisition Corp. Acquisition (as hereinafter defined)) to Salem Communications Acquisition Corporation ("ACQUISITION CORP."), a newly created Delaware corporation and a wholly-owned Subsidiary of the Parent (the "ACQUISITION CORP. CONTRIBUTION" and, together with the Borrower Contribution, the "CONTRIBUTIONS");

(3) Acquisition Corp. used all or substantially all of the Acquisition Corp. Contribution to acquire (the "ACQUISITION CORP. ACQUISITION") Broadcasting Station KALC-FM serving Denver, Colorado from one or more Subsidiaries or Affiliates of Clear Channel Communications, Inc. (collectively, "CLEAR CHANNEL") for an aggregate consideration of \$47,000,000; and

(4) the Borrower or a wholly-owned Subsidiary thereof acquired (the "BORROWER ACQUISITION" and, together with the Acquisition Corp. Acquisition, the "INITIAL ACQUISITIONS") Broadcasting Stations (i) KDGE-FM serving Dallas, Texas, (ii) WRMR-AM and WKNR-AM serving Cleveland, Ohio, (iii) WBOB-AM and

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WYGY-FM serving Cincinnati, Ohio, and (iv) KEZY-AM and KXXM-FM serving Anaheim, California from Clear Channel.

H. On the Third Restatement Date, the parties hereto desire to make certain changes to the Second Restated Agreement by amending and restating the Second Restated Agreement in its entirety as hereinafter set forth.

I. This Agreement amends and restates in its entirety the Second Restated Agreement.

J. For convenience, this Agreement is dated as of November 7, 2000 (the "THIRD RESTATEMENT DATE", and references to certain matters relating to the period prior thereto have been deleted.

1. DEFINITIONS

1.1 DEFINED TERMS.

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

"ABR LOANS": the Loans (or any portions thereof) at such time

as they (or such portions) are made or are being maintained at a rate of interest based upon the Alternate Base Rate.

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

"ACQUISITION CORP.": as defined in paragraph 2 of Recital G.

Recital G. "ACQUISITION CORP. ACQUISITION": as defined in paragraph 2 of

Recital G. "ACQUISITION CORP. CONTRIBUTION": as defined in paragraph 2 of

"ACQUISITION DOCUMENTS": collectively, (i) the Asset Purchase Agreement, dated as of March 5, 2000, between the Parent and Clear Channel, (ii) the Exchange Documents and (iii) each other agreement, instrument or other document executed or delivered in connection therewith, including all approvals and consents obtained, and all legal opinions delivered, in connection with the Initial Acquisitions (and, in the case of each such legal opinion, evidence satisfactory to the Administrative Agent that the Credit Parties shall be permitted to rely thereon).

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"ADJUSTED OPERATING CASH FLOW": Operating Cash Flow LESS Other Media Cash Flow.

"AFFECTED LOAN": as defined in Section 2.15.

"AFFILIATE": as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (i) to vote 5% or more of the securities having ordinary voting power for the election of directors of such Person or (ii) to direct or cause direction of the management and policies of such Person whether by contract or otherwise.

"AGREEMENT": this Third Amended and Restated Credit Agreement.

"AGREEMENT TO AMEND": the Agreement to Amend and Restate and Assumption Agreement, dated as of August 24, 2000, among the Parent, the Borrower and the Credit Parties.

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

"APPLICABLE MARGIN": (a) subject to paragraph (b) of this definition, at all times during the applicable periods set forth below, (i) with respect to the unpaid principal amount of the ABR Loans, the percentage set forth below under the heading "ABR Margin" next to the applicable period, and (ii) with respect to the unpaid principal amount of the Eurodollar Loans and fees payable under Section 3.1(c), the percentage set forth below under the heading "Eurodollar and LC Margin" next to the applicable period:

<TABLE> <CAPTION> WHEN THE TOTAL LEVERAGE RATIO IS GREATER THAN OR EQUAL TO		EURODOLLAR AND LC MARGIN	
	AND LESS THAN	ABR MARGIN	
<S>	<C>	<C>	<C>
6.50:1.00		1.500%	2.750%
6.00:1.00	6.50:1.00	1.250%	2.500%
5.50:1.00	6.00:1.00	1.000%	2.250%
5.00:1.00	5.50:1.00	0.625%	1.875%
4.50:1.00	5.00:1.00	0.250%	1.500%
4.00:1.00	4.50:1.00	0%	1.250%
3.50:1.00	4.00:1.00	0%	1.000%
	3.50:1.00	0%	0.875%

</TABLE>

(b) Changes in the Applicable Margin resulting from a change in the Total Leverage Ratio, as evidenced by a Compliance Certificate delivered to the

Administrative Agent pursuant to Section 7.1(d), a Borrowing Request or Letter of Credit Request delivered to the Administrative Agent pursuant to Section 5.2(c) or a notice of prepayment pursuant to Section 2.5(a) (in the case of a Borrowing Request, Letter of Credit Request and notice of prepayment resulting in a net increase or decrease, as applicable, in the aggregate outstanding RC Loans and Letter of Credit Exposure of all Lenders on any Business Day of \$10,000,000 or more) in each case evidencing such a change, shall become effective upon (i) in the case of the delivery of a Compliance Certificate, the first Business Day following the delivery of (x) such Compliance Certificate and (y) the applicable financial statements required to be delivered pursuant to Section 7.1(a) or (c), as the case may be, and (ii) in the case of the delivery of a Borrowing Request, Letter of Credit Request or notice of prepayment, the Borrowing Date or the prepayment date, as the case may be, applicable thereto. If the Borrower shall fail to deliver a Compliance Certificate within 60 days after the end of any of the first three fiscal quarters, or within 105 days after the end of the last fiscal quarter, of each fiscal year (each a "CERTIFICATE DELIVERY DATE"), for purposes of calculating the Applicable Margin, the Total Leverage Ratio from and including such certificate delivery date to the date of delivery by the Borrower to the Administrative Agent of such Compliance Certificate shall be conclusively presumed to be greater than 6.50:1.00. Notwithstanding anything to the contrary contained in this definition, during the period commencing on the Second Restatement Date and ending on the date that is nine months thereafter, the Total Leverage Ratio (solely for purposes of this definition) shall be deemed to be not less than 6.00:1.00.

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

"ASSIGNMENT AND ASSUMPTION AGREEMENT": an agreement substantially in the form of Exhibit J.

"ASSIGNMENT FEE": as defined in Section 11.7(b).

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

"BNY": The Bank of New York.

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

"BORROWER ACQUISITION": as defined in paragraph 4 of Recital G.

"BORROWER CONTRIBUTION": as defined in Recital E.

"BORROWER SECURITY AGREEMENT": the Second Amended and Restated Borrower Security Agreement, dated as of August 24, 2000, between the Borrower and the Administrative Agent, substantially in the form attached hereto as Exhibit H.

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

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

"BRIDGE AGENT": ING Barings LLC in its capacity as agent under the Bridge Credit Agreement.

"BRIDGE CREDIT AGREEMENT": the Bridge Credit Agreement, dated as of August 24, 2000, among the Parent, the lenders party thereto and the Bridge Agent.

"BRIDGE GUARANTEE": the Guarantee and Security Agreement, dated as of August 24, 2000, among Acquisition Corp. and its Subsidiaries from time to time party thereto and the Bridge Agent.

"BRIDGE LOAN DOCUMENTS": collectively, (i) the Bridge Credit Agreement, (ii) the promissory notes issued pursuant thereto, (iii) the Bridge Security Agreement, (iv) the Bridge Guarantee, (v) the Bridge Warrants and (vi) all other documents executed and delivered pursuant to the Bridge Credit Agreement.

"BRIDGE LOANS": the loans made pursuant to the Bridge Credit Agreement.

"BRIDGE SECURITY AGREEMENT": the Security Agreement, dated as of August 24, 2000, between the Parent and the Bridge Agent.

"BRIDGE WARRANTS": the Warrants to be issued to the Bridge Lenders as provided in the Bridge Credit Agreement.

"BRIDGE TERMINATION DATE": the date on which all obligations of the Parent, Acquisition Corp. and each of its Subsidiaries under the Bridge Loan Documents have been paid in full, all commitments thereunder have been terminated and each of the Bridge Loan Documents has been terminated and each of the Parent, Acquisition Corp. and its Subsidiaries have been released thereunder.

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

"BUSINESS DAY": (i) for all purposes other than as set forth in clause (ii) below, any day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law or other governmental action to close and (ii) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day which is a Business Day described in clause (i) above and which is also a day on which dealings in foreign currency and exchange between banks in the interbank eurodollar market may be carried on as determined by the Administrative Agent.

"CCM": CCM Communications, Inc., prior to the Borrower Contribution, a wholly-owned Subsidiary of the Parent and on and after the Borrower Contribution, a wholly-owned Subsidiary of the Borrower.

"CERCLA": the Comprehensive Environmental Response, Compensation and Liability Act, as set forth at 42 U.S.C. Section 9601, ET SEQ.

"CHANGE OF CONTROL": any of the following: (i) the Permitted Holders fail to own (A) at least 51% of the total outstanding Voting Stock of the Parent or (B) at least 35% of the economic interest of the Parent, (ii) the occupation of a majority of the seats (other than vacant seats) on the board of directors of the Parent by Persons who were neither (a) nominated by the board of directors of the Parent nor (b) appointed by directors so nominated, (iii) the failure of the Parent to own directly, beneficially and of record, 100% of the aggregate ordinary voting power represented by the issued and outstanding equity securities of the Borrower on a fully diluted basis, or (iv) the occurrence of a "Change of Control" (under and as defined in the Subordinated Indenture).

"CLEAR CHANNEL": as defined in paragraph 3 of Recital G.

"CODE": the Internal Revenue Code of 1986.

"COLLATERAL": collectively, the Collateral under and as defined in the Collateral Documents.

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"COLLATERAL DOCUMENTS": collectively, the Borrower Security Agreement, the Parent Guaranty, the Parent Security Agreement, the Subsidiary Guaranty and the Mortgages.

"COMMITMENT FEE" and "COMMITMENT FEES": as defined in Section 3.1(a).

"COMMON GROUND COLLATERAL RELEASE": as defined in Section 11.1.

"COMMON GROUND REORGANIZATION": collectively, (i) the transfer of certain of the assets of Common Ground Broadcasting, Inc. and Caron Broadcasting, Inc. to the Borrower or one or more wholly-owned Subsidiaries, and (ii) the merger of Caron Broadcasting, Inc. with and into the Borrower, with the Borrower as the survivor.

"COMMONLY CONTROLLED ENTITY": any Subsidiary or any entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 414(b) or 414(c) of the Code.

"COMMUNICATIONS ACT": the Communications Act of 1934.

"COMPLIANCE CERTIFICATE": a certificate substantially in the form of Exhibit G.

"CONSOLIDATED": as to any Person, such Person and its Subsidiaries which are consolidated for financial reporting purposes.

"CONSOLIDATED ADJUSTED OPERATING CASH FLOW": Adjusted Operating Cash Flow of the Parent and its Subsidiaries on a Consolidated basis.

"CONSOLIDATED ANNUAL ADJUSTED OPERATING CASH FLOW": at any date of determination, Consolidated Adjusted Operating Cash Flow for the period of four consecutive fiscal quarters ending on, or most recently before, such date.

"CONSOLIDATED ANNUAL OPERATING CASH FLOW": at any date of determination, Consolidated Operating Cash Flow for the period of four consecutive fiscal quarters ending on, or most recently before, such date.

"CONSOLIDATED OPERATING CASH FLOW": Operating Cash Flow of the Parent and its Subsidiaries on a Consolidated basis.

"CONSOLIDATING": as to any Person, such Person and its Subsidiaries taken separately.

"CONTINGENT OBLIGATION": as to any Person, any obligation of such Person guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other

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obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds for the purchase or payment of any such primary obligation or to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the beneficiary of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the beneficiary of such primary obligation against loss in respect thereof; PROVIDED, however, that the term Contingent Obligation shall not include the indorsement of instruments for deposit or collection in the ordinary course of business. The term Contingent Obligation shall also include the liability of a general partner in respect of the Indebtedness of a partnership in which it is a general partner, excluding Indebtedness which is non-recourse to such general partner. The amount of any Contingent Obligation of a Person shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith.

"CONTRIBUTIONS": as defined in paragraph 2 of Recital G.

"CONTRIBUTION DOCUMENTS": collectively, (i) Assignment and Assumption Agreement, dated as of August 24, 2000, between the Borrower and the Parent, and (ii) each other agreement, instrument or other document executed or delivered in connection the Contributions, including all approvals and consents obtained and all legal opinions delivered.

"CONTROL PERSON": as defined in Section 2.14.

"COPYRIGHT ACT": Title 17 of the United States Code.

"CREDIT EXPOSURE" with respect to any Lender at any time, its RC Commitment or, if no RC Commitment is in effect, the sum of its outstanding RC Loans and Letter of Credit Exposure, at such time.

"CREDIT PARTIES": the Administrative Agent, the Issuing Bank and the Lenders.

"DEBT SERVICE": at any date of determination, the sum of Interest Expense and scheduled principal amortization (including scheduled mandatory reductions of revolving credit and similar commitments) of Total Funded Debt, whether or not actually

paid, for the period of four consecutive fiscal quarters ending on, or most recently before, such date.

"DEFAULT": any of the events specified in Section 9, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"DESIGNATED TRANSACTIONS": as defined in Section 8.3(c).

"DOLLARS" and "\$": lawful currency of the United States of America.

"EMMIS": Emmis Communications Corporation, an Indiana corporation.

"ENVIRONMENTAL LAWS": any and all federal, state and local laws relating to the environment, the use, storage, transporting, manufacturing, handling, discharge, disposal or recycling of hazardous substances, materials or pollutants or industrial hygiene and including, without limitation, (i) CERCLA; (ii) the Resource Conservation and Recovery Act of 1976, 42 USCA Section 6901 ET SEQ.; (iii) the Toxic Substance Control Act, 15 USCA Section 2601 ET. SEQ.; (iv) the Water Pollution Control Act, 33 USCA Section 1251 et. SEQ.; (v) the Clean Air Act, 42 USCA Section 7401 et seq.; (vi) the Hazardous Material Transportation Authorization Act of 1994, 49 USCA Section 5101 ET SEQ. and (viii) all rules, regulations judgments, decrees, injunctions and restrictions thereunder and any analogous state law, in each case as from time to time in effect.

"EQUITY ISSUANCE": (a) the issuance or sale by the Parent or any of its Subsidiaries after the Second Restatement Date of (i) any capital stock (other than capital stock issued on the exercise of the Bridge Warrants or any other warrants or options described in clause (ii) below), (ii) any warrants or options exercisable in respect of capital stock (other than any warrants or options issued to directors, officers or employees of the Parent or of any of its Subsidiaries), (iii) any other security or instrument representing an equity interest (or the right to obtain any equity interest) in the issuing or selling Person or (b) the receipt by the Parent or any of its Subsidiaries after the Second Restatement Date of any capital contribution (whether or not evidenced by any equity security issued by the recipient of that contribution) other than (x) the Dropdown (as defined in the Parent Guaranty) and (y) any capital contribution by (1) any Subsidiary of the Parent to the Parent or to any wholly-owned Subsidiary of the Parent or (2) the Parent or by any wholly-owned Subsidiary of the Parent to any Subsidiary of the Parent (other than a capital contribution made with the Net Equity Proceeds of an Equity Issuance described in clause (a) of this definition). For purposes of this definition, prior to the Bridge Termination Date, Subsidiaries of the Parent shall not include Acquisition Corp. or any of its Subsidiaries.

"ERISA": the Employee Retirement Income Security Act of 1974.

"EURODOLLAR LOAN": a portion of the Loans selected by the Borrower to bear interest during an Interest Period selected by the Borrower at a rate per annum based upon a Eurodollar Rate determined with reference to such Interest Period, all pursuant to and in accordance with Sections 2.3 and 2.8.

"EURODOLLAR RATE": with respect to any Interest Period, the rate per annum, as determined by the Administrative Agent, obtained by dividing (and then rounding to the nearest 1/16 of 1%, or, if there is no nearest 1/16 of 1%, the next higher 1/16 of 1%):

(a) the rate quoted by the Administrative Agent to major banks in the interbank eurodollar market as the rate at which the Administrative Agent is offering Dollar deposits in an amount approximately equal to BNY's pro rata share of the given portion of the Loans selected by the Borrower to bear interest during such Interest Period based upon a rate of interest determined under this definition, and having a term to maturity corresponding to such Interest Period, as quoted at approximately 10:00 A.M. two Business Days prior to the date upon which such Interest Period is to commence, by

(b) a number equal to 1.00 minus the aggregate of the then stated maximum rates during such Interest Period of all reserve requirements (including, without limitation, marginal, emergency, supplemental and special reserves), expressed as a decimal, established by the Board of Governors of the Federal Reserve System and any other banking authority to which BNY and other major United States banks or money center banks are subject, in respect of eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D of the Board of Governors of the Federal Reserve System). Such reserve requirements shall include, without limitation, those imposed under such Regulation D. Eurodollar Loans shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed to be subject to such

reserve requirements without benefit of credits for proration, exceptions or offsets which may be available from time to time to any Lender under such Regulation D. The Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in any such reserve requirement.

"EVENT OF DEFAULT": any of the events specified in Section 9, PROVIDED that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"EXCESS CASH FLOW": at any time, in respect of any period, Consolidated Operating Cash Flow for such period (before any adjustments to reflect acquisitions, sales and exchanges of Property during such period) LESS the sum of, without duplication, (i) Fixed Charges, (ii) voluntary principal prepayments made pursuant to Section 2.5(a), PROVIDED that the RC Commitments are permanently reduced in an aggregate amount equal to such prepayments made under Section 2.5(a) and (iii) loans made to, and

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investments made in, any Other Media Subsidiary by the Borrower or any other Subsidiary to the extent permitted by Section 8.5(h).

"EXCHANGE ACT": the Securities Exchange Act of 1934.

"EXCHANGE AGREEMENT": as defined in Recital F.

"EXCHANGE DOCUMENTS": (i) the KLTX Sale Agreement, (ii) the Exchange Agreement, (iii) the Qualified Exchange Trust Agreement, dated as of August 17, 2000, among The Chicago Trust Company of California, Chicago Deferred Exchange Corporation and Salem Media of California, Inc., and (iv) each other agreement, instrument or other document executed or delivered in connection therewith.

"EXCLUDED CASH FLOW": at any time, for any period, Operating Cash Flow for such period allocable to all Excluded Properties at such time.

"EXCLUDED PROPERTY": at any time, any Broadcasting Station, designated in writing by the Borrower to the Administrative Agent and the Lenders as an Excluded Property, that was acquired by the Borrower or any Subsidiary within the immediately preceding 18 month period and in respect of which the Borrower changed the non-religious format from that in effect at the time such Broadcasting Station was acquired by the Borrower or such Subsidiary to a religious talk, conservative talk or religious music format.

"EXCLUDED TAXES": with respect to any Credit Party or any other recipient of any payment to be made by or on account of any obligation of any Loan Party under any Loan Document, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Credit Party, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which such Loan Party is located and (c) in the case of a Foreign Lender, any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.13(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from such Loan Party with respect to such withholding tax pursuant to Section 2.13(a).

"FCC": the Federal Communications Commission, or any Governmental Authority succeeding to the functions thereof.

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"FEDERAL FUNDS RATE": for any day, the rate per annum (rounded to the nearest 1/16 of 1% or, if there is no nearest 1/16 of 1%, then to the next higher 1/16 of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, PROVIDED that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"FIRST RESTATED AGREEMENT": as defined in Recital C.

"FIRST RESTATEMENT DATE": as defined in Recital C.

"FIXED CHARGES": at any date of determination, the sum,

without duplication, of (a) Debt Service, (b) cash income taxes paid (other than cash taxes paid in connection with a sale of Property but only to the extent such cash taxes are paid from the proceeds of such sale), (c) capital expenditures (excluding (i) capital expenditures made with insurance proceeds and capital expenditures associated with an acquisition made within the 12 month period immediately following such acquisition and (ii) capital expenditures made in the network operations center located in Dallas, Texas (not in excess of \$4,000,000) in the aggregate), and (d) intercompany loans made to, or investments made in, the Other Media Subsidiaries, in each case of the Parent and its Subsidiaries on a Consolidated basis, determined in accordance with GAAP, for the period of four consecutive fiscal quarters ending on, or most recently before, such date.

"FOREIGN LENDER": any Lender that is organized under the laws of a jurisdiction other than that in which the applicable Loan Party is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"GAAP": generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statement by such other entity as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination, consistently applied. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in this Agreement, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to reflect such change in GAAP (subject to the approval of the Required Lenders), PROVIDED that, until so

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amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent, and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

"GOVERNMENTAL AUTHORITY": the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"GUARANTORS": collectively, (i) the Parent, (ii) the Subsidiary Guarantors and (iii) on and after the Bridge Termination Date, Acquisition Corp. and each of its Subsidiaries.

"HAZARDOUS DISCHARGE": as defined in Section 11.11(b).

"HIGHEST LAWFUL RATE": as to any Lender, the maximum rate of interest, if any, that at any time or from time to time may be contracted for, taken, charged or received by such Lender on the Notes held thereby, or which may be owing to such Lender pursuant to this Agreement and the other Loan Documents under the laws applicable to such Lender and this transaction.

"HOUSTON TRANSACTION": the exchange by the Borrower or a Subsidiary of (i) Broadcasting Station KKHT-FM serving Houston, Texas for (ii) Broadcasting Station WALR-FM serving Atlanta, Georgia and Broadcasting Stations KLUP-AM serving San Antonio, Texas and WSUN-AM serving Tampa, Florida, all of which are currently owned by Cox Radio, Inc.

"INDEBTEDNESS": as to any Person, at a particular time, all items which constitute, without duplication, (i) indebtedness for borrowed money or the deferred purchase price of Property (other than trade payables incurred in the ordinary course of business), (ii) indebtedness evidenced by notes, bonds, debentures or similar instruments, (iii) obligations with respect to any conditional sale agreement or title retention agreement, (iv) indebtedness arising under acceptance facilities and the amount available to be drawn under all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder to the extent such Person shall not have reimbursed the issuer in respect of the issuer's payment of such drafts, (v) all liabilities secured by any Lien on any Property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof (other than Liens permitted under Sections 8.2(i) through (iv) and carriers', warehousemen's, mechanics',

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repairmen's or other like non-consensual Liens arising in the ordinary course of business), (vi) obligations for principal payments under leases which have been, or under GAAP are required to be, capitalized and (vii) all Contingent Obligations.

"INDEMNIFIED PARTY": shall have the meaning set forth in Section 11.11(a).

"INDEMNIFIED TAXES": Taxes other than Excluded Taxes.

"INITIAL ACQUISITIONS": as defined in paragraph 4 of Recital G.

"INITIAL TRANSACTION DOCUMENTS": collectively, (i) the Contribution Documents, (ii) the Acquisition Documents, (iii) the Bridge Loan Documents, (iv) the Agreement to Amend, (v) the Master Assignment, (vi) the Supplemental Indenture, and (vii) each other agreement, instrument or other document executed or delivered in connection therewith, including all approvals and consents obtained, and all legal opinions delivered, in connection with the Initial Transactions (and, in the case of each such legal opinion, evidence satisfactory to the Administrative Agent that the Credit Parties shall be permitted to rely thereon).

"INITIAL TRANSACTIONS": collectively, (i) the Contributions, (ii) the Bridge Loans, (iii) the Initial Acquisitions, and (iv) each other transaction contemplated by the Initial Transaction Documents.

"INTEREST EXPENSE": at any date of determination, the sum of all (i) interest (adjusted to give effect to all Interest Rate Protection Arrangements and fees and expenses paid in connection with same, all as determined in accordance with GAAP) on Total Funded Debt and (ii) commitment, letter of credit and similar fees, in each case of the Parent and its Subsidiaries on a Consolidated basis, determined in accordance with GAAP, for the period of four consecutive fiscal quarters ending on, or most recently before, such date.

"INTEREST PAYMENT DATE": (i) as to any ABR Loan, the last day of each March, June, September and December commencing on the first of such days to occur after such ABR Loan is made, (ii) as to any Eurodollar Loan in respect of which the Borrower has selected an Interest Period of one, two or three months, the last day of such Interest Period and (iii) as to any Eurodollar Loan in respect of which the Borrower has selected an Interest Period of six months, the last day of such Interest Period and the corresponding day of the month which is three months after the date of the commencement of such Interest Period, or, if such day is not a Business Day or does not exist, on the immediately preceding Business Day.

"INTEREST PERIOD": the period commencing on any Business Day selected by the Borrower in accordance with Section 2.3 or 2.8 and ending one, two, three or six

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months thereafter, as selected by the Borrower in accordance with such Section, subject to the following:

(a) if any Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall be extended to the immediately succeeding Business Day unless the result of such extension would be to carry the end of such Interest Period into another calendar month, in which event such Interest Period shall end on the Business Day immediately preceding such day; and

(b) if any Interest Period shall begin on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period), such Interest Period shall end on the last Business Day of a calendar month.

"INTEREST RATE PROTECTION ARRANGEMENT": any interest rate swap, cap or collar arrangement or any other derivative product customarily offered by banks to their customers in order to manage the exposure of such customers to interest rate fluctuations.

"INVESTMENTS": as defined in Section 8.5.

"ISSUING BANK": BNY.

"KALC BORROWER DIVIDEND": the dividend by the Borrower to the Parent in an amount not exceeding \$52,000,000, the proceeds of which are used to prepay in full the Bridge Loans.

"KALC HSR CLEARANCE": the receipt of all approvals and authorizations of, and the expiration of all waiting periods with respect to, the transactions contemplated by the KALC Purchase Agreement which may be

required pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"KALC INTERCOMPANY LOAN": the intercompany demand loan from the Borrower to the Parent in an amount not exceeding \$52,000,000, the proceeds of which are used to prepay in full the Bridge Loans.

"KALC LMA": the Local Programming and Marketing Agreement, dated as of September 13, 2000, by and between Acquisition Corp. and Emmis executed in connection with the KALC Purchase Agreement.

"KALC PURCHASE AGREEMENT": the Asset Purchase Agreement, dated as of September 13, 2000, by and between Acquisition Corp. and Emmis.

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"KALC RC LOANS": the RC Loans in an aggregate amount not exceeding \$52,000,000, the proceeds of which are used to make either (but not both of) the KALC Borrower Dividend or the KALC Intercompany Loan.

"KALC SALE": the sale of radio station KALC-FM, licensed to Denver Colorado, by Acquisition Corp. to Emmis.

"KLTX PROCEEDS": as defined in Recital F.

"KLTX SALE": as defined in Recital F.

"KLTX SALE AGREEMENT": as defined in Recital F.

"LEAD ARRANGER": BNY Capital Markets, Inc., as Lead Arranger and Book Manager.

"LENDING OFFICE": in respect of any Lender, initially, the office or offices of such Lender designated as such in Schedule 1.1(L) hereto; thereafter, such other office or offices of such Lender, if any, which shall be making or maintaining Loans.

"LETTER OF CREDIT": as defined in Section 2.18.

"LETTER OF CREDIT COMMITMENT": the commitment of the Issuing Bank to issue Letters of Credit in accordance with the terms hereof in an aggregate outstanding face amount not exceeding \$30,000,000 (or, if less, the RC Commitments) at any time, as the same may be reduced pursuant to Section 2.4.

"LETTER OF CREDIT EXPOSURE": at any time, (a) in respect of all Lenders, the sum, without duplication, of (i) the maximum aggregate amount which may be drawn under all unexpired Letters of Credit at such time (whether the conditions for drawing thereunder have or may be satisfied), (ii) the aggregate amount, at such time, of all unpaid drafts (which have not been dishonored) drawn under all Letters of Credit, and (iii) the aggregate unpaid principal amount of the Reimbursement Obligations at such time, and (b) in respect of any Lender, an amount equal to such Lender's RC Commitment Percentage at such time multiplied by the amount determined under clause (a) of this definition.

"LETTER OF CREDIT FEE": as defined in Section 3.1(c).

"LETTER OF CREDIT PARTICIPATION": with respect to each Lender, its obligations to the Issuing Bank under Section 2.19.

"LETTER OF CREDIT REQUEST": a request in the form of Exhibit D.

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"LIEN": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or other security agreement or security interest of any kind or nature whatsoever, including, without limitation, any conditional sale or other title retention agreement and any financing lease having substantially the same economic effect as any of the foregoing.

"LEVERAGED ACQUISITION": as defined in Section 8.3(d).

"LOANS": the RC Loans.

"LOAN DOCUMENTS": collectively, this Agreement, the Notes, the Reimbursement Agreements, the Agreement to Amend, the Master Assignment and the Collateral Documents.

"LOAN PARTY": the Borrower, each Guarantor and each other party (other than the Administrative Agent, the Issuing Bank and the Lenders) that is a signatory to a Loan Document.

"MANAGEMENT AGREEMENT": the Management Services Agreement,

dated as of the Second Restatement Date, by and among the Parent and its Subsidiaries.

"MANAGEMENT FEES": all fees and expenses paid to Parent by any of its Subsidiaries, or to any of their respective Affiliates, or to any employees thereof, for general corporate, administrative or management services received.

"MARGIN STOCK": any "margin stock", as said term is defined in Regulation U of the Board of Governors of the Federal Reserve System.

"MASTER ASSIGNMENT": the Master Assignment and Assumption Agreement, dated as of August 24, 2000, among the Parent, the Lenders (including lenders party to the First Restated Agreement which on the Second Restatement Date ceased to be Lenders) and the Administrative Agent.

"MATERIAL ADVERSE CHANGE": a material adverse change in (i) the operations, business, prospects, Property or condition (financial or otherwise) of (a) the Borrower and its Subsidiaries on a Consolidated basis, or (b) the Parent and its Subsidiaries on a Consolidated basis, (ii) the ability of the Borrower or any other Loan Party to perform its obligations under the Loan Documents to which it is a party or (iii) the ability of the Credit Parties to enforce any of the Loan Documents.

"MATERIAL ADVERSE EFFECT": a material adverse effect on (i) the operations, business, prospects, Property or condition (financial or otherwise) of (a) the Borrower and its Subsidiaries on a Consolidated basis, or (b) the Parent and its Subsidiaries on a Consolidated basis, (ii) the ability of the Borrower or any other Loan Party to perform its

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obligations under the Loan Documents to which it is a party or (iii) the ability of the Credit Parties to enforce any of the Loan Documents.

"MATURITY DATE": June 30, 2007.

"MOODY'S": Moody's Investors Service, Inc.

"MORTGAGE" means a mortgage, deed of trust, assignment of leases and rents, leasehold mortgage or other security document granting a Lien on any Mortgaged Property to secure the obligations under the Loan Documents. Each Mortgage shall be satisfactory in form and substance to the Administrative Agent.

"MORTGAGED PROPERTY" means, initially, each parcel of real property and the improvements thereto owned by the Borrower or any Subsidiary Guarantor and identified on Schedule 4.11(c) as having a value in excess of \$2,000,000 and includes each other parcel of real property and improvements thereto with respect to which a Mortgage is granted pursuant to Section 7.12.

"MULTIEMPLOYER PLAN": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NET EQUITY PROCEEDS": as defined in Section 2.4(b)(v).

"NET SALE PROCEEDS": as defined in Section 2.4(b)(iv).

"NOTES": the RC Notes.

"ONEPLACE": OnePlace, Ltd., prior to the Borrower Contribution, a wholly-owned Subsidiary of the Parent and on and after the Borrower Contribution, a wholly-owned Subsidiary of the Borrower.

"OPERATING CASH FLOW": at any time, with respect to any Person, for any period: (i) revenues (exclusive of reciprocal and barter revenues) of such Person, determined in accordance with GAAP, for such period, LESS (ii) expenses (exclusive of depreciation, amortization, interest, income tax, employee compensation payable solely in stock of the Borrower, and reciprocal and barter expenses, in each case to the extent included therein), PLUS (iii) non-recurring expense items and other non-cash expense items of such Person for such period, in each case mutually agreed upon between the Borrower and the Administrative Agent, to the extent deducted in accordance with clause (ii) above, LESS (iv) non-recurring or non-cash revenues or operating or non-operating gains, LESS (v) the amount of any cash payments related to non-cash expense items added pursuant to clause (iii) above, LESS (vi) Excluded Cash Flow. Operating Cash Flow shall be adjusted on a consistent basis to reflect the acquisition, sale, exchange and disposition of Property during such period as if such acquisition, sale, exchange or disposition of

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Property had occurred at the beginning of such period, PROVIDED that pro-forma

adjustments related to certain station operations of such stations being acquired (mutually agreed upon by the Borrower and the Administrative Agent) shall be included in the calculation of Operating Cash Flow. Operating Cash Flow shall exclude all gains and losses from the sale or disposition of Property and all extraordinary gains and losses.

"OTHER MEDIA CASH FLOW": at any time, for any period, Operating Cash Flow for such period allocable to the Other Media Subsidiaries at such time.

"OTHER MEDIA SUBSIDIARIES": CCM and OnePlace.

"ORIGINAL CREDIT AGREEMENT": as defined in Recital A.

"ORIGINAL EFFECTIVE DATE": September 25, 1997.

"OTHER TAXES": any and all current or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, the Loan Documents.

"PARENT": as defined in Recital B.

"PARENT GUARANTY": the First Amended and Restated Parent Guaranty, dated as of the date hereof, made by the Parent to the Administrative Agent, substantially in the form attached hereto as Exhibit M.

"PARENT SECURITY AGREEMENT": the Parent Security Agreement, dated as of August 24, 2000, made by the Parent to the Administrative Agent, substantially in the form attached hereto as Exhibit N.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA, or any Governmental Authority succeeding to the functions thereof.

"PERMITTED HOLDERS": as of any date of determination (i) any of Nancy A. Epperson, Stuart W. Epperson and Edward G. Atsinger III; (ii) family members or the relatives of the Persons described in clause (i); (iii) any trusts, family limited partnerships or other similar entities created for the benefit of the Persons described in clauses (i), (ii) or (iv) or any such entity for the benefit of such entity; or (iv) in the event of the incompetence or death of any of the Persons described in clauses (i) and (ii), such Person's estate, executor, administrator, committee or other personal representative or beneficiaries, in each case who at any particular date shall beneficially own or have the right to acquire, directly or indirectly, Voting Stock of the Parent.

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"PERMITTED LIENS": Liens permitted to exist pursuant to Section 8.2.

"PERSON": an individual, a partnership, a corporation, a business trust, a joint stock company, a trust, an unincorporated association, a joint venture, a limited liability company, a Governmental Authority or any other entity of whatever nature.

"PLAN": any pension plan which is covered by Title IV of ERISA and which is maintained by or to which contributions are made by the Borrower or a Commonly Controlled Entity or in respect of which the Borrower or a Commonly Controlled Entity has or may have any liability.

"PRO-FORMA DEBT SERVICE": the sum of Pro-Forma Interest Expense and the scheduled payments of principal (including scheduled mandatory reductions of revolving credit and similar commitments) in respect of Total Funded Debt required to be made during the four fiscal quarters of the Parent immediately succeeding any determination thereof. For purposes of calculating Pro-Forma Debt Service, the principal amount outstanding under any revolving or line of credit facility on the date of any calculation of Pro-Forma Debt Service shall be assumed to be outstanding during the entire applicable four fiscal quarter period, subject to any mandatory scheduled payments of principal required to be made during such period.

"PRO-FORMA INTEREST EXPENSE": the sum of (i) all interest (adjusted to give effect to all Interest Rate Protection Arrangements and fees and expenses paid in connection with the same, all as determined in accordance with GAAP) in respect of Total Funded Debt and (ii) commitment, letter of credit and similar fees, in each case of the Parent and its Subsidiaries on a Consolidated basis, determined in accordance with GAAP, for the four fiscal quarters of the Parent immediately succeeding any determination thereof. Where any item of interest varies or depends upon a variable rate of interest (or other rate of interest which is not fixed for such entire four fiscal quarters), such rate, for purposes of calculating Pro-Forma Interest Expense, shall be assumed to equal the interest rate in effect on the date of such calculation. Also, for purposes of calculating Pro-Forma Interest Expense, the principal

amount outstanding under any revolving or line of credit facility on the date of any calculation of Pro-Forma Debt Service shall be assumed to be outstanding during the entire applicable four fiscal quarter period, subject to any mandatory scheduled payments of principal required to be made during such period.

"PROPERTY": all types of real, personal, tangible, intangible or mixed property.

"RC COMMITMENT": as to any Lender, the amount set forth next to the name of such Lender on Exhibit A under the heading "RC Commitment", as such RC Commitment may be reduced from time to time pursuant to Section 2.4.

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"RC COMMITMENTS": the RC Commitments of all Lenders.

"RC COMMITMENT PERCENTAGE": as to any Lender, the percentage set forth opposite the name of such Lender on Exhibit A under the heading "RC Commitment Percentage".

"RC COMMITMENT PERIOD": the period from the Second Restatement Date until the RC Commitment Termination Date.

"RC COMMITMENT TERMINATION DATE": the earlier of the Business Day immediately preceding the Maturity Date or such other date upon which the RC Commitments shall have been terminated in accordance with Section 2.4 or 9.1.

"RC LOAN" and "RC LOANS": as defined in Section 2.1.

"RC NOTE" and "RC NOTES": as defined in Section 2.2.

"RC SUPPLEMENT": a supplement substantially in the form of Exhibit K.

"REIMBURSEMENT AGREEMENT": as defined in Section 2.18(b).

"REIMBURSEMENT OBLIGATIONS": all obligations and liabilities of the Borrower due and to become due (a) under the Reimbursement Agreements and (b) hereunder in respect of Letters of Credit.

"REINVESTED PROCEEDS": net cash proceeds from the sale, exchange or other disposition of Property, after giving effect to the payment of cash taxes payable in connection with the same, which cash proceeds are used to acquire one or more radio Broadcasting Stations through a merger or acquisition in accordance with Section 8.3 during the Reinvestment Period.

"REINVESTMENT PERIOD": the period which is one year from the date that proceeds from the sale, exchange or other disposition of Property are received by the Parent or any Subsidiary.

"REMAINING INTEREST PERIOD": (i) in the event that the Borrower shall fail for any reason to borrow or convert Loans after it shall have notified the Administrative Agent of its intent to do so in which it shall have requested a Eurodollar Loan pursuant to Section 2.3 or 2.8, a period equal to the Interest Period that the Borrower elected in respect of such Eurodollar Loan; (ii) in the event that a Eurodollar Loan shall terminate for any reason prior to the last day of the Interest Period applicable thereto, a period equal to the period from and including the date of such termination to but excluding the last day of such Interest Period; and (iii) in the event that the Borrower shall prepay or repay all or any part of the principal amount of a Eurodollar Loan prior to the last day of the Interest

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Period applicable thereto, a period equal to the period from and including the date of such prepayment or repayment to but excluding the last day of such Interest Period.

"REPORTABLE EVENT": any event described in Section 4043(b) of ERISA, other than an event (excluding an event described in Section 4043(b)(1) relating to tax disqualification) with respect to which the 30-day notice requirement has been waived.

"REQUIRED LENDERS": at any date of determination, Lenders having Credit Exposures equal to or greater than 51% of the Total Credit Exposure.

"RESTRICTED PAYMENT": as to any Person, (i) the payment or declaration by such Person of any dividend on any class of Stock or other equity interest (other than dividends payable solely in common Stock of the such Person), or warrants, rights or options to acquire common Stock of such Person or the making of any other distribution on account of any class of its Stock or other equity interest, (ii) the retirement, redemption, purchase or acquisition,

directly or indirectly, of (a) any shares of the Stock of such Person and (b) any security convertible into, or any option, warrant or other right to acquire, shares of the Stock of such Person, or (iii) the payment of any Management Fees under the Management Agreement or any payment under the Tax Sharing Agreement.

"SALEM CALIFORNIA": as defined in Recital A.

"SALEM MEDIA": as defined in Recital F.

"SECOND RESTATED AGREEMENT": as defined in Recital D.

"SECOND RESTATEMENT DATE": as defined in Recital D.

"S & P": Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"SINGLE EMPLOYER PLAN": any Plan which is not a Multiemployer Plan.

"SPECIAL COUNSEL": Bryan Cave LLP, special counsel to the Administrative Agent.

"STOCK": any and all shares, interests, participations, options, warrants or other equivalents (however designated) of corporate stock, including, without limitation, phantom stock.

"SUBORDINATED INDENTURE": the Indenture, dated as of September 25, 1997, between the Parent, as issuer, and assumed by the Borrower pursuant to the Supplemental Indenture, and The Bank of New York, as trustee.

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"SUBORDINATED INDENTURE DEBT TO OPERATING CASH FLOW RATIO": the Debt to Operating Cash Flow Ratio under and as defined in the Subordinated Indenture (as in effect on the Second Restatement Date and without giving effect to any amendment, supplement, waiver or other modification thereof which has not been approved in writing by the Administrative Agent with the consent of Required Lenders), which definition (together with any related definitions) is hereby incorporated herein by this reference as if fully set forth herein.

"SUBORDINATED INDENTURE NOTES": the 9.5% Senior Subordinated Notes, due 2007, issued in the original aggregate principal amount of \$150,000,000 pursuant to the Subordinated Indenture.

"SUBORDINATED INDENTURE SUBSIDIARY GUARANTY": the subordinated guaranty or guaranties executed and delivered by one or more of the Subsidiaries of the Parent in connection with the Subordinated Indenture.

"SUBSIDIARY": with respect to any Person (the "PARENT") at any date, any corporation, association, partnership, joint venture or other business entity of which the parent, directly or indirectly, either (i) in respect of a corporation, owns or controls more than 50% of the outstanding Stock having ordinary voting power to elect a majority of the board of directors or similar managing body, irrespective of whether or not a class or classes shall or might have voting power by reason of the happening of any contingency, or (ii) in respect of an association, partnership, joint venture or other business entity, is entitled to share in more than 50% of the profits and losses, however determined. Unless the context otherwise requires, references in this Agreement to a "Subsidiary" or to "Subsidiaries" shall be deemed to refer to a Subsidiary or Subsidiaries of the Borrower.

"SUBSIDIARY GUARANTOR": each Subsidiary of the Parent, provided that the Borrower shall not be a Subsidiary Guarantor.

"SUBSIDIARY GUARANTY": the Third Amended and Restated Subsidiary Guaranty and Security Agreement, dated as of August 24, 2000, made by the Subsidiaries of the Borrower to the Administrative Agent, substantially in the form attached hereto as Exhibit I.

"SUPPLEMENTAL INDENTURE": the Supplemental Indenture No. 2, dated as of August 24, 2000, among the Parent, the Borrower, the guarantors party thereto and The Bank of New York, as Trustee.

"TAX SHARING AGREEMENT": the Tax Sharing Agreement, dated as of the Second Restatement Date, by and among the Parent and its Subsidiaries.

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"TAXES": any and all current or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"THIRD RESTATEMENT DATE": as defined in Recital J.

"THIRD RESTATEMENT TRANSACTION DOCUMENTS": this Agreement, the Parent Guaranty and each other document executed and delivered in connection therewith.

"TOTAL ADJUSTED FUNDED DEBT": Total Funded Debt LESS the lesser of (i) 50% of the lesser of, with respect to each Excluded Property (x) the purchase price of such Excluded Property and (y) the independent appraisal value (if required under clause (i) of the second paragraph of Section 8.3(d)) of such Excluded Property and (ii) \$30,000,000.

"TOTAL CREDIT EXPOSURE": at any time, the sum of the Credit Exposures of all Lenders at such time.

"TOTAL FUNDED DEBT": the aggregate Indebtedness of the Parent and its Subsidiaries on a Consolidated basis, determined in accordance with GAAP.

"TOTAL FACILITY USAGE": as of any date, a fraction (expressed by a decimal) the numerator of which is the aggregate outstanding principal amount of RC Loans plus the Letter of Credit Exposure of all Lenders, and the denominator of which is the aggregate amount of RC Commitments.

"TOTAL LEVERAGE RATIO": the ratio of (i) Total Adjusted Funded Debt LESS cash and cash equivalents of the Parent and its Subsidiaries on a Consolidated basis in excess of \$5,000,000 to (ii) Consolidated Annual Adjusted Operating Cash Flow.

"TRANSACTION DOCUMENTS": collectively, the Loan Documents and the Initial Transaction Documents.

"TRANSACTIONS": collectively, the transactions contemplated by the Transaction Documents.

"UPSTREAM TRANSFERS": as defined in Section 8.13.

"VOTING STOCK": Stock of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of a corporation (irrespective of whether or not at the time Stock of any other class or classes shall have or might have voting power by reason or the happening of any contingency).

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1.2 PRINCIPLES OF CONSTRUCTION.

(a) All terms defined in this Agreement shall have the meanings given such terms herein when used in the Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto, unless otherwise defined therein.

(a) Unless otherwise specified herein, as used in the Loan Documents and in any certificate, opinion or other document made or delivered pursuant hereto or thereto, all accounting terms used herein shall be interpreted, and all accounting determinations hereunder shall be made, in accordance with GAAP.

(b) The words "hereof", "herein", "hereto" and "hereunder" and similar words when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, paragraph, schedule and exhibit references contained herein shall refer to Sections or paragraphs hereof or schedules or exhibits hereto unless otherwise expressly provided herein.

(c) Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), and (ii) any definition of or reference to any law shall be construed as referring to such law as from time to time amended and any successor thereto and the rules and regulations promulgated from time to time thereunder.

(d) The word "or" shall not be exclusive; "may not" is prohibitive and not permissive; and the singular includes the plural.

(e) Unless otherwise specifically set forth herein, all references to time shall refer to New York City time.

2. AMOUNT AND TERMS OF LOANS.

2.1 LOANS.

Subject to the terms and conditions hereof, each Lender having

an RC Commitment agrees to make loans (each an "RC LOAN" and, collectively with the other RC Loans of such Lender and/or with the RC Loans of each other Lender, the "RC LOANS") to the Borrower from time to time during the RC Commitment Period. At all times during the RC Commitment Period, the Borrower may borrow, prepay and reborrow RC Loans in accordance with the provisions hereof, PROVIDED that the aggregate unpaid principal amount of all RC Loans and the Letter of Credit Exposure of all Lenders at any one time shall not exceed the RC Commitments then in effect, and PROVIDED

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further that the aggregate unpaid principal amount of each Lender's RC Loans and its Letter of Credit Exposure at any one time shall not exceed such Lender's RC Commitment. The principal amount of each Lender's RC Loan made on a Borrowing Date shall be an amount equal to its RC Commitment Percentage of all RC Loans made on such date. Subject to the provisions of Sections 2.3, 2.8 and 2.15, RC Loans may be (i) ABR Loans, (ii) Eurodollar Loans or (iii) any combination thereof.

2.2 NOTES.

The RC Loans of each Lender shall be evidenced by a promissory note in the form of Exhibit B (each as indorsed or modified from time to time, including all replacements thereof and substitutions therefor, an "RC NOTE" and, collectively with the RC Note of each other Lender, the "RC NOTES"), payable to the order of such Lender, in the maximum stated principal amount equal to such Lender's RC Commitment. Each RC Note shall (i) be dated the Second Restatement Date, (ii) be stated to mature on the Maturity Date and be payable in the amounts and at the times required by Section 2.5 and (iii) bear interest on the unpaid principal amount thereof at the applicable interest rate or rates per annum determined as provided in Section 2.6, payable as specified in Section 2.6. Each Lender is hereby irrevocably authorized by the Borrower to enter on the schedule attached to its RC Note and/or in its internal books and records the amount of each RC Loan made by it thereunder, each payment thereon, and the other information provided for on such schedule, and such schedule and books and records shall be presumptively correct absent manifest error as to the amount of such Lender's RC Loans and as to the amount of principal and interest paid by the Borrower in respect of such RC Loans and as to the other information set forth on such schedule or books and records relating to the RC Loans, PROVIDED, however, that the failure to make any such entry (or any error therein) with respect to any RC Loan shall not limit or otherwise affect the obligations of the Borrower hereunder or under such RC Note. Each Lender may attach one or more continuations to such schedule as and when required. In all events, the principal amount owing by the Borrower to each Lender in respect of such Lender's RC Note shall be the aggregate amount of all RC Loans made by such Lender thereunder less all payments of principal thereon made by the Borrower.

2.3 PROCEDURE FOR BORROWING LOANS.

(a) The Borrower may borrow RC Loans on any Business Day occurring during the RC Commitment Period, PROVIDED that, with respect to any requested borrowing, the Borrower shall notify the Administrative Agent (by telephone or teletype) no later than 1:00 P.M., three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, and no later than 1:00 P.M., one Business Day prior to the requested Borrowing Date, in the case of ABR Loans, specifying (i) the aggregate amounts to be borrowed under the RC Commitments, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be a Eurodollar Loan, an ABR Loan, or

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a combination thereof, and (iv) if the borrowing is to be a Eurodollar Loan, the length of the initial Interest Period for such Eurodollar Loan. Each such notice shall be irrevocable and confirmed immediately by delivery to the Administrative Agent of a Borrowing Request. Each borrowing of RC Loans, consisting of ABR Loans shall be in an aggregate principal amount equal to \$1,000,000 or such amount plus an integral multiple of \$100,000 in excess thereof or, if less, the unused amount of the RC Commitments. Each borrowing of RC Loans, as the case may be, consisting of Eurodollar Loans shall be in a minimum aggregate principal amount equal to \$2,000,000 or an integral multiple of \$250,000 in excess thereof. Upon receipt of each notice of borrowing from the Borrower, the Administrative Agent shall promptly notify each Lender (by telephone or otherwise, such notice to be confirmed by teletype or other writing) of the requested borrowing. Subject to its receipt of the notice referred to in the preceding sentence and to the other terms and conditions of this Agreement, each Lender will make the amount of its applicable RC Commitment Percentage, of each borrowing available to the Administrative Agent for the account of the Borrower at the office of the Administrative Agent set forth in Section 11.2 not later than 12:00 Noon, on the Borrowing Date requested by the Borrower, in funds immediately available to the Administrative Agent at such office. The amounts so made available to the Administrative Agent on a Borrowing Date will then, subject to the satisfaction of the terms and conditions of this Agreement as determined by the Administrative Agent, be made available on such date to the

Borrower by the Administrative Agent, in immediately available funds, at the office of the Administrative Agent specified in Section 11.2 by crediting the account of the Borrower on the books of such office with the aggregate of said amounts received by the Administrative Agent.

(b) Unless the Administrative Agent shall have received prior notice from a Lender (by telephone or otherwise, such notice to be confirmed by telecopy or other writing) that such Lender will not make available to the Administrative Agent such Lender's pro rata share of the Loans requested by the Borrower, the Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on such Borrowing Date in accordance with this Section 2.3 PROVIDED that such Lender received notice of the proposed borrowing from the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such Borrowing Date a corresponding amount. If and to the extent such Lender shall not have so made such pro rata share available to the Administrative Agent, such Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount (to the extent not previously paid by the other), together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is paid to the Administrative Agent, at a rate per annum equal to, in the case of the Borrower, the applicable interest rate set forth in Section 2.6, and, in the case of such Lender, the Federal Funds Rate in effect on such date (as determined by the Administrative Agent). Such payment by the Borrower,

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however, shall be without prejudice to its rights against such Lender. If such Lender shall pay to the Administrative Agent such corresponding amount, such amount so paid shall constitute such Lender's Loan as part of such Loans for purposes of this Agreement, which Loan shall be deemed to have been made by such Lender on the Borrowing Date applicable to such Loans.

2.4 REDUCTION AND INCREASE OF RC COMMITMENTS.

(a) VOLUNTARY REDUCTIONS. The Borrower shall have the right, upon at least three Business Days' prior irrevocable written notice to the Administrative Agent, to reduce permanently the RC Commitments or the Letter of Credit Commitment, in whole at any time, or in part from time to time, without premium or penalty, to an amount not less than (i) in the case of the RC Commitments, the sum of the aggregate outstanding principal balance of the RC Loans, after giving effect to any contemporaneous prepayment thereof, and the Letter of Credit Exposure of all Lenders, PROVIDED that each partial reduction of such RC Commitments shall be in a minimum amount of \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof or, if less, the amount of the RC Commitments then in effect, and (ii) in the case of the Letter of Credit Commitment, the Letter of Credit Exposure of all Lenders, PROVIDED that each partial reduction of the Letter of Credit Commitment shall be in a minimum amount of \$1,000,000 or an integral multiple of \$1,000,000 in excess thereof or, if less, the Letter of Credit Commitment then in effect. Unless previously terminated, the RC Commitments shall terminate on the RC Commitment Termination Date.

(b) MANDATORY REDUCTIONS OF RC COMMITMENTS.

(i) MANDATORY SCHEDULED REDUCTIONS OF RC COMMITMENTS. On each date set forth below, the RC Commitments shall be reduced by the amount equal to the percentage set forth below next to such date multiplied by the aggregate RC Commitments existing on March 31, 2002 (prior to giving effect to such initial reduction):

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<TABLE>
<CAPTION>

DATES	PERCENTAGE	DATES	PERCENTAGE
March 31, 2002	2.50%	December 31, 2004	3.75%
June 30, 2002	2.50%	March 31, 2005	3.75%
September 30, 2002	2.50%	June 30, 2005	3.75%
December 31, 2002	2.50%	September 30, 2005	3.75%
March 31, 2003	2.50%	December 31, 2005	3.75%
June 30, 2003	2.50%	March 31, 2006	5.00%
September 30, 2003	2.50%	June 30, 2006	5.00%
December 31, 2003	2.50%	September 30, 2006	5.00%

March 31, 2004	3.75%	December 31, 2006	5.00%
June 30, 2004	3.75%	March 31, 2007	15.00%
September 30, 2004	3.75%	June 30, 2007	15.00%

</TABLE>

(ii) MANDATORY REDUCTIONS OF RC COMMITMENTS RELATING TO EXCESS CASH FLOW. Commencing with the fiscal year ending December 31, 2001, the RC Commitments shall be reduced by an amount equal to 50% of Excess Cash Flow with respect to such fiscal year, PROVIDED that no such reduction in respect of such fiscal year shall be required if (x) the Total Leverage Ratio as at the end of such fiscal year is less than 5.00:1.00 and (y) no Default or Event of Default shall exist at the end of such fiscal year or on the date the RC Commitments would be required to be reduced. Such reduction (and any prepayments required as a result thereof) shall be made with respect to a fiscal year on March 31st of the succeeding fiscal year.

(iii) MANDATORY REDUCTIONS OF RC COMMITMENTS RELATING TO INSURANCE AND CONDEMNATION. The RC Commitments shall be reduced in the amounts and at the times required by Sections 7.5(b) and 7.5(c).

(iv) MANDATORY REDUCTIONS OF RC COMMITMENTS RELATING TO PROCEEDS OF PROPERTY SALES. The RC Commitments shall be reduced by an amount equal to the difference between (a) 100% of the proceeds of the sale, exchange or other disposition of Property by the Parent or any of its Subsidiaries to the extent not sold, exchanged or disposed of in the ordinary course of business (net of (1) sales and other commissions and legal and other expenses incurred, (2) cash taxes payable, (3) Indebtedness permitted under Sections 8.1(ii) and (iv) which is secured by the Property sold, exchanged or disposed of and required to be repaid and is repaid, in each case in connection therewith, and (4) solely in connection with the KALC Sale, the aggregate principal amount of the KALC RC Loans on the date such Loans were made) (the amount referred to in this clause (a) being referred to as the "NET SALE PROCEEDS"), and (b), the amount of Reinvested Proceeds in connection with such sale, exchange or other disposition of Property which has been used prior to the date such reduction is required to be made to acquire one or more additional radio Broadcasting Stations through a merger or acquisition in accordance with Section 8.3. Such reduction shall be made on the

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earlier of (x) the last day of the Reinvestment Period with respect to such sale, exchange or other disposition, or (y) the occurrence of a Default or Event of Default.

(v) MANDATORY REDUCTIONS OF RC COMMITMENTS RELATING TO EQUITY ISSUANCES. The RC Commitments shall be reduced immediately upon receipt by the Borrower of the aggregate proceeds of any Equity Issuance (net of sales and other commissions and legal and other related expenses incurred in connection with such Equity Issuance) (the "NET EQUITY PROCEEDS") by an amount equal to:

(a) if no Default or Event of Default shall then exist and the Total Leverage Ratio (calculated without giving effect to the phrase "less cash and cash equivalents of the Parent and its Subsidiaries on a Consolidated basis in excess of \$5,000,000" contained in clause (i) of the definition "Total Leverage Ratio") is greater than 5.00:1.00, the lesser of (x) 50% of the Net Equity Proceeds and (y) the amount of the Net Equity Proceeds which, when applied to the prepayment of the Loans, will result in the Total Leverage Ratio (calculated without giving effect to the phrase "less cash and cash equivalents of the Parent and its Subsidiaries on a Consolidated basis in excess of \$5,000,000" contained in clause (i) of the definition "Total Leverage Ratio") not exceeding 5.00:1.00; and

(b) if a Default or Event of Default shall then exist, 100% of the Net Equity Proceeds.

(c) APPLICATION OF REDUCTIONS.

(i) Each reduction of the RC Commitments made pursuant to this Section 2.4 shall effect a corresponding reduction of each Lender's applicable RC Commitment by an amount equal to such Lender's applicable RC Commitment Percentage of such reduction.

(ii) Reductions of the RC Commitments made pursuant to Section 2.4(a) or 2.4(b)(ii), (iii), (iv) and (v) shall be applied in inverse order among the remaining RC Commitment reductions set forth in Section 2.4(b)(i).

(iii) Simultaneously with each reduction of the RC Commitments under this Section 2.4, the Borrower shall pay the applicable Commitment Fee accrued on the amount by which such RC Commitments have been

reduced.

(iv) If for any reason the Letter of Credit Exposure of all Lenders shall exceed the RC Commitments, the Borrower shall immediately deposit in a cash collateral account maintained with and under the sole dominion and control of the Administrative Agent an amount equal to such excess.

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(d) INCREASE OF RC COMMITMENTS. The Borrower may at any time after the first Borrowing Date to occur after the Second Restatement Date but prior to January 31, 2002, at its sole cost and expense, request any one or more of the Lenders to increase (such decision to increase the RC Commitment of a Lender to be within the sole and absolute discretion of such Lender) its RC Commitment, or any other Person reasonably satisfactory to the Administrative Agent and the Issuing Bank to provide a new RC Commitment, by submitting an RC Supplement duly executed by the Borrower and each such Lender or other Person, as the case may be. If such RC Supplement is in all respects reasonably satisfactory to the Administrative Agent, the Administrative Agent shall execute such RC Supplement and deliver a copy thereof to the Borrower and each such Lender or other Person, as the case may be. Upon execution and delivery of such RC Supplement, (i) in the case of each such Lender, such Lender's RC Commitment shall be increased to the amount set forth in such RC Supplement, (ii) in the case of each such other Person, such other Person shall become a party hereto and shall for all purposes of the Loan Documents be deemed a "Lender" having an RC Commitment as set forth in such RC Supplement and (iii) in each case, the RC Commitment of such Lender or such other Person, as the case may be, shall be as set forth in the applicable RC Supplement; PROVIDED, however, that:

(i) immediately after giving effect thereto, the aggregate RC Commitments shall not exceed \$275,000,000;

(ii) such increase shall be in an amount not less than \$5,000,000 or such amount plus an integral multiple of \$1,000,000;

(iii) the Borrower shall have delivered to the Administrative Agent projections, reasonably satisfactory to the Administrative Agent, demonstrating pro-forma compliance (after giving effect to such increase) with the terms of the Loan Documents, including but not limited to Sections 6.1, 6.2, 6.3, 6.4 and 6.5, through the Maturity Date;

(iv) if RC Loans would be outstanding immediately after giving effect to such increase, then simultaneously with such increase (A) each such Lender, each such other Person and each other Lender shall be deemed to have entered into an assignment and acceptance agreement, in form and substance substantially similar to Exhibit J, pursuant to which each such other Lender shall have assigned to each such Lender and each such other Person a portion of its RC Loans necessary to reflect proportionately the aggregate RC Commitments as adjusted in accordance with this Section 2.4(d), and (B) in connection with such assignment, each such Lender and each such other Person shall pay to the Administrative Agent, for the account of the other Lenders, such amount as shall be necessary to appropriately reflect the assignment to it of RC Loans, and in connection with such assignment each such other Lender may treat the

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assignment of Eurodollar Loans as a prepayment of such Eurodollar Loans for purposes of Section 2.9;

(v) each such other Person shall have delivered to the Administrative Agent and the Borrower all forms, if any, that are required to be delivered by such other Person pursuant to Section 2.13; and

(vi) the Administrative Agent shall have received such certificates, legal opinions and other items as it shall reasonably request in connection with such increase.

2.5 PREPAYMENTS OF THE LOANS.

(a) VOLUNTARY PREPAYMENTS. The Borrower may, at its option, prepay the RC Loans, in whole or in part, without premium or penalty, at any time and from time to time, by notifying the Administrative Agent at least three Business Days' prior to the proposed prepayment date with respect to Eurodollar Loans, and at least one Business Day prior to the proposed prepayment date with respect to ABR Loans. Each such notice shall be in writing, shall specify the Loans to be prepaid (whether Eurodollar Loans or ABR Loans), the amount to be prepaid, and the date of prepayment and, if the prepayment is of \$10,000,000 or more, the Total Leverage Ratio after giving effect to such prepayment. Upon receipt by the Administrative Agent of any such notice, the Administrative Agent shall promptly notify each Lender thereof. If any such notice of the Borrower is given pursuant to this Section 2.5, such notice shall be irrevocable and the payment amount specified in such notice shall be due and payable on the date specified, together with accrued interest to the date of such payment on the

amount prepaid. Partial prepayments of ABR Loans shall be in an aggregate principal amount of \$1,000,000 or an integral multiple of \$100,000 in excess thereof and partial prepayments of Eurodollar Loans shall be in an aggregate principal amount of \$2,000,000 or an integral multiple of \$250,000 in excess thereof, or, if less, the outstanding principal balance of such Loans.

(b) MANDATORY PREPAYMENTS OF LOANS. The Borrower shall immediately prepay the RC Loans (i) at any time at which the sum of the aggregate outstanding principal amount of the outstanding RC Loans and the Letter of Credit Exposure of all Lenders exceeds the aggregate RC Commitments of all Lenders in an amount equal to the amount of such excess and (ii) in the amounts and at the times required by Section 7.5. Upon receipt of any Net Sale Proceeds (to the extent received in cash), including the receipt by the Parent or any of its Subsidiaries of Net Sale Proceeds resulting from the KALC Sale, the Borrower shall immediately prepay the KALC RC Loans in an equal amount until the KALC RC Loans are repaid in full. Upon receipt of the Liquidated Damages Amount (as defined in the KALC Purchase Agreement) by the

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Parent or any of its Subsidiaries, the Borrower shall immediately prepay the KALC RC Loans in an equal amount.

(c) IN GENERAL. If any prepayment is made under this Section 2.5 with respect to any Eurodollar Loans, in whole or in part, prior to the last day of the applicable Interest Period, the Borrower agrees to indemnify the Lenders in accordance with Section 2.9. After giving effect to any partial prepayment with respect to Eurodollar Loans which were made (whether as the result of a borrowing or a conversion) on the same date and which had the same Interest Period, the outstanding principal amount of such Eurodollar Loans shall not be less than \$2,000,000 or an integral multiple of \$250,000 in excess thereof. The Borrower may designate which Loans (ABR Loans or Eurodollar Loans) are to be prepaid in connection with any prepayment made under this Section 2.5.

2.6 INTEREST RATE AND PAYMENT DATES; HIGHEST LAWFUL RATE.

(a) PRIOR TO MATURITY. Prior to maturity, the outstanding principal amount of the Loans shall bear interest on the unpaid principal amount thereof at the Alternate Base Rate or the Eurodollar Rate, as applicable, plus the Applicable Margin.

(b) DEFAULT RATE. After maturity and at all times during the continuance of any Event of Default under Section 9.1(a), (b), (h) or (i) or during the continuance for more than 30 days of any other Event of Default, the outstanding principal amount of all Loans hereunder shall bear interest, notwithstanding the rate which would otherwise be applicable pursuant to Section 2.6(a) above, at a rate of interest per annum equal to 2% above such otherwise applicable rate.

(c) LATE PAYMENT RATE. Any payment of interest on any Note or any Reimbursement Obligation and any payment of any Commitment Fee, Letter of Credit Fee or other fee or payment payable by the Borrower under any Loan Document and not paid on the date when due and payable shall bear interest, to the extent permitted by law, at the Alternate Base Rate plus the Applicable Margin for ABR Loans plus 2% per annum from the due date thereof until the date such payment is made.

(d) GENERAL. Interest on ABR Loans, to the extent based on the BNY Rate, shall be calculated on the basis of a 365 or 366 day year (as the case may be), and interest on all Eurodollar Loans and ABR Loans, to the extent based on the Federal Funds Rate, shall be calculated on the basis of a 360 day year, in each case for the actual number of days elapsed. Interest shall be payable in arrears on each Interest Payment Date and upon payment (or prepayment (or required payment or prepayment) of the Loans, except that interest payable pursuant to Sections 2.6(b) and 2.6(c) shall be payable on demand. Any change in the interest rate on a Loan resulting from a change in the Alternate Base Rate shall become effective as of the opening of business on the day on which such change in the Alternate Base Rate shall become effective. The Administrative Agent

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shall, as soon as practicable, notify the Borrower and the Lenders of the effective date and the amount of each such change in the Alternate Base Rate, but failure to so notify shall not in any manner affect the obligation of the Borrower to pay interest on the Loans in the amounts and on the dates required. Each determination of the Alternate Base Rate or Eurodollar Rate by the Administrative Agent pursuant to this Agreement shall be conclusive and binding on the Borrower and the Lenders absent manifest error.

(e) HIGHEST LAWFUL RATE. At no time shall the interest rate payable on the Loans of any Lender, together with the Commitment Fees, the Letter of Credit Fee and all other fees and other amounts payable hereunder, to

the extent the same are construed to constitute interest, exceed the Highest Lawful Rate applicable to such Lender. If interest payable to a Lender on any date would exceed the maximum amount permitted by the Highest Lawful Rate, such interest payment shall automatically be reduced to such maximum permitted amount, and interest for any subsequent period, to the extent less than the maximum amount permitted for such period by the Highest Lawful Rate, shall be increased by the unpaid amount of such reduction. Any interest actually received for any period in excess of such maximum allowable amount for such period shall be deemed to have been applied as a prepayment of such Lender's Loans. The Borrower acknowledges that to the extent interest payable on ABR Loans is based on the BNY Rate, such BNY Rate is only one of the bases for computing interest on loans made by the Lenders, and by basing interest payable on ABR Loans on the BNY Rate, the Lenders have not committed to charge, and the Borrower has not in any way bargained for, interest based on a lower or the lowest rate at which the Lenders may now or in the future make loans to other borrowers.

2.7 USE OF PROCEEDS.

(a) The proceeds of all Loans shall be used (i) to finance acquisitions permitted hereunder, including transaction expenses in connection therewith, (ii) to make capital expenditures permitted hereunder, (iii) for working capital purposes and (iv) for general corporate purposes.

(b) Letters of Credit shall be used to support ordinary course working capital purposes and to fulfill deposit requirements associated with proposed acquisitions permitted by Section 8.3.

(c) Notwithstanding anything to the contrary contained in any Loan Document, the Borrower agrees that no part of the proceeds of any Loan or Letter of Credit have been or will be used, directly or indirectly, for a purpose which violates any law, rule or regulation of any Governmental Authority, including without limitation the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System, as amended.

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2.8 CONVERSIONS; OTHER MATTERS.

(a) The Borrower may elect from time to time to convert Eurodollar Loans to ABR Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of such election, specifying the amount to be so converted, PROVIDED, that any such conversion shall only be made on the last day of the Interest Period applicable thereto. In addition, the Borrower may elect from time to time to convert ABR Loans to Eurodollar Loans or to convert Eurodollar Loans to new Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice of such election, specifying the amount to be so converted and the initial Interest Period relating thereto, PROVIDED that any such conversion of ABR Loans to Eurodollar Loans shall only be made on a Business Day and any such conversion of Eurodollar Loans to new Eurodollar Loans shall only be made on the last day of the Interest Period applicable to the Eurodollar Loans which are to be converted to such new Eurodollar Loans. The Administrative Agent shall promptly provide the Lenders with notice of any such election. Loans may be converted pursuant to this Section 2.8(a) in whole or in part, PROVIDED that conversions of ABR Loans to Eurodollar Loans, or Eurodollar Loans to new Eurodollar Loans having the same Interest Period, shall be in an aggregate principal amount of \$2,000,000 or such amount plus a whole multiple of \$250,000.

(b) Notwithstanding anything in this Agreement to the contrary, upon the occurrence and during the continuance of a Default or Event of Default, the Borrower shall have no right to elect to convert any ABR Loan to a Eurodollar Loan or to convert any Eurodollar Loan to a new Eurodollar Loan. In such event, such ABR Loan shall be automatically continued as an ABR Loan or such Eurodollar Loan shall be automatically converted to an ABR Loan on the last day of the Interest Period applicable to such Eurodollar Loan. If a Default or an Event of Default shall have occurred and be continuing, the Administrative Agent shall, at the request of the Required Lenders, notify the Borrower (by telephone or otherwise) that all, or such lesser amount as the Administrative Agent and the Required Lenders shall designate, of the outstanding Eurodollar Loans, if any, shall be automatically converted to ABR Loans, in which event such Eurodollar Loans of each Lender, at the option of such Lender, shall be automatically converted to ABR Loans on the date such notice is given.

(c) Each such conversion shall be effected by each Lender by applying the proceeds of the new ABR Loan or Eurodollar Loan, as the case may be, to the Loan (or portion thereof) being converted (it being understood that such conversion shall not constitute a borrowing for purposes of Sections 4 or 5).

(d) Notwithstanding any other provision of this Agreement:

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(i) If the Borrower shall have failed to elect a Eurodollar Loan under Sections 2.3 or 2.8, as the case may be, in connection

with any borrowing of new Loans or expiration of an Interest Period with respect to any existing Eurodollar Loan, the amount of the Loans subject to such borrowing or such existing Eurodollar Loan shall thereafter be an ABR Loan until such time, if any, as the Borrower shall elect a new Eurodollar Loan pursuant to Section 2.8,

(ii) The Borrower shall not be permitted to select any Eurodollar Loan the Interest Period in respect of which ends later than the Maturity Date,

(iii) When electing a Eurodollar Loan, the Borrower shall select an Interest Period such that, on each date that a mandatory principal payment is required to be made pursuant to Section 2.5(b) in connection with a RC Commitment reduction pursuant to Section 2.4(b), the outstanding principal amount of all Loans which are ABR Loans, when added to the aggregate principal amount of all Loans which are Eurodollar Loans the Interest Period in respect of which shall end on such date, shall equal or exceed the aggregate principal amount of the Loans required to be paid on such date, and

(iv) The Borrower shall not be permitted to have more than eight Interest Periods with respect to outstanding Eurodollar Loans at any one time.

2.9 INDEMNIFICATION FOR LOSS.

In the event of (a) the payment or prepayment (voluntary or otherwise) of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto or (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the Eurodollar Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate that such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be

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conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

2.10 REIMBURSEMENT FOR COSTS.

The Borrower hereby agrees to reimburse each Lender and the Issuing Bank on demand for its reasonable costs (excluding general administrative and overhead costs) directly attributable to its compliance with this Agreement during the term hereof with all applicable future laws, executive orders, and regulations of the governments of the United States and the United Kingdom, and of any other applicable government, and of any regulatory or administrative agency thereof (including, without limitation, the reserve requirements established by the Board of Governors of the Federal Reserve System under Regulation D), or any change in existing or future applicable laws, executive orders and regulations and in the interpretations thereof which impose, modify or deem applicable any reserve, asset, special deposit or special assessment requirements on deposits obtained in the interbank eurodollar market, or which subject any Lender or the Issuing Bank to any tax (documentary, stamp or otherwise) with respect to any Loan Document or Letter of Credit, or change the basis of taxation of payments to any Lender or the Issuing Bank, of principal, interest, fees or other amounts payable under any Loan Document or Letter of Credit (except for any tax, or changes in the rate of tax, on its income or receipts (including franchise taxes on or based upon such income or receipts) imposed by the United States or any other jurisdiction). Each such Lender and the Issuing Bank agrees to provide the Borrower with notice of any law, executive order or regulation, or change in the interpretation thereof, which would require the Borrower to indemnify such Lender or the Issuing Bank under this Section 2.10 promptly upon it obtaining actual knowledge thereof and determining that it intends to require the Borrower to reimburse it pursuant to this Section 2.10 for any costs resulting therefrom. The cost to each Lender in complying with laws, executive orders or regulations which impose, modify or deem applicable any reserve, asset, special deposit or special assessment requirements on deposits obtained in the market for eurocurrency loans shall be computed by determining the amount by which such requirements effectively

increase such Lender's cost of making and maintaining its Eurodollar Loans and by computing the additional amount which would have been owing to such Lender hereunder if such effective increase had been added to the Eurodollar Rate for purposes of determining the applicable Eurodollar Rate during the period or applicable portion thereof in question. Each Lender and the Issuing Bank may make multiple requests for compensation under this Section 2.10.

2.11 ILLEGALITY OF FUNDING.

Notwithstanding anything contained herein to the contrary, if any law, regulation, treaty or directive, or any change therein or in the interpretation or application thereof, shall make it unlawful for any Lender to make or maintain any Eurodollar Loan

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as contemplated by this Agreement, (i) the commitment of such Lender to make Eurodollar Loans or convert ABR Loans to Eurodollar Loans, as the case may be, shall forthwith be suspended and (ii) such Lender's then outstanding Eurodollar Loans affected thereby, if any, shall be converted automatically to ABR Loans on the last day of the then current Interest Period applicable thereto or at such earlier time as may be required. If the commitment of any Lender with respect to Eurodollar Loans is suspended pursuant to this Section 2.11 and such Lender shall notify the Administrative Agent and the Borrower that it is once again legal for such Lender to make or maintain Eurodollar Loans, such Lender's commitment to make or maintain Eurodollar Loans shall be reinstated.

2.12 OPTION TO FUND.

Each Lender has indicated that, if the Borrower requests a Eurodollar Loan, such Lender may wish to purchase one or more deposits in order to fund or maintain its funding of its pro rata share of such Loan during the Interest Period with respect thereto; it being understood that the provisions of this Agreement relating to such funding are included only for the purpose of determining the rate of interest to be paid on such Loan and any amounts owing under Sections 2.9, 2.10, 2.11 and 2.15. Each Lender shall be entitled to fund and maintain its funding of all or any part of its Eurodollar Loans in any manner it sees fit, but all such determinations hereunder shall be made as if each Lender had actually funded and maintained its Eurodollar Loans during the applicable Interest Period through the purchase of deposits in an amount equal to its pro rata share of the Eurodollar Loans having a maturity corresponding to such Interest Period. Any Lender may fund its pro rata share of the Eurodollar Loans from any branch or office of such Lender as such Lender may choose from time to time, subject to Section 2.17.

2.13 TAXES; NET PAYMENTS.

(a) Any and all payments by or on account of any obligation of any Loan Party hereunder and under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes, PROVIDED that, if such Loan Party shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that, after making all required deductions (including deductions applicable to additional sums payable under this Section), the applicable Credit Party receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Loan Party shall make such deductions and (iii) such Loan Party shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Loan Parties shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

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(c) Each Loan Party shall indemnify each Credit Party, within ten days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by such Credit Party on or with respect to any payment by or on account of any obligation of such Loan Party under the Loan Documents (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Credit Party, or by the Administrative Agent on its own behalf or on behalf of a Credit Party, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the relevant Loan Party is located, or any treaty to which such jurisdiction is a party, with respect to payments under the Loan Documents shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

2.14 CAPITAL ADEQUACY.

If the amount of capital required or expected to be maintained by any Lender, the Issuing Bank or any Person directly or indirectly owning or controlling such Lender or the Issuing Bank (each a "CONTROL PERSON"), shall be affected by

(a) the introduction or phasing in of any law, rule or regulation after the Original Effective Date,

(b) any change after the Original Effective Date in the interpretation of any existing law, rule or regulation by any central bank or United States or foreign Governmental Authority charged with the administration thereof, or

(c) compliance by such Lender, the Issuing Bank or such Control Person with any directive, guideline or request from any central bank or United

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States or foreign Governmental Authority (whether or not having the force of law) promulgated or made Original Effective Date,

and such Person shall have determined that such introduction, phasing in, change or compliance shall have had or will thereafter have the effect of reducing (i) the rate of return on its capital, or (ii) the asset value to such Lender, the Issuing Bank or such Control Person of the Loans made or maintained by such Lender, the Letters of Credit issued or maintained by the Issuing Bank or the Reimbursement Obligations or any participation therein owed to the Issuing Bank or any Lender to a level below that which such Lender, the Issuing Bank or such Control Person could have achieved or would thereafter be able to achieve but for such introduction, phasing in, change or compliance (after taking into account such Lender's, the Issuing Bank's or such Control Person's policies regarding capital), in either case by an amount which it deems material, then, within ten days after demand by such Lender or the Issuing Bank, the Borrower shall pay to such Lender, the Issuing Bank or such Control Person, as the case may be, such additional amount or amounts as shall be sufficient to compensate such Lender, the Issuing Bank or such Control Person, as the case may be, for such reduction on an after-tax basis.

2.15 SUBSTITUTED INTEREST RATE.

In the event that (i) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that by reason of circumstances affecting the interbank eurodollar market either adequate and reasonable means do not exist for ascertaining the Eurodollar Rate applicable pursuant to Section 2.6 or (ii) in the event that any Lender shall have notified the Administrative Agent that it has determined (which determination shall be conclusive and binding on the Borrower) that the applicable Eurodollar Rate will not adequately and fairly reflect the cost to such Lender of maintaining or funding loans bearing interest based on such Eurodollar Rate, with respect to a proposed Loan that the Borrower has requested be made as a Eurodollar Loan, or a Eurodollar Loan that will result from the requested conversion of any Loan into a Eurodollar Loan (any such Loan being herein called an "AFFECTED LOAN"), the Administrative Agent shall promptly notify the Borrower and the Lenders (by telephone or otherwise) of such determination, confirmed in writing, on or prior to the requested Borrowing Date for such Affected Loan or the requested conversion date of such Loan. If the Administrative Agent shall give such notice, (a) any requested Affected Loan shall be made as an ABR Loan, (b) any Loan that was to have been converted to an Affected Loan shall be converted to or continued as an ABR Loan and (c) any outstanding Affected Loan shall be converted, on the last day of the then current Interest Period with respect thereto, to an ABR Loan. Until any such notice under clause (i) of this Section 2.15 has been withdrawn by the Administrative Agent (by notice to the Borrower promptly upon the Administrative Agent's having determined that such circumstances affecting the interbank eurodollar market no longer exist and that adequate and

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reasonable means do exist for determining the Eurodollar Rate pursuant to Section 2.6) no further Eurodollar Loans shall be made by the Lenders nor shall the Borrower have the right to convert any Loans to Eurodollar Loans. Until any

such notice under clause (ii) of this Section 2.15 has been withdrawn by the Administrative Agent (by notice to the Borrower promptly upon the Administrative Agent's having been notified by such Lender that circumstances no longer render any Loan an Affected Loan), no further Eurodollar Loans shall be required to be made by such Lender nor shall the Borrower have the right to convert any Loan of such Lender to a Eurodollar Loan of such Lender.

2.16 TRANSACTION RECORD.

The Administrative Agent's records regarding the amount of each Loan, each payment by the Borrower of principal and interest on the Loans, each Letter of Credit and other information relating to the Loans and Letters of Credit shall be presumed correct absent manifest error.

2.17 CERTIFICATES OF PAYMENT AND REIMBURSEMENT; OTHER PROVISIONS REGARDING YIELD PROTECTION.

(a) In connection with any request by a Lender or the Issuing Bank for payment or reimbursement pursuant to Section 2.9, 2.10, 2.11, 2.14 or 2.15, such Lender or the Issuing Bank, as the case may be, shall provide the Borrower with a certificate, signed by an officer, setting forth a description, in reasonable detail, of any such payment or reimbursement. Each determination by a Lender or the Issuing Bank of such amount or amounts owed by the Borrower to it under any such Section shall be presumed correct absent manifest error, and shall be made without duplication as to any other amounts owing by the Borrower to it under Section 2.9, 2.10, 2.11, 2.14 or 2.15.

(b) In the event that any amount is owed by the Borrower to any Lender pursuant to Section 2.9, 2.10, 2.11, 2.14 or 2.15 and an assignment by such Lender of its rights and a delegation and transfer of its obligations hereunder to another office or branch of such Lender would cause such amount to cease to be owed by the Borrower, then such Lender shall make reasonable efforts (which shall not in any event require such Lender to incur a loss or otherwise suffer any disadvantage) to make an assignment of its rights and a delegation and transfer of its obligations hereunder to such other office or branch, so long as such assignment and delegation will not cause other amounts to be owed by the Borrower under Section 2.9, 2.10, 2.11, 2.14 or 2.15 and so long as the Lender shall be permitted under applicable law to make and maintain Eurodollar Loans after giving effect to such assignment and delegation.

(c) The obligations of the Borrower under Sections 2.9, 2.10, 2.11, 2.14 and 2.15 shall survive any termination of this Agreement, the expiration of the RC

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Commitments and the payment of all indebtedness of the Borrower hereunder and under the Loan Documents.

2.18 LETTER OF CREDIT SUB-FACILITY.

(a) Subject to the terms and conditions hereof and the payment by the Borrower to the Issuing Bank of such fees as the Borrower and the Issuing Bank shall have agreed in writing, the Issuing Bank agrees, in reliance on the agreement of the other Lenders set forth in Section 2.19, to issue standby letters of credit (each a "LETTER OF CREDIT" and, collectively, the "LETTERS OF CREDIT") during the RC Commitment Period for the account of the Borrower, PROVIDED that immediately after the issuance of each Letter of Credit (i) the Letter of Credit Exposure of all Lenders shall not exceed the Letter of Credit Commitment, and (ii) the sum of the aggregate outstanding RC Loans and the Letter of Credit Exposure of all Lenders shall not exceed the RC Commitments. Each Letter of Credit shall have an expiration date which shall be not later than the earlier to occur of one year from the date of issuance or last extension thereof or one Business Day prior to the RC Commitment Termination Date. No Letter of Credit shall be issued if the Administrative Agent, or any Lender by notice to the Administrative Agent and the Issuing Bank no later than 3:00 P.M. one Business Day prior to the requested date of issuance of such Letter of Credit, shall have determined that the applicable conditions set forth in Section 5 have not been satisfied.

(b) Each Letter of Credit shall be issued for the account of the Borrower. The Borrower shall give the Administrative Agent and the Issuing Bank a Letter of Credit Request for the issuance of each Letter of Credit no later than 1:00 P.M. at least three Business Days prior to the requested date of issuance. Such Letter of Credit Request shall be accompanied by the Issuing Bank's standard Application and Agreement for Standby Letter of Credit (each a "REIMBURSEMENT AGREEMENT") executed by the Borrower, and shall specify (i) the beneficiary of such Letter of Credit and the obligations of the Borrower in respect of which such Letter of Credit is to be issued, (ii) the Borrower's proposal as to the conditions under which a drawing may be made under such Letter of Credit and the documentation to be required in respect thereof, (iii) the maximum amount to be available under such Letter of Credit and (iv) the requested date of issuance. Upon receipt of such Letter of Credit Request from the Borrower, the Administrative Agent shall promptly notify each Lender

thereof. The Issuing Bank shall, on the proposed date of issuance and subject to the other terms and conditions of this Agreement, issue the requested Letter of Credit. Each Letter of Credit shall be in a minimum amount of \$1,000,000 (or such lesser amount as is acceptable to the Issuing Bank) and be in form and substance reasonably satisfactory to the Issuing Bank, with such provisions with respect to the conditions under which a drawing may be made thereunder and the documentation required in respect of such drawing as the Issuing Bank shall reasonably require. Each Letter of Credit shall be used solely for the purposes described therein.

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(c) Each payment by the Issuing Bank of a draft drawn under a Letter of Credit shall give rise to the obligation of the Borrower to immediately reimburse the Issuing Bank for the amount thereof. The Issuing Bank shall promptly notify the Borrower of such payment by the Issuing Bank of a draft drawn under a Letter of Credit, but any failure to so notify shall not in any manner affect the obligation of the Borrower to make reimbursement when due. In lieu of such notice, if the Borrower has not made reimbursement prior to the end of the Business Day when due, the Borrower hereby irrevocably authorizes the Issuing Bank to deduct the amount of any such reimbursement from any account(s) of the Borrower maintained with the Issuing Bank, upon which the Issuing Bank shall apply the amount of such deduction to such reimbursement. If all or any portion of any reimbursement obligation in respect of a Letter of Credit shall not be paid when due (whether at the stated maturity thereof, by acceleration or otherwise), such overdue amount shall bear interest, payable upon demand, at a rate per annum equal to the Alternate Base Rate plus the Applicable Margin applicable to ABR Loans plus 2% (calculated in the same manner as ABR Loans), from the date of such nonpayment until paid in full (whether before or after the entry of a judgment thereon).

2.19 LETTER OF CREDIT PARTICIPATION.

(a) Each Lender hereby unconditionally and irrevocably, severally (and not jointly) takes an undivided participating interest in the obligations of the Issuing Bank under and in connection with each Letter of Credit in an amount equal to such Lender's RC Commitment Percentage of the amount of such Letter of Credit. Each Lender shall be liable to the Issuing Bank for its RC Commitment Percentage of the unreimbursed amount of any draft drawn and honored under each Letter of Credit. Each Lender shall also be liable for an amount equal to the product of its RC Commitment Percentage and any amounts paid by the Borrower pursuant to Sections 2.18 and 2.20 that are subsequently rescinded or avoided, or must otherwise be restored or returned. Such liabilities shall be unconditional and without regard to the occurrence of any Default or Event of Default or the compliance by the Borrower with any of its obligations under the Loan Documents.

(b) The Issuing Bank shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify each Lender (which notice shall be promptly confirmed in writing), of the date and the amount of each draft paid under each Letter of Credit with respect to which full reimbursement payment shall not have been made by the Borrower as provided in Section 2.18(c), and forthwith upon receipt of such notice, such Lender shall promptly make available to the Administrative Agent for the account of the Issuing Bank its RC Commitment Percentage of the amount of such unreimbursed draft at the office of the Administrative Agent specified in Section 11.2 in lawful money of the United States and in immediately available funds. The Administrative Agent shall distribute the payments made by each Lender pursuant to the immediately preceding sentence to the Issuing Bank promptly upon receipt thereof in like

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funds as received. Each Lender shall indemnify and hold harmless the Administrative Agent and the Issuing Bank from and against any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) resulting from any failure on the part of such Lender to provide, or from any delay in providing, the Administrative Agent with such Lender's RC Commitment Percentage of the amount of any payment made by the Issuing Bank under a Letter of Credit in accordance with this subsection (b) above (except in respect of losses, liabilities or other obligations suffered by the Administrative Agent or the Issuing Bank, as the case may be, resulting from the gross negligence or willful misconduct of the Administrative Agent or the Issuing Bank, as the case may be). If a Lender does not make available to the Administrative Agent when due such Lender's RC Commitment Percentage of any unreimbursed payment made by the Issuing Bank under a Letter of Credit, such Lender shall be required to pay interest to the Administrative Agent for the account of the Issuing Bank on such Lender's RC Commitment Percentage of such payment at a rate of interest per annum equal to (i) from the date such Lender should have made such amount available until the third day therefrom, the Federal Funds Effective Rate, and (ii) thereafter, the Federal Funds Effective Rate plus 2%, in each case payable upon demand by the Issuing Bank. The Administrative Agent shall distribute such interest payments to the Issuing Bank upon receipt thereof in like funds as received.

(c) Whenever the Administrative Agent is reimbursed by the Borrower, for the account of the Issuing Bank, for any payment under a Letter of Credit and such payment relates to an amount previously paid by a Lender in respect of its RC Commitment Percentage of the amount of such payment under such Letter of Credit, the Administrative Agent (or the Issuing Bank, if such payment by a Lender was paid by the Administrative Agent to the Issuing Bank) will promptly pay over such payment to such Lender.

2.20 ABSOLUTE OBLIGATION WITH RESPECT TO LETTER OF CREDIT PAYMENTS.

(a) The Borrower's obligation to reimburse the Issuing Bank for each payment under or in respect of each Letter of Credit shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Borrower may have or have had against the beneficiary of such Letter of Credit, the Administrative Agent, the Issuing Bank, any Lender or any other Person, including, without limitation, any defense based on the failure of any drawing to conform to the terms of such Letter of Credit, any drawing document proving to be forged, fraudulent or invalid, or the legality, validity, regularity or enforceability of such Letter of Credit, PROVIDED, however, that, with respect to any Letter of Credit, the foregoing shall not relieve the Issuing Bank of any liability it may have to the Borrower for any actual damages sustained by the Borrower arising from a wrongful payment (or failure to pay)

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under such Letter of Credit made as a result of the Issuing Bank's gross negligence or willful misconduct.

3. FEES; PAYMENTS

3.1 FEES.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a fee (the "COMMITMENT FEE") during the RC Commitment Period, payable quarterly in arrears on the last day of each March, June, September and December of each year, commencing on the first such date following the Original Effective Date, and on the RC Commitment Termination Date, on the average daily excess of (i) the RC Commitment of such Lender, over (ii) the aggregate outstanding principal balance of the RC Loans of such Lender plus its Letter of Credit Exposure, at a rate per annum equal to (a) at all times when the Total Leverage Ratio is greater than or equal to 4.50:1.00, 0.500% (or 0.625% if Total Facility Usage is less than 0.50) and (b) at all times when the Total Leverage Ratio is less than 4.50:1.00, 0.375% (or 0.500% if Total Facility Usage is less than 0.50). The Commitment Fee shall be computed on the basis of a 360-day year for the actual number of days elapsed.

(b) Solely for purposes of calculating the Commitment Fee, changes in the Total Leverage Ratio, as evidenced by a Compliance Certificate delivered to the Administrative Agent pursuant to Section 7.1(d), a Borrowing Request or Letter of Credit Request delivered to the Administrative Agent pursuant to Section 5.2(c) or a notice of prepayment pursuant to Section 2.5(a) (in the case of a Borrowing Request, Letter of Credit Request and notice of prepayment resulting in a net increase or decrease, as applicable, in the aggregate outstanding RC Loans and Letter of Credit Exposure of all Lenders on any Business Day of \$10,000,000 or more) in each case evidencing such a change, shall become effective upon (i) in the case of the delivery of a Compliance Certificate, the first Business Day following the delivery of (x) such Compliance Certificate and (y) the applicable financial statements required to be delivered pursuant to Section 7.1(a) or (c), as the case may be, and (ii) in the case of the delivery of a Borrowing Request, Letter of Credit Request or notice of prepayment, the Borrowing Date or the prepayment date, as the case may be, applicable thereto. Solely for purposes of calculating the Commitment Fee, if the Borrower shall fail to deliver a Compliance Certificate within 60 days after the end of each of the first three fiscal quarters, or within 105 days after the end of the last fiscal quarter, of each fiscal year (each a "CERTIFICATE DELIVERY DATE"), the Total Leverage Ratio from and including such certificate delivery date to the date of delivery by the Borrower to the Administrative Agent of such Compliance Certificate shall be conclusively presumed to be greater than 4.50:1.00.

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(c) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a fee (the "LETTER OF CREDIT FEE") with respect to the Letters of Credit during the period commencing on the Original Effective Date and ending on the RC Commitment Termination Date or, if later, the date when the Letter of Credit Exposure of all Lenders is \$0, payable quarterly in arrears on the last day of each March, June, September and December of each year, commencing on the first such date following the Original Effective Date, on the RC Commitment Termination Date and on the last date of such period, on such Lender's RC Commitment Percentage of the average daily aggregate amount which may be drawn under the Letters of Credit during such period (whether or

not the conditions for drawing thereunder have or may be satisfied) multiplied by a rate per annum equal to the Applicable Margin for Eurodollar Loans during such period. The Letter of Credit Fee shall be computed on the basis of a 360-day year for the actual number of days elapsed.

3.2 PRO RATA TREATMENT AND APPLICATION OF PAYMENTS.

All payments (including prepayments) made by the Borrower to the Administrative Agent on account of principal of or interest on the RC Loans shall be made pro rata according to the outstanding principal amount of each Lender's RC Loans. All payments by the Borrower shall be made without set-off or counterclaim and shall be made prior to 1:00 P.M. on the date such payment is due, to the Administrative Agent for the account of the Lenders, at the Administrative Agent's office specified in Section 11.2, in each case in lawful money of the United States of America and in immediately available funds, and, as between the Borrower and the Lenders, any payment by the Borrower to the Administrative Agent for the account of the Lenders shall be deemed to be payment by the Borrower to the Lenders. The failure of the Borrower to make any such payment by 1:00 P.M. on such due date shall not constitute a Default or Event of Default hereunder, PROVIDED that such payment is made on such due date, but any such payment received by the Administrative Agent on any Business Day after 1:00 P.M. shall be deemed to have been received on the immediately succeeding Business Day for the purpose of calculating any interest payable in respect thereof. The Administrative Agent agrees promptly to notify the Borrower if it shall receive any such payment after 1:00 P.M. on the due date hereof, PROVIDED that the failure of the Administrative Agent to give such prompt notice shall in no way affect the Borrower's obligation to make any payment hereunder on the date such payment is due. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. Unless otherwise set forth in the definition of "Interest Period", if any payment hereunder or on any Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate or rates during such extension.

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4. REPRESENTATIONS AND WARRANTIES

In order to induce the Administrative Agent, the Issuing Bank and the Lenders to enter into this Agreement and to make Loans, and in order to induce the Issuing Bank to issue Letters of Credit and the Lenders to participate therein, the Borrower hereby makes the following representations and warranties to the Administrative Agent, the Issuing Bank and to each Lender:

4.1 SUBSIDIARIES.

As of the Second Restatement Date, the Borrower has only the Subsidiaries set forth in Schedule 4.1, which Schedule sets forth the name, jurisdiction of incorporation or organization and capitalization of each Subsidiary. Except as set forth in Schedule 4.1, the shares of each corporate Subsidiary owned by the Borrower are duly authorized, validly issued, fully paid and nonassessable. The shares of each Subsidiary are owned free and clear of any Liens, except (i) Liens in favor of the Administrative Agent and the Lenders pursuant to the Collateral Documents and (ii) Permitted Liens.

4.2 CORPORATE EXISTENCE AND POWER.

Each of the Borrower and each Subsidiary is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, has all requisite corporate power and authority to own its Property and to carry on its business as now conducted, and, except as provided in Schedule 4.2 (none of which exceptions individually or in the aggregate could reasonably be expected to have a Material Adverse Effect), is in good standing and authorized to do business in each jurisdiction in which the failure to be so authorized could reasonably be expected to have a Material Adverse Effect. Schedule 4.2 sets forth, with respect to each Loan Party not in good standing, the jurisdiction in which such Loan Party is not in good standing and the reason therefor.

4.3 AUTHORITY.

The Borrower and each other Loan Party has full power and authority to enter into, execute, deliver and carry out the terms of the Transaction Documents to which it is a party, to make the borrowings contemplated hereby, to execute, deliver and carry out the terms of the Notes and to incur the obligations provided for herein and therein, all of which have been duly authorized by all proper and necessary action and are in full compliance with its certificate of incorporation and by-laws.

4.4 GOVERNMENTAL AUTHORITY APPROVALS.

No consent, authorizations or approval of, filing with, notice to, or exemption by, stockholders, any Governmental Authority or any other Person (except for

those which have been obtained, made or given and those which will be obtained, made or given prior to the Second Restatement Date) is required to authorize, or is required in connection with the execution, delivery and performance of the Transaction Documents, or is required as a condition to the validity or, except as expressly set forth in the Collateral Documents with respect to the FCC, the enforceability of the Transaction Documents. Except as set forth in the preceding sentence, no provision of any applicable statute, law (including, without limitation, any applicable usury or similar law), rule or regulation of any Governmental Authority will prevent the execution, delivery or performance of, or affect the validity of, the Transaction Documents.

4.5 BINDING AGREEMENT.

The Transaction Documents constitute the valid and legally binding obligations of the Borrower and each other Loan Party to which it is a party, enforceable in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally.

4.6 LITIGATION.

(a) Except as set forth in Schedule 4.6, there are no actions, suits, arbitration proceedings or claims (whether or not purportedly on behalf of the Borrower or any Subsidiary) pending or, to the knowledge of the Borrower, threatened against the Borrower or any Subsidiary, or maintained by the Borrower or any Subsidiary, at law or in equity, before any Governmental Authority which could reasonably be expected to have a Material Adverse Effect. There are no proceedings pending or, to the knowledge of the Borrower, threatened against the Borrower or any Subsidiary which call into question the validity or enforceability of any of the Transaction Documents.

(b) Since the Second Restatement Date, there has been no change in the status of the matters disclosed on Schedule 4.6 that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

4.7 NO CONFLICTING AGREEMENTS.

Except as set forth in Schedule 4.7, neither the Borrower nor any Subsidiary is in default under any mortgage, indenture, contract, agreement, judgment, decree or order to which it is a party or by which it or any of its Property is bound, which defaults, taken as a whole, could reasonably be expected to have a Material Adverse Effect. Except for any Lien created by any Loan Document, the execution, delivery or carrying out of the terms of the Transaction Documents will not constitute a default under, conflict with, require any consent under (other than consents which have been obtained) or result in the creation or imposition of, or obligation to create, any Lien upon

the Property of the Borrower or any Subsidiary pursuant to the terms of any such mortgage, indenture, contract, agreement, judgment, decree or order, which defaults, conflicts and consents, if not obtained, taken as a whole, could reasonably be expected to have a Material Adverse Effect.

4.8 TAXES.

Except as set forth in Schedule 4.8, the Borrower and each Subsidiary has filed or caused to be filed all tax returns required to be filed and has paid, or has made adequate provision for the payment of, all Taxes shown to be due and payable on said returns or in any assessments made against it which would be material to the Borrower or any Subsidiary, and no tax Liens (other than Permitted Liens) have been filed. Except as set forth in Schedule 4.8, the charges, accruals and reserves on the books of the Borrower and each Subsidiary with respect to all federal, state, local and other Taxes are, to the best knowledge of the Borrower, adequate, and the Borrower knows of no unpaid assessment which is due and payable against it or any Subsidiary or any claims being asserted which could reasonably be expected to have a Material Adverse Effect, except such thereof as are being contested in good faith and by appropriate proceedings diligently conducted, and for which adequate reserves have been set aside in accordance with GAAP.

4.9 COMPLIANCE WITH APPLICABLE LAWS.

Neither the Borrower nor any Subsidiary is in default with respect to any judgment, order, writ, injunction, decree or decision of any Governmental Authority which default could reasonably be expected to have a Material Adverse Effect. The Borrower and each Subsidiary is complying in all material respects with all applicable statutes and regulations, including ERISA, of all Governmental Authorities, a violation of which could reasonably be

expected to have a Material Adverse Effect.

4.10 GOVERNMENTAL REGULATIONS.

Neither the Borrower nor any Subsidiary is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act or the Investment Company Act of 1940, and neither the Borrower nor any Subsidiary is subject to any statute or regulation which prohibits or restricts the incurrence of Indebtedness under the Loan Documents, including, without limitation, statutes or regulations relative to common or contract carriers or to the sale of electricity, gas, steam, water, telephone, telegraph or other public utility services.

4.11 PROPERTY; BROADCASTING BUSINESS.

(a) The Borrower and each Subsidiary has good and, except with respect to FCC licenses which cannot be transferred without the consent of the applicable

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Governmental Authority, marketable title to all of its Property, title to which is material to the Borrower and the Subsidiaries taken as a whole, subject to no Liens, except Liens in favor of the Administrative Agent and the Lenders pursuant to the Collateral Documents and Permitted Liens.

(b) The Borrower and the Subsidiaries are the registered holders of all licenses duly issued by the FCC in respect of all Broadcasting Stations owned and operated by the Borrower and each Subsidiary. Such licenses constitute all of the authorizations by the FCC or any other Governmental Authority necessary for the operation of the business of the Borrower and each Subsidiary substantially in the manner presently being conducted by it, and such licenses are validly issued and in full force and effect, unimpaired by any act or omission by the Borrower or such Subsidiary. To the best of the Borrower's knowledge, except as set forth in Schedule 4.11(b), neither the Borrower nor any Subsidiary is a party to any investigation, notice of violation, order or complaint issued by or before the FCC which could reasonably be expected to have a Material Adverse Effect. Except for such proceedings that affect the radio broadcasting industry generally and as set forth in Schedule 4.11(b), there are no proceedings by or before the FCC, which could in any manner materially threaten or adversely affect the validity of any of such licenses. Neither the Borrower nor any Subsidiary has knowledge of a threat of any investigation, notice of violation, order, complaint or proceeding before the FCC which could reasonably be expected to have a Material Adverse Effect or has any reason to believe that any of such licenses will not be renewed in the ordinary course.

(c) Schedule 4.11(c) sets forth the address of each real property that is owned or leased by the Borrower or any Subsidiary as of the Second Restatement Date after giving effect to the Transactions and specifies each thereof, the fair market value of which is greater than or equal to \$2,000,000.

4.12 FEDERAL RESERVE REGULATIONS; USE OF PROCEEDS.

Neither the Borrower nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock. No part of the proceeds of the Loans or Letters of Credit will be used, directly or indirectly, to purchase or carry any Margin Stock or for a purpose which violates any law, rule or regulation of any Governmental Authority, including without limitation the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System, as amended.

4.13 NO MISREPRESENTATION.

No representation or warranty contained herein and no certificate or report furnished or to be furnished by the Borrower or any Subsidiary in connection with the transactions contemplated hereby, contains or will contain a misstatement of material

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fact, or, to the best knowledge of the Borrower or any Subsidiary omits or will omit to state a material fact required to be stated in order to make the statements herein or therein contained not misleading in the light of the circumstances under which made.

4.14 PLANS.

The Borrower and each Subsidiary have only the Plans listed in Schedule 4.14. Each Single Employer Plan and, to the best knowledge of the Borrower, each Multiemployer Plan is in compliance in all material respects with the applicable provisions of ERISA and the Code, and the Borrower and each

Subsidiary have filed all reports required to be filed by them under ERISA and the Code with respect to each such Plan. The Borrower and each Subsidiary have met all material requirements imposed by ERISA and the Code with respect to the funding of all Plans, including Multiemployer Plans. Since the effective date of ERISA, there have not been, nor are there now existing, any events or conditions which would permit any Single Employer Plan or, to the best knowledge of the Borrower, Multiemployer Plan to be terminated under circumstances which would cause the Lien provided under Section 4068 of ERISA to attach to the Property of the Borrower or any Subsidiary. Since the effective date of ERISA, no Reportable Event which may constitute grounds for the termination of any Single Employer Plan or, to the best knowledge of the Borrower, Multiemployer Plan under Title IV of ERISA has occurred and no Single Employer Plan or Multiemployer Plan has been terminated in whole or in part.

4.15 FCC MATTERS.

The Borrower and each Subsidiary (i) have duly and timely filed all filings which are required to be filed by the Borrower and each Subsidiary under the Communications Act and the rules and regulations of the FCC, the failure to file of which could reasonably be expected to have a Material Adverse Effect, and (ii) are in all respects in compliance with the Communications Act, including, without limitation, the rules and regulations of the FCC relating to the transmission of radio signals, the failure to comply of which could reasonably be expected to have a Material Adverse Effect.

4.16 BURDENSOME OBLIGATIONS.

Neither the Borrower nor any Subsidiary is a party to or bound by any franchise, agreement, deed, lease or other instrument, or subject to any corporate restriction which, in the opinion of the management of the Borrower, is so unusual or burdensome, in the context of the Borrower's or such Subsidiary's business, as in the foreseeable future could reasonably be expected to have a Material Adverse Effect. The Borrower does not presently anticipate that future expenditures needed to meet the provisions of federal or state statutes, orders, rules or regulations will be so burdensome as to have a Material Adverse Effect.

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4.17 FINANCIAL STATEMENTS.

(a) The Parent has heretofore furnished to the Credit Parties the Parent's (i) Form 10-K for the fiscal year ended December 31, 1999 containing (x) the annual audited Consolidated Balance Sheets of the Parent and its Subsidiaries as of December 31, 1999, together with the related Consolidated Statements of Operations, Shareholders' Equity and Cash Flows for the period then ended, reported on by the Accountants, and (y) the unaudited Consolidating Balance Sheets of the Parent and its Subsidiaries as of December 31, 1999, together with the related Consolidating Statements of Operations, and (ii) Form 10-Q for the fiscal quarter ended March 31, 2000 containing (x) the unaudited Consolidated Balance Sheets of the Parent and its Subsidiaries as of March 31, 2000, together with the related Consolidated Statements of Operations for the periods then ended and (y) the unaudited Consolidating Balance Sheets of the Parent and its Subsidiaries as of March 31, 2000, together with the related Consolidating Statements of Operations, each certified by its chief financial officer. The foregoing financial statements fairly present, in all material respects, the Consolidated and Consolidating financial condition and results in the operations of the Parent and its Subsidiaries as of the dates and for the periods indicated therein and have been prepared in conformity with GAAP and are consistent with the books and records of the Parent (which books and records are correct and complete), subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Except as reflected in such financial statements or in the footnotes thereto, neither the Parent nor any of its Subsidiaries has any obligation or liability of any kind (whether fixed, accrued, contingent, unmatured or otherwise) which, in accordance with GAAP, should have been shown on such financial statements and was not. Since December 31, 1999, there has been no Material Adverse Change.

4.18 ENVIRONMENTAL MATTERS.

(a) Except as set forth in Schedule 4.18, neither the Borrower nor any Subsidiary (i) has received written notice or otherwise learned of any claim, demand, action, event, condition, report or investigation indicating or concerning any potential or actual liability which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect arising in connection with (x) any noncompliance with or violation of the requirements of any Environmental Law, or (y) the release or threatened release of any toxic or hazardous waste, substance or constituent, or other substance into the environment, (ii) to the best knowledge of the Borrower, has any threatened or actual liability in connection with the release or threatened release of any toxic or hazardous waste, substance or constituent, or other substance into the environment which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, (iii) has received notice of any federal or

state investigation evaluating whether any remedial action is needed to respond to a release or threatened release of any toxic or

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hazardous waste, substance or constituent or other substance into the environment for which the Borrower or any Subsidiary is or may be liable which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, or (iv) has received notice that the Borrower or any Subsidiary is or may be liable to any Person under any Environmental Law which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect. The Borrower and each of its Subsidiaries is in compliance in all material respects with the financial responsibility requirements of all Environmental Laws to the extent applicable, including, without limitation, those contained in 40 C.F.R., parts 264 and 265, subpart H, and any analogous state law.

(b) Since the Second Restatement Date, there has been no change in the status of the matters disclosed on Schedule 4.18 that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

5. CONDITIONS OF EFFECTIVENESS AND LENDING

5.1 EFFECTIVENESS.

The effectiveness of this Agreement is subject to the prior or simultaneous fulfillment of the following conditions precedent:

(a) EVIDENCE OF CORPORATE OR OTHER ACTION. The Administrative Agent shall have received a certificate, dated the Third Restatement Date, of the Secretary or an Assistant Secretary of each of the Parent, the Borrower and each other Loan Party (i) attaching a true and complete copy of the resolutions of its Board of Directors or other authorizing documents and of all documents evidencing all necessary corporate or other action (in form and substance reasonably satisfactory to the Administrative Agent) taken by it to authorize the Third Restatement Transaction Documents to which it is a party and the transactions contemplated thereby, (ii) attaching a true and complete copy of its certificate of incorporation and by-laws or other organizational documents, and (iii) setting forth the incumbency of its officer or officers who may sign such Third Restatement Transaction Documents, including therein a signature specimen of such officer or officers.

(b) THIRD RESTATEMENT TRANSACTION DOCUMENTS. The Administrative Agent shall have received each of the following:

(i) counterparts of this Agreement duly executed by the Borrower and the Required Lenders;

(ii) the Parent Guaranty, duly executed on behalf of the Parent and the Borrower by an Authorized Signatory thereof;

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(iii) the Supplement, dated as of the Third Restatement Date, to the Subsidiary Guaranty, duly executed on behalf of Acquisition Corp. and each of its Subsidiaries by an Authorized Signatory thereof, together with:

(1) one or more share certificates, representing all of the issued and outstanding Stock of each of the Subsidiaries of Acquisition Corp., together with undated stock powers, duly executed in blank on behalf of the record and beneficial owner thereof by an Authorized Signatory thereof;

(2) all documents evidencing intercompany Indebtedness owing to Acquisition Corp. or any of its Subsidiaries; and

(3) such financing statements or amendments thereto, recordations and other documents with respect thereto as the Administrative Agent or Special Counsel may request for the purpose of perfecting the Liens granted thereunder, and all filing fees and Taxes in connection therewith shall have been paid or otherwise provided for and the Administrative Agent and Special Counsel shall have received satisfactory evidence thereof.

(c) BRIDGE LOAN TERMINATION. The Bridge Loans shall have been paid in full and all obligations of the Parent, Acquisition Corp. and each of its Subsidiaries under the Bridge Loan Documents shall have been paid in full, and in connection therewith: (i) all commitments thereunder shall have been terminated, (ii) all Liens thereunder shall have been terminated, (iii) each of the Bridge Loan Documents shall have been terminated, (iv) each of the Parent,

Acquisition Corp. and its Subsidiaries shall have been released thereunder and (v) the Administrative Agent shall have received one or more share certificates, representing all of the issued and outstanding Stock of each of the Borrower and Acquisition Corp., together with undated stock powers, duly executed in blank on behalf of the record and beneficial owner thereof by an Authorized Signatory thereof, in each case in a manner satisfactory to the Administrative Agent, and the Administrative Agent shall have received a certificate of the Parent, dated the Third Restatement Date, signed by an Authorized Signatory thereof, to such effect.

(d) OPINION OF COUNSEL TO THE PARENT AND ITS SUBSIDIARIES. The Administrative Agent shall have received an opinion of the General Counsel of the Parent and its Subsidiaries, addressed to the Administrative Agent and the other Credit Parties and dated the Third Restatement Date, in form and substance satisfactory to the Administrative Agent. It is understood that such opinion is being delivered to the Administrative Agent and the other Credit Parties upon the direction of the Parent and the other Loan Parties and that the Administrative Agent and the other Credit Parties may and will rely upon such opinion.

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(e) NO DEFAULT OR EVENT OF DEFAULT. The Administrative Agent shall have received a certificate of the Parent and the Borrower, signed by an Authorized Signatory thereof, certifying that on the Third Restatement Date, both immediately before and after giving effect to this Agreement, (i) no Default or Event of Default shall exist and (ii) all representations and warranties contained in the Loan Documents, as amended by the Third Restatement Transaction Documents, shall be true and correct in all respects with the same effect as though such representations and warranties had been made on the Third Restatement Date.

(f) OTHER DOCUMENTS. The Administrative Agent shall have received such other documents as the Administrative Agent shall reasonably require in connection with the effectiveness of this Agreement.

5.2 ALL LOANS AND LETTERS OF CREDIT.

The obligation of the Lenders to make any Loan on a Borrowing Date, and the obligation of the Issuing Bank to issue a Letter of Credit on a Borrowing Date, is subject to the satisfaction of the following conditions precedent as of the date of such Loan or Letter of Credit:

(a) COMPLIANCE. On each Borrowing Date and after giving effect to the Loans or Letter of Credit to be made or issued thereon, (i) the Loan Parties shall be in compliance with all of the terms, covenants and conditions of the Loan Documents, (ii) there shall exist no Default or Event of Default, (iii) the representations and warranties contained in the Loan Documents shall be true and correct with the same effect as though such representations and warranties had been made on such Borrowing Date, except as the context otherwise requires, except as otherwise permitted or contemplated by this Agreement, and except such matters relating thereto as are indicated in each Borrowing Request which shall be reasonably satisfactory to the Administrative Agent and the Required Lenders, and (iv) there shall have occurred no Material Adverse Change since December 31, 1999. Each borrowing by the Borrower and each issuance of a Letter of Credit shall constitute a certification by the Borrower as of the date of such borrowing or issuance that each of the foregoing matters is true and correct in all respects.

(b) LOAN CLOSINGS. All documents required by the provisions of this Agreement to be executed or delivered to the Administrative Agent on or before the applicable Borrowing Date shall have been executed and shall have been delivered at the office of the Administrative Agent set forth in Section 11.2 on or before such Borrowing Date.

(c) BORROWING REQUEST OR LETTER OF CREDIT REQUEST. The Administrative Agent shall have received a Borrowing Request or a Letter of Credit Request, as applicable, duly executed by an Authorized Signatory of the Borrower.

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(d) REIMBURSEMENT AGREEMENT. In connection with any Letter of Credit Request, the Issuing Bank shall have received a Reimbursement Agreement duly executed by an Authorized Signatory of the Borrower.

(e) APPROVAL OF COUNSEL. All legal matters in connection with the making of each Loan or issuance of such Letter of Credit shall be reasonably satisfactory to Special Counsel.

(f) OTHER DOCUMENTS. The Administrative Agent shall have received such other documents as the Administrative Agent shall reasonably request.

The Borrower covenants and agrees that on and after the Original Effective Date and until all obligations of the Borrower under the Notes and the other Loan Documents have been paid in full and all RC Commitments of the Lenders have been terminated and no obligations of the Administrative Agent, the Issuing Bank or any of the Lenders exist under any of the Loan Documents:

6.1 TOTAL LEVERAGE RATIO.

The Parent shall maintain at all times a Total Leverage Ratio not greater than the applicable ratio set forth below opposite the applicable period set forth below:

PERIODS	Ratio
Second Restatement Date through December 30, 2000	6.75:1.00
December 31, 2000 through December 30, 2001	6.50:1.00
December 31, 2001 through December 30, 2002	6.00:1.00
December 31, 2002 through December 30, 2003	5.50:1.00
December 31, 2003 through December 30, 2004	5.00:1.00
December 31, 2004 through December 30, 2005	4.50:1.00
December 31, 2005 and thereafter	4.00:1.00

6.2 CONSOLIDATED ANNUAL OPERATING CASH FLOW TO PRO-FORMA DEBT SERVICE.

The Parent shall maintain as at the end of each fiscal quarter a ratio of Consolidated Annual Operating Cash Flow to Pro-Forma Debt Service not less than 1.10:1.00.

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6.3 CONSOLIDATED ANNUAL OPERATING CASH FLOW TO INTEREST EXPENSE.

The Parent shall maintain as at the end of each fiscal quarter during the applicable periods set forth below a ratio of Consolidated Annual Operating Cash Flow to Interest Expense not less than the ratio set forth below opposite the applicable period set forth below:

PERIODS	Ratio
Second Restatement Date through March 30, 2002	1.75:1.00
March 31, 2002 through March 30, 2003	2.00:1.00
March 31, 2003 through March 30, 2004	2.25:1.00
March 31, 2004 and thereafter	2.50:1.00

6.4 CONSOLIDATED ANNUAL OPERATING CASH FLOW TO FIXED CHARGES.

Commencing with the fiscal quarter ending December 31, 2000, the Parent shall maintain as at the end of each fiscal quarter a ratio of Consolidated Annual Operating Cash Flow to Fixed Charges not less than 1.10:1.00.

6.5 SUBORDINATED INDENTURE DEBT TO OPERATING CASH FLOW RATIO.

The Borrower shall maintain at all times a Subordinated Indenture Debt to Operating Cash Flow Ratio not greater than 7.00:1.00.

7. AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that on and after the Original Effective Date and until all obligations of the Borrower under the Notes and the other Loan Documents have been paid in full and all RC Commitments have been terminated and no obligations of the Administrative Agent, the Issuing Bank or any of the Lenders exist under any of the Loan Documents or any Letter of Credit, the Borrower shall:

7.1 FINANCIAL STATEMENTS.

Maintain, and cause each Subsidiary to maintain, a standard system of accounting in accordance with GAAP, and furnish or cause to be furnished to the Administrative Agent and each Lender:

(a) As soon as available, but in any event within 105 days after the end of each fiscal year of the Borrower or the Parent, as applicable:

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(i) a copy of the Parent's Annual Report on Form 10-K in respect of such fiscal year, together with the financial statements required to be attached thereto,

(ii) to the extent required to be delivered pursuant to the Subordinated Indenture, a copy of the Consolidated balance sheets of the Borrower and its Subsidiaries as at the end of such fiscal year, together with the related Consolidated statements of operations, stockholders' equity and cash flows of the Borrower and its Subsidiaries as of and through the end of such fiscal year, and

(iii) the Consolidating balance sheets of the Parent and its Subsidiaries as at the end of such fiscal year, together with the related Consolidating statements of operations and shareholders' equity as of and through the end of such fiscal year, setting forth in each case, in comparative form, the Consolidating figures for the preceding fiscal year.

The Consolidated financial statements referred to in clause (i) and (ii) above shall be audited and certified without qualification by the Accountants, which certification shall (i) state that the examination by such Accountants in connection with such Consolidated financial statements has been made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances, (ii) include the opinion of such Accountants that such Consolidated financial statements have been prepared in accordance with GAAP in a manner consistent with prior fiscal periods, except as otherwise specified in such opinion. The Consolidating statements referred to in clause (iii) above shall be certified by the chief financial officer of the Parent or the Borrower, as applicable (or such other officer as shall be acceptable to the Administrative Agent), as being complete and correct in all material respects and as presenting fairly the Consolidating financial condition and the Consolidating results of operations of the Parent and its Subsidiaries or the Borrower and its Subsidiaries, as applicable.

(b) Simultaneously with the delivery of the certified Consolidated financial statements required by clause (a) above, copies of a certificate of such Accountants stating that, in making the examination necessary for their audit of such financial statements for such fiscal year, nothing came to their attention of an accounting nature that caused them to believe that the Borrower or the Parent, as applicable, was not in compliance with the terms, covenants, provisions, or conditions of this Agreement, including, without limitation, Sections 6.1, 6.2, 6.3, 6.4 and 6.5, or, if so, specifying in such certificate all such instances of noncompliance and the nature and status thereof.

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(c) As soon as available, but in any event not later than 60 days after the end of each of the first three quarterly accounting periods in each fiscal year of the Borrower or the Parent, as applicable:

(i) a copy of the Parent's Quarterly Report on Form 10-Q in respect of such fiscal quarter, together with the financial statements required to be attached thereto,

(ii) to the extent required to be delivered pursuant to the Subordinated Indenture, a copy of the Consolidated balance sheets of the Borrower and its Subsidiaries as at the end of each such quarterly period, together with the related Consolidated statements of operations and cash flows of the Borrower and its Subsidiaries as of and through the end of such fiscal quarter and for the elapsed portion of the fiscal year through such date; and

(iii) a copy of the Consolidating balance sheets of the Parent and its Subsidiaries as at the end of each such quarterly period, together with the related Consolidating statements of operations of the Parent and its Subsidiaries as of and through the end of such fiscal quarter and for the elapsed portion of the fiscal year through such date.

The statements referred to in clauses (i), (ii) and (iii) above shall be certified by the chief financial officer of the Parent or the Borrower, as applicable (or such other officer as shall be acceptable to the Administrative Agent), as being complete and correct in all material respects and as presenting fairly the Consolidated and Consolidating financial condition

and the Consolidated and Consolidating results of operations of the Parent and its Subsidiaries or the Borrower and its Subsidiaries, as applicable.

(d) Within 60 days after the end of each of the first three fiscal quarters (105 days after the end of the fourth fiscal quarter) of the Borrower, a Compliance Certificate as at the end of such fiscal quarter, certified by the chief financial officer of the Borrower (or such other officer as shall be acceptable to the Administrative Agent).

(e) Concurrently with the delivery of the financial statements referred to in Sections 7.1(a) and (c), a profile of each Broadcasting Station or other media asset, which shall include, but not be limited to, the call letters and location of each Broadcasting Station and management's estimate of the fair market value of each Broadcasting Station or other media asset and a management's discussion and analysis of such financial statements, including a summary of all acquisitions and dispositions of Broadcasting Stations or other media assets and acquisitions of real property that occurred during the period covered by such financial statements, which shall include a

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schedule of the consideration paid in each acquisition and the cash received in each disposition.

(f) Within 30 days after the beginning of each fiscal year, an annual Consolidated and Consolidating forecast for the Borrower and its Subsidiaries for such fiscal year and the following two fiscal years, including projected Consolidated and Consolidating statements of income of the Borrower and its Subsidiaries, all in reasonable detail acceptable to the Administrative Agent; (ii) promptly upon preparation thereof, such other forecasts that the Borrower or any of its Subsidiaries may prepare and any revisions that may be made to any forecast previously delivered to the Lenders; and (iii) no later than 30 days after the end of each fiscal quarter in which there has been a material deviation from a forecast provided to the Lenders, a certificate of an Authorized Signatory explaining the deviation and the action, if any, that has been taken or is proposed to be taken with respect thereto; in each case the foregoing forecasts shall state all underlying assumptions.

7.2 CERTIFICATES; OTHER INFORMATION.

Furnish to the Administrative Agent and each Lender:

(a) Prompt written notice if: (i) any Indebtedness of the Borrower or any Subsidiary is declared or shall become due and payable prior to its stated maturity, or called and not paid when due, (ii) a default shall have occurred under any note (other than the Notes) or the holder of any such note, or other evidence of Indebtedness, certificate or security evidencing any such Indebtedness or any obligee with respect to any other Indebtedness of the Borrower or any Subsidiary has the right to declare any such Indebtedness due and payable prior to its stated maturity as a result of such default, or (iii) there shall occur and be continuing a Default or an Event of Default;

(b) Prompt written notice of: (i) any citation, summons, subpoena, order to show cause or other order naming the Borrower or any Subsidiary a party to any proceeding before any Governmental Authority which might have a Material Adverse Effect or which call into question the validity or enforceability of any of the Loan Documents and include with such notice a copy of such citation, summons, subpoena, order to show cause or other order, (ii) the commencement or threat of any action, suit, arbitration proceeding or claim by, on behalf of or against the Borrower or any Subsidiary, at law or in equity, before any Governmental Authority, which could reasonably be expected to have a Material Adverse Effect, (iii) any lapse or other termination of any material license, permit, franchise or other authorization issued to the Borrower or any Subsidiary by any Governmental Authority which could reasonably be expected to have a Material Adverse Effect, (iv) any refusal by any Governmental Authority to renew or extend any such material license, permit, franchise or other authorization which could reasonably be expected to have a Material Adverse Effect, and

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(v) any dispute between the Borrower or any Subsidiary and any Governmental Authority, which dispute might have a material adverse effect on any Broadcasting Station or a Material Adverse Effect;

(c) Promptly upon becoming available, copies of all regular, periodic or special reports, schedules and other material that the Borrower or any Subsidiary may now or hereafter be required to file with or deliver to any securities exchange or the Securities and Exchange Commission, or any other Governmental Authority succeeding to the functions thereof;

(d) Prompt written notice in the event that (i) the Borrower or any Commonly Controlled Entity shall receive notice from the Internal Revenue

Service or the Department of Labor that the Borrower or such Commonly Controlled Entity shall have failed to meet the minimum funding requirements of Section 412 of the Code with respect to a Plan, if applicable, and include therewith a copy of such notice, or (ii) the Borrower or any Commonly Controlled Entity gives or is required to give notice to the PBGC of any Reportable Event with respect to a Plan, or knows that the plan administrator of a Plan has given or is required to give notice of any such Reportable Event;

(e) With respect to a Single Employer Plan of the Borrower or any Commonly Controlled Entity, copies of any request for a waiver of the funding standards or any extension of the amortization periods required by Sections 303 and 304 of ERISA or Section 412 of the Code promptly after any such request is submitted to the Department of Labor or the Internal Revenue Service, as the case may be;

(f) Promptly after the filing thereof, a copy of the annual report required to be filed pursuant to Section 103 of ERISA in connection with each Single Employer Plan of the Borrower and each Commonly Controlled Entity for each plan year, including (i) a statement of the assets and liabilities of such Plan as of the end of such plan year and statements of changes in fund balance and in financial position, or a statement of changes in net assets available for plan benefits, for such plan year, certified by the Accountants and (ii) an actuarial statement of such Plan applicable to such plan year, certified by an enrolled actuary of recognized standing reasonably acceptable to the Administrative Agent and the Required Lenders;

(g) Promptly upon request therefor, such other information and reports relating to the past, present or future financial condition, operations, plans and projections of the Borrower or its Subsidiaries as the Administrative Agent or any other Lender (through the Administrative Agent) may at any time and from time to time reasonably request;

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(h) Promptly after the same are received by the Borrower, copies of all management letters and similar reports provided to the Borrower or any Subsidiary by its independent certified public accountants;

(i) Prompt written notice of any material change in the accounting policies or financial reporting practices of the Borrower or any of its Subsidiaries;

(j) the occurrence of any Equity Issuance resulting in Net Equity Proceeds;

(k) Prompt written notice of the occurrence of a Material Adverse Change or Change of Control or the occurrence of any event or facts or circumstances which are reasonably likely to result in a Material Adverse Change or Change of Control; and

(l) Prompt written notice of the termination of, or the occurrence of any default under, the KALC Purchase Agreement or the KALC LMA or the occurrence of any other event or circumstance which could reasonably be expected to have a materially adverse effect on the consummation of the KALC Sale in accordance with the KALC Purchase Agreement or the effectiveness or enforceability of the KALC Purchase Agreement or the KALC LMA.

7.3 LEGAL EXISTENCE.

Except as otherwise permitted by Sections 8.3 and 8.7, maintain, and cause each Subsidiary to maintain, its corporate existence, and maintain its good standing in the jurisdiction of its incorporation or organization and in each other jurisdiction in which the failure so to do could reasonably be expected to have a Material Adverse Effect.

7.4 TAXES.

Pay and discharge when due, and cause each Subsidiary so to do, all Taxes, assessments and governmental charges, license fees and levies upon or with respect to the Borrower or such Subsidiary and upon the income, profits and Property of the Borrower and the Subsidiaries taken as a whole, which if unpaid, could reasonably be expected to have a Material Adverse Effect or become a Lien on the Property of the Borrower or any Subsidiary not permitted under Section 8.2, unless and to the extent only that such Taxes, assessments, charges, license fees and levies shall be contested in good faith and by appropriate proceedings diligently conducted by the Borrower or such Subsidiary and PROVIDED that the Borrower shall give the Administrative Agent prompt

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notice of such contest and that such reserve or other appropriate provision as shall be required by the Accountants in accordance with GAAP shall have been made therefor.

7.5 INSURANCE AND CONDEMNATION.

(a) LIABILITY INSURANCE. Maintain, and cause each Subsidiary to maintain, insurance with financially sound insurance carriers on such of its Property, against at least such risks, and in at least such amounts, as are customarily insured against by similar businesses and which, in the case of property insurance, shall be in amounts sufficient to prevent the Borrower or any Subsidiary from becoming a co-insurer, including, without limitation, public liability (bodily injury and property damage), fidelity, bonding and workers' compensation with deductibles not exceeding \$25,000 per occurrence, in each case naming the Administrative Agent as an additional insured under such policies, and file with the Administrative Agent within five days after request therefor a detailed list of such insurance then in effect, stating the names of the carriers thereof, the policy numbers, the insureds thereunder, the amounts of insurance, dates of expiration thereof, and the Property and risks covered thereby, together with a certificate of an Authorized Signatory certifying that in the opinion of such officer such insurance is adequate in nature and amount, complies with the obligations of the Borrower under this Section 7.5, and is in full force and effect.

(b) PROPERTY INSURANCE. Maintain such property and other insurance as is customarily maintained by companies engaged in similar businesses with deductibles not exceeding \$25,000 per occurrence. Promptly upon request therefor, the Borrower shall deliver or cause to be delivered to the Administrative Agent originals or duplicate originals of all such policies of insurance. All such property insurance shall name the Administrative Agent, under a standard loss payable clause, as sole loss payee in respect of each claim resulting in a payment under any such insurance policy exceeding \$500,000 and shall contain such endorsements as the Administrative Agent shall require. Provided that no Default or Event of Default shall exist, the Administrative Agent agrees, promptly upon its receipt thereof, to pay over to the Borrower the proceeds of any such payment received by the Administrative Agent in its capacity as Administrative Agent hereunder. The RC Commitments shall be reduced by an amount equal to any such insurance proceeds not used by the Borrower or any of its Subsidiaries within one year to repair or replace any Property in respect of which it received property insurance proceeds. If a Default or Event of Default shall exist, the Borrower, at the request of the Administrative Agent, shall prepay the Loans with the unused portion of such proceeds in an amount equal to the total amount of such insurance payment and the RC Commitments shall simultaneously be reduced by an amount equal to such prepayment.

(c) CONDEMNATION AWARDS. If a Default or Event of Default shall exist and the Borrower or any of its Subsidiaries shall receive the proceeds of any condemnation or similar awards, the Borrower shall pay over the proceeds thereof to the

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Administrative Agent and, at the election of the Administrative Agent, such proceeds shall be applied to the prepayment of the Loans in an amount equal to the total amount of such proceeds. The RC Commitments shall be reduced by an amount equal to any such proceeds not used by the Borrower or any of its Subsidiaries within one year to repair or replace any Property in respect of which it received a condemnation or similar award.

7.6 PAYMENT OF INDEBTEDNESS AND PERFORMANCE OF OBLIGATIONS.

Pay and discharge, and cause each Subsidiary to pay and discharge, when due all lawful Indebtedness, obligations and claims for labor, materials and supplies or otherwise which, if unpaid, might (i) have a Material Adverse Effect, or (ii) become a Lien upon Property of the Borrower or any Subsidiary not permitted under Section 8.2, unless and to the extent only that the validity of such Indebtedness (other than Indebtedness under the Loan Documents), obligation or claim shall be contested in good faith and by appropriate proceedings diligently conducted by the Borrower or such Subsidiary, and that any such contested Indebtedness, obligations or claims shall not constitute, or create, a Lien on any Property of the Borrower or any Subsidiary not permitted under Section 8.2 senior to the Lien granted to the Administrative Agent by the Collateral Documents on such Property, and further PROVIDED that the Borrower shall give the Administrative Agent and the Lenders prompt notice of any such material contest and that such reserve or other appropriate provision as shall be required by the Accountants in accordance with GAAP shall have been made therefor.

7.7 CONDITION OF PROPERTY.

At all times, maintain, protect and keep in good repair, working order and condition (ordinary wear and tear excepted), and cause each Subsidiary so to do, all Property necessary to the operation of the Borrower's or such Subsidiary's business.

7.8 OBSERVANCE OF LEGAL REQUIREMENTS; ERISA; ENVIRONMENTAL LAWS.

Observe and comply in all respects, and cause each Subsidiary so to do, with all laws (including ERISA and Environmental Laws), ordinances, orders, judgments, rules, regulations, certifications, franchises, permits, licenses, directions and requirements of all Governmental Authorities, which now or at any time hereafter may be applicable to the Borrower or such Subsidiary, a violation of which could reasonably be expected to have a Material Adverse Effect, except such thereof as shall be contested in good faith and by appropriate proceedings diligently conducted by the Borrower or such Subsidiary, and PROVIDED that the Borrower shall give the Administrative Agent and the Lenders prompt notice of such contest and that such reserve or other appropriate provision as shall be required by the Accountants in accordance with GAAP shall have been made therefor.

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7.9 INSPECTION OF PROPERTY; BOOKS AND RECORDS; DISCUSSIONS.

Keep proper books of record and account in which full, true and correct entries in conformity with GAAP and all requirements of law shall be made of all dealings and transactions in relation to its business and activities; and permit representatives of the Administrative Agent and each Lender, or potential assignees and/or participants of the Administrative Agent or any Lender, to visit the offices of the Borrower and the Subsidiaries on reasonable advance notice, to inspect any of its Property and examine and make copies or abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired, and to discuss the business, operations, prospects, licenses, Property and financial condition of the Borrower and the Subsidiaries with the officers thereof and with the Accountants.

7.10 FCC LICENSES, ETC.

Maintain and cause each Subsidiary to maintain, in full force and effect, each main station license issued by the FCC to it for each Broadcasting Station. The Borrower shall also maintain and cause each Subsidiary to maintain, in full force and effect, all other material licenses (including, without limitation, all material auxiliary licenses issued by the FCC), copyrights, patents, including all licenses, permits, applications, reports, authorizations and other rights as are necessary for the conduct of its business, except to the extent that such ownership or right to use shall terminate as a matter of law or expire as a matter of contractual right through no action or default by the Borrower or any Subsidiary.

7.11 SUBSIDIARY GUARANTY.

Promptly upon the creation or acquisition of any Subsidiary, cause such Subsidiary to execute and deliver to the Administrative Agent a supplement to the Subsidiary Guaranty in the form attached thereto, together with such other documents and opinions of counsel as the Administrative Agent shall reasonably require in connection therewith.

7.12 MORTGAGES.

(a) No later than 180 days after the Second Restatement Date, execute and deliver to the Administrative Agent, or cause to be executed and delivered to the Administrative Agent, a Mortgage in form and substance satisfactory to the Administrative Agent with respect to the network operations center located in Dallas, Texas, together with such UCC financing statements, surveys, title insurance policies, environmental reports, opinions and other documents as the Administrative Agent shall reasonably request in connection therewith.

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(b) Promptly upon the acquisition by the Borrower or any Subsidiary of any real property on or after the Second Restatement Date having a fair market value at the time of acquisition of (i) \$2,000,000 or more or (ii) \$1,000,000 or more (but less than \$2,000,000) if in the case of this clause (ii) the aggregate fair market value at the time of acquisition of all such real property acquired by the Borrower and its Subsidiaries on or after the Second Restatement Date in respect of which no Mortgage has been executed and delivered to the Administrative Agent pursuant to this Section 7.12 shall exceed \$5,000,000, execute and deliver, and cause each Subsidiary so to do, a Mortgage with respect to such real property in form and substance satisfactory to the Administrative Agent, together with such UCC financing statements, surveys, title insurance policies, environmental reports, opinions and other documents as the Administrative Agent shall reasonably request in connection therewith.

7.13 GOOD STANDING.

No later than 30 days after the Second Restatement Date, deliver or cause to be delivered to the Administrative Agent with respect to each Loan Party set forth on Schedule 4.2 as not being in good standing in a specified jurisdiction on the Second Restatement Date, a certificate of good standing of the Secretary of State of each such jurisdiction.

8. NEGATIVE COVENANTS

The Borrower covenants and agrees that on and after the Original Effective Date and until all obligations of the Borrower under Notes and the other Loan Documents have been paid in full and all RC Commitments have been terminated and no obligations of the Administrative Agent, the Issuing Bank or any of the Lenders exist under any of the Loan Documents, the Borrower shall not:

8.1 BORROWING.

Create, incur, assume or suffer to exist any liability for Indebtedness, or permit any Subsidiary so to do, except: (i) Indebtedness under the Loan Documents; (ii) Indebtedness (including Contingent Obligations) of the Borrower and its Subsidiaries existing on the date hereof as set forth in Schedule 8.1 and other Indebtedness of the Borrower in an aggregate outstanding principal amount for all such Indebtedness under this clause (ii) not in excess of \$25,000,000; (iii) Indebtedness of the Borrower and its Subsidiaries evidenced by the Subordinated Indenture Notes and Subordinated Indenture Subsidiary Guaranty; (iv) intercompany Indebtedness between the Borrower and its Subsidiaries, PROVIDED, however, in the case of intercompany Indebtedness of the Other Media Subsidiaries, such intercompany Indebtedness is permitted by Section 8.5(h); (v) intercompany Indebtedness of the Borrower to the Parent, PROVIDED that such

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intercompany Indebtedness is permitted under the Parent Guaranty; and (vi) refinancings of any Indebtedness permitted under clause (ii) above with other Indebtedness permitted under clause (i) or (ii) above.

8.2 LIENS.

Create, incur, assume or suffer to exist, or enter into any agreement with any third Person agreeing not to create, incur, assume or suffer to exist, any Lien upon any of its Property, whether now owned or hereafter acquired, or permit any Subsidiary so to do, except: (i) Liens for Taxes, assessments or similar charges incurred in the ordinary course of business which are not delinquent or which are being contested in accordance with Section 7.4, PROVIDED that such Liens are not senior (except to the extent provided by law) to the Liens granted to the Administrative Agent and the Lenders by the Collateral Documents, (ii) Liens in connection with workers' compensation, unemployment insurance or other social security obligations (but not ERISA), (iii) deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature arising in the ordinary course of business, (iv) zoning ordinances, easements and other similar restrictions affecting real property which could not reasonably be expected to have a Material Adverse Effect, (v) the Liens created under the Collateral Documents, (vi) statutory Liens arising by operation of law such as mechanics' liens incurred in the ordinary course of business which are not delinquent or which are being contested in accordance with Section 7.4, (vii) Liens arising out of judgments or decrees which are being contested in accordance with Section 7.4, PROVIDED that such Liens are subordinate to the Liens granted to the Administrative Agent and the Lenders by the Collateral Documents and PROVIDED further that enforcement of such Liens is stayed during such contest, (viii) Liens on Property of the Borrower and the Subsidiaries existing on the date hereof as set forth in Schedule 8.2, (ix) Liens in connection with the making of deposits in accordance with Section 8.5(e) and (x) Liens in connection with Indebtedness permitted under Section 8.1(ii), PROVIDED that such Liens extend only to the Property acquired with such Indebtedness.

8.3 MERGER OR ACQUISITION OF PROPERTY.

Consolidate with, be acquired by, or merge into or with any Person, or acquire all or substantially all of the Stock or Property of any Person, or permit any Subsidiary so to do, except:

(a) any wholly-owned Subsidiary may merge with the Borrower (with the Borrower as survivor) or with another wholly-owned Subsidiary;

(b) [Intentionally Omitted];

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(c) PROVIDED that immediately before and after giving effect thereto, all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist:

(i) [Intentionally Omitted],

(ii) the Borrower or any wholly-owned Subsidiary may consummate those transactions which are listed on Schedule 8.3(c) (collectively, the "DESIGNATED TRANSACTIONS"), and

(iii) the Borrower may acquire all of the issued and outstanding Stock of Acquisition Corp. and any intercompany Indebtedness of Acquisition Corp. held by the Parent pursuant to the Dropdown (as defined in the Parent Guaranty);

(d) on and after the date on which the KALC RC Loans shall have been paid in full, upon 30 days' notice to the Administrative Agent, the Borrower or any wholly-owned Subsidiary may make other acquisitions, including through a merger (with the Borrower or such wholly-owned Subsidiary (or a Person that becomes a wholly-owned Subsidiary) as the survivor thereof), PROVIDED that (i) if immediately before or after giving effect to any such acquisition or merger the Total Leverage Ratio exceeds 5.50:1.00 (in such case, a "LEVERAGED ACQUISITION"), the aggregate gross consideration (including capital expenditures relating to such Leveraged Acquisition that are reasonably anticipated for the 12 month period following such Leveraged Acquisition) paid or payable for all Leveraged Acquisitions (including the Leveraged Acquisition then being contemplated) made during the period commencing on the Second Restatement Date and ending through and including the date of the Leveraged Acquisition then being contemplated shall not exceed \$50,000,000, (ii) immediately before and after giving effect to any such proposed acquisition or merger, all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist, and (iii) the Borrower shall have received with respect to each such acquisition or merger an order from the FCC in respect of the acquisition or merger of a Broadcasting Station (which FCC order need not have become a final order) and all other similar material orders from all other applicable Governmental Authorities, with regard to the acquisition or merger, authorizing the applicable transactions, if required by applicable law, and the Administrative Agent shall have received true, complete and correct copies, certified by an Authorized Signatory of the Borrower, of all such orders;

(e) as permitted under Section 8.5; and

(f) the Common Ground Reorganization, PROVIDED that (i) immediately before and after giving effect to the Common Ground Reorganization, all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist, (ii) the Borrower shall have received with

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respect to the Common Ground Reorganization an order (subject to no pending contest or administrative review) from the FCC (in respect of each affected Broadcasting Station) and all other similar material orders from all other applicable Governmental Authorities, with regard to the Common Ground Reorganization, authorizing the applicable transactions, if required by applicable law, and the Administrative Agent shall have received true, complete and correct copies, certified by an Authorized Signatory of the Borrower, of all such orders, (iii) the Common Ground Collateral Release shall not have occurred more than five Business Days prior to the consummation of the Common Ground Reorganization, (iv) within five Business Days after the consummation of the Common Ground Reorganization, (A) Common Ground Broadcasting, Inc. and each Subsidiary that receives transferred assets and that is not then a party to the Subsidiary Guaranty shall become a party to the Subsidiary Guaranty, and (B) the Borrower and each Subsidiary that receives transferred assets shall grant a security interest pursuant to the Borrower Security Agreement or the Subsidiary Guaranty in and to all of the assets transferred to it, all in the manner required by this Section 8.3, and (v) the Common Ground Reorganization shall be consummated no later than 90 days following the Second Restatement Date.

If the aggregate gross consideration for any such acquisition or merger permitted by Section 8.3(d) (including capital expenditures relating to such acquisition or merger that are reasonably anticipated for the 12 month period following such acquisition or merger) exceeds \$10,000,000, (i) the Borrower shall have delivered to the Administrative Agent and each Lender such details of such transaction as the Administrative Agent or any Lender (through the Administrative Agent) shall reasonably request, and (ii) the Borrower shall have delivered to the Administrative Agent a certificate of an Authorized Signatory of the Borrower certifying that (A) the Borrower is in pro-forma compliance with the terms, covenants, provisions, and conditions of this Agreement, including, without limitation, Sections 6.1, 6.2, 6.3, 6.4 and 6.5 (and attaching calculations with respect to Sections 6.1, 6.2, 6.3, 6.4 and 6.5), and (B) immediately before and after giving effect to any such acquisition or merger, all representations and warranties contained in the Loan Documents are true and correct and no Default or Event of Default exists.

If the aggregate gross consideration for any such acquisition or merger permitted by Section 8.3(d) (including capital expenditures relating to such acquisition or merger that are reasonably anticipated for the 12 month period following such acquisition or merger) exceeds \$20,000,000, the Borrower shall have delivered to the Administrative Agent and each Lender an independent appraisal of each Property to be acquired, such appraisal to be in all respects satisfactory to the Administrative Agent.

Immediately upon the consummation of any acquisition or merger permitted under Sections 8.3(c) or 8.3(d), (i) the Borrower shall have delivered to the Administrative Agent such UCC financing statements and other documents as the

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Administrative Agent shall reasonably require in order to grant to the Administrative Agent a first priority perfected security interest in the Property acquired under and pursuant to the Collateral Documents, subject to no Liens other than Permitted Liens, (ii) if the Borrower shall have created or acquired a Subsidiary in connection with such acquisition, such Subsidiary shall have become a party to the Subsidiary Guaranty and (iii) the Borrower shall have delivered to the Administrative Agent such opinions and other documents as the Administrative Agent shall reasonably require in connection therewith.

8.4 RESTRICTED PAYMENTS.

Declare or make any Restricted Payment, or permit any of the Subsidiaries so to do, except as follows:

(a) any wholly-owned Subsidiary may declare and make Restricted Payments to its parent from time to time;

(b) the Borrower and its Subsidiaries may make Restricted Payments to the Parent for the purpose of enabling the Parent, as a consolidated taxpayer, to pay Taxes pursuant to the terms set forth in the Tax Sharing Agreement to the extent required thereby;

(c) the Borrower and its Subsidiaries may pay Management Fees to the Parent in any fiscal year (in an aggregate amount not exceeding 1% of the net revenue of Borrower and its Subsidiaries for the immediately preceding fiscal year), in accordance with the terms set forth in the Management Agreement, for services rendered to the Borrower or any of its Subsidiaries, PROVIDED that (i) no Default or Event of Default has occurred or is continuing (PROVIDED that during the continuance of a Default or an Event of Default, the Management Fee may be accrued, but not paid) and (ii) any such Management Fee accrued or paid shall be treated as an operating expense and deducted from the calculation of Operating Cash Flow of the Borrower;

(d) PROVIDED that immediately before and after giving effect to such declaration or payment no Default or Event of Default shall exist, the Borrower may declare and pay Restricted Payments to the Parent in an aggregate amount equal to the excess (if any) of (i) if the Total Leverage Ratio based on the most recently delivered financial statements pursuant to Section 7.1(a)(ii) or 7.1(c)(ii), as applicable, is (x) greater than 5.00:1.00, \$5,000,000, and (y) less than 5.00:1.00, \$10,000,000 MINUS (ii) the sum of (x) Restricted Payments made on or after the Second Restatement Date under this subsection (d) PLUS (y) the amount of the purchase price paid by the Borrower or any of its Subsidiaries in connection with the transactions described in Section 8.3(c)(iii) over the amount permitted to be paid therefor pursuant to clause (B) thereof (without regard to the second proviso of such subsection); and

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(e) in addition to any Restricted Payments permitted in subsection (d) above, the Borrower may declare and pay the KALC Borrower Dividend, provided that (i) KALC HSR Clearance has been obtained, (ii) the parties to the KALC Purchase Agreement have filed appropriate requests for all approvals from all applicable Governmental Authorities, including the FCC, that are required as a condition to the consummation of the KALC Sale and the effectiveness of the KALC LMA, and (iii) the KALC Purchase Agreement and the KALC LMA shall be in full force and effect.

8.5 INVESTMENTS, LOANS, ETC.

At any time, purchase or otherwise acquire, hold or invest in the Stock of, or any other interest in, any Person, or make any loan or advance (excluding deposits or pledges permitted under Section 8.2(iii)) to, or enter into any arrangement for the purpose of providing funds or credit to, or make any other investment, whether by way of capital contribution or otherwise, in or with any Person (all of which are sometimes referred to herein as "INVESTMENTS"), or permit any Subsidiary so to do, except:

(a) Investments in short-term domestic and eurodollar certificates of deposit issued by any Lender, or any other commercial bank, trust company or national banking association incorporated under the laws of the United States or any State thereof and having undivided capital surplus and retained earnings exceeding \$500,000,000;

(b) Investments in short-term direct obligations of the United States of America or agencies thereof which obligations are guaranteed by the United States of America;

(c) Investments existing on the date hereof as set forth in Schedule 8.5(c);

(d) Investments to the extent the same are acquisitions permitted pursuant to Section 8.3;

(e) Investments by the Borrower in the form of deposits or options made in the ordinary course of business in connection with any proposed acquisition or acquisitions of Property permitted pursuant to the terms of this Agreement;

(f) loans and advances to employees for travel and relocation purposes; and

(g) loans and advances to employees for other valid business purposes that do not exceed \$100,000 in the aggregate at any one time outstanding;

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(h) intercompany Indebtedness permitted pursuant to Section 8.1(iv) and capital contributions made by the Borrower or any Subsidiary in any wholly-owned Subsidiary, PROVIDED that (i) the aggregate amount of the intercompany loans made to, and capital contributions made in, the Other Media Subsidiaries shall not exceed in the aggregate \$10,000,000 in any fiscal year and \$25,000,000 from the Second Restatement Date through the Maturity Date and (ii) all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist immediately before and after giving effect to any such intercompany loan or capital contribution;

(i) commercial paper or other short term obligations of any corporation organized under the laws of the United States or any State thereof whose ratings, at the time of the investment or contractual commitment to invest therein, from each of Moody's and S & P are the highest investment category granted thereby;

(j) investments in money market funds having a rating from each of Moody's and S & P in the highest investment category granted thereby;

(k) bankers acceptances issued by any commercial bank, trust company or national banking association referred to in subsection (a) above;

(l) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States or any agency or instrumentality thereof the obligations of which are backed by the full faith and credit of the United States, in either case entered into with a commercial bank, trust company or national banking association (acting as principal) referred to in subsection (a) above;

(m) repurchase obligations with respect to any security or whole loan entered into with (i) a commercial bank, trust company or national banking association (acting as principal) described in subsection (a) above, (ii) a broker/dealer (acting as principal) registered as a broker or dealer under Section 15 of the Exchange Act the unsecured short-term debt obligations of which are rated P-1 by Moody's and at least A-1 by S & P at the time of entering into such repurchase obligation, (iii) an unrated broker/dealer, acting as principal, that is a wholly-owned Subsidiary of a non-bank or bank holding company the unsecured short-term debt obligations of which are rated P-1 by Moody's and at least A-1 by S & P at the time of purchase;

(n) promissory notes received in connection with a sale, exchange or other disposition of Property permitted by Section 8.7 to the extent that the receipt of such promissory notes is permitted by Section 8.7(d);

(o) other Investments (including partnerships, joint ventures and joint operating arrangements), PROVIDED that (i) the aggregate amount of all such

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

(p) the KALC Intercompany Loan, provided that (i) KALC HSR Clearance has been obtained, (ii) the parties to the KALC Purchase Agreement have filed appropriate requests for all approvals from all applicable Governmental Authorities, including the FCC, that are required as a condition to the consummation of the KALC Sale and the effectiveness of the KALC LMA, and

(iii) the KALC Purchase Agreement and the KALC LMA shall be in full force and effect.

8.6 BUSINESS CHANGES.

Engage in any material line of business substantially different from those lines of business carried on as of the Second Restatement Date, or permit any Subsidiary so to do.

8.7 SALE OF PROPERTY.

Sell, exchange, lease, transfer or otherwise dispose of any Property to any Person, or permit any Subsidiary so to do, except as permitted in connection with the Common Ground Reorganization pursuant to the terms and conditions of Section 8.3 and except for:

(a) sales, exchanges, leases, transfers or other dispositions made in the ordinary course of business (which shall not include the sale or other disposition of all or substantially all of the Stock or assets of any Broadcasting Station or any other existing business of the Borrower or any Subsidiary as of the Second Restatement Date (including, without limitation, magazine, Internet and software businesses) or involve an FCC license of the Borrower or any of its Subsidiaries);

(b) [Intentionally Omitted];

(c) PROVIDED that immediately before and after giving effect thereto, all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist, the Borrower or any wholly-owned Subsidiary may consummate the Houston Transaction and the Designated Transactions;

(d) subject to the second to the last paragraph of this Section 8.7, the Borrower or any Subsidiary may sell or exchange any Property for its fair market value, PROVIDED that (i) the aggregate gross consideration to be received for all Property that has been sold or exchanged pursuant to the provisions of this Section 8.7(d) during the one year period ending on the date of the proposed sale or exchange (including the Property then being contemplated to be sold or exchanged) shall not exceed \$30,000,000, (ii) the

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aggregate gross consideration to be received for all Property that has been sold or exchanged pursuant to the provisions of this Section 8.7(d) during the period commencing on the Second Restatement Date and ending through and including the date of the proposed sale or exchange (including the Property then being contemplated to be sold or exchanged) shall not exceed \$60,000,000, (iii) at least 75% of the consideration to be in respect of each sale or exchange shall be paid in cash, cash equivalents or like-kind assets, PROVIDED that notwithstanding such 75% limitation, the Borrower and its Subsidiaries may receive consideration in respect of sales or exchanges permitted hereunder in the form of promissory notes of the purchaser not in excess of \$5,000,000 in the aggregate at any time outstanding for all such sales and exchanges, and (iv) immediately before and after giving effect to the proposed sale or exchange (including any related change in Indebtedness), all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist; and

(e) Acquisition Corp. may consummate the KALC Sale in accordance with the terms of the KALC Purchase Agreement, provided that the Borrower shall immediately prepay the then outstanding balance of the KALC RC Loans upon receipt of the proceeds of the KALC Sale in accordance with Section 2.5.

If the aggregate gross consideration for any such sale or exchange permitted under Section 8.7(d) exceeds \$10,000,000, (i) the Borrower shall have delivered to the Administrative Agent and each Lender such details of such transaction as the Administrative Agent or any Lender (through the Administrative Agent) shall reasonably request, and (ii) the Borrower shall have delivered to the Administrative Agent a certificate of an Authorized Signatory of the Borrower certifying that (A) the Borrower is in pro-forma compliance with the terms, covenants, provisions, and conditions of this Agreement, including, without limitation, Sections 6.1, 6.2, 6.3, 6.4 and 6.5 (and attaching calculations with respect to Sections 6.1, 6.2, 6.3, 6.4 and 6.5), and (B) immediately before and after giving effect to any such sale or exchange (including any related change in Indebtedness), all representations and warranties contained in the Loan Documents are true and correct and no Default or Event of Default exists. In connection with any such sale or exchange permitted under Section 8.7(d), (i) the Borrower shall have received fair value for the Property sold or exchanged and (ii) at least 75% of the consideration to be received in connection with any such sale shall be in any combination of like-kind property, cash or cash equivalents.

Upon the sale or disposal of the entire assets of any

Subsidiary as provided in this Section 8.7, the Borrower may liquidate such Subsidiary upon reasonable prior notice to the Administrative Agent.

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8.8 CREATION OF SUBSIDIARIES.

Create any other Subsidiary, or permit any Subsidiary so to do, except the Borrower or any Subsidiary may create a wholly-owned Subsidiary, PROVIDED that (i) immediately before and after giving effect to any such proposed creation, all representations and warranties contained in the Loan Documents shall be true and correct and no Default or Event of Default shall exist; (ii) the Borrower shall have delivered to the Administrative Agent such UCC financing statements and other documents as the Administrative Agent shall reasonably require in order to grant to the Administrative Agent a first priority perfected security interest in the Stock and/or Property, as applicable, of such Subsidiary under and pursuant to the Collateral Documents, subject to no Liens other than Permitted Liens; (iii) the Subsidiary shall become a party to the Subsidiary Guaranty and (iv) the Borrower shall have delivered to the Administrative Agent such opinions and other documents as the Administrative Agent shall reasonably require in connection therewith.

8.9 COMPLIANCE WITH ERISA.

Adopt any Plan other than those listed in Schedule 4.14 or permit any Subsidiary so to do, or engage in any "prohibited transaction", as such term is defined in Section 4975 of the Code or Section 406 of ERISA, with respect to any Plan, or incur any "accumulated funding deficiency", as such term is defined in Section 412 of the Code or Section 302 of ERISA, or terminate, or permit any Commonly Controlled Entity to terminate, any Plan that would result in any liability of the Borrower or any Commonly Controlled Entity to the PBGC, or permit the occurrence of any Reportable Event or any other event or condition that presents a risk of such a termination by the PBGC of any Plan, or withdraw or effect a partial withdrawal from a Multiemployer Plan, or permit any Commonly Controlled Entity which is an employer under such a Multiemployer Plan so to do, if any such withdrawal would result in such withdrawing employer incurring any withdrawal liability in excess of \$250,000.

8.10 CERTIFICATE OF INCORPORATION AND BY-LAWS; CERTAIN AGREEMENTS.

Amend or otherwise modify (i) its certificate of incorporation, bylaws or other organizational documents, or permit any Subsidiary so to do, in any way that would adversely affect the interests of the Lenders or the Issuing Bank or the obligations of any Loan Party under any of the Loan Documents, (ii) the Tax Sharing Agreement, (iii) the Management Agreement or (iv) the Initial Transaction Documents.

8.11 PREPAYMENTS OF INDEBTEDNESS.

Prepay or obligate itself to prepay, in whole or in part, any Indebtedness (other than the Loans) prior to the due date thereof, or permit any Subsidiary so to do,

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other than (i) the prepayment by any Subsidiary of Indebtedness owing by such Subsidiary to the Borrower, (ii) the prepayment of Indebtedness permitted under Section 8.1(ii) with the proceeds of other Indebtedness permitted under Section 8.1(i) or (ii) or with the proceeds of Stock issued by the Borrower pursuant to Section 8.16, (iii) PROVIDED that no Default or Event of Default shall then exist, the prepayment by the Borrower of Indebtedness incurred by the Borrower in the ordinary course of its business to any Subsidiary, and (iv) as permitted by Section 8.17.

8.12 ACCOUNTING PRACTICE; FISCAL YEAR.

Make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change its fiscal year from a fiscal year commencing January 1st and ending December 31st, or permit any of its Subsidiaries so to do; PROVIDED that any Subsidiary may change to a fiscal year commencing January 1st and ending December 31st.

8.13 LIMITATION ON UPSTREAM TRANSFERS.

Permit or cause any of its Subsidiaries to enter into or agree, or otherwise be or become subject, to any agreement, contract or other arrangement (other than this Agreement) with any Person pursuant to the terms of which (a) such Subsidiary is or would be prohibited from making any advances to the Borrower or declaring or paying any cash dividends on any class of its Stock owned directly or indirectly by the Borrower or any of the other Subsidiaries or from making any other distribution on account of any class of any such Stock (herein referred to as "UPSTREAM TRANSFERS"), or (b) the declaration or payment of Upstream Transfers on an annual or cumulative basis is or would be otherwise limited or restricted, PROVIDED that the foregoing shall not apply to customary

restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, PROVIDED that such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder.

8.14 TRANSACTIONS WITH AFFILIATES.

Except for the Management Agreement and the Tax Sharing Agreement, become, or permit any Subsidiary to become, a party to any transaction with any Affiliate of the Borrower or any Subsidiary (other than a transaction solely between any wholly-owned Subsidiary and either the Borrower or any other wholly-owned Subsidiary) on a basis less favorable to the Borrower or such Subsidiary in any material respect than if such transaction were not with an Affiliate of the Borrower or such Subsidiary.

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8.15 SALE AND LEASEBACK.

Enter into any arrangement with any Person, or permit any Subsidiary so to do, providing for the leasing by the Borrower or such Subsidiary of Property which has been or is to be sold or transferred by the Borrower or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such Property or rental obligations of the Borrower or such Subsidiary.

8.16 STOCK ISSUANCE.

Issue any additional shares of Stock, or permit any of its Subsidiaries so to do, except (i) the Borrower may issue shares of its Class A common Stock and (ii) any Subsidiary may issue shares of its Stock to the Borrower or any wholly-owned Subsidiary.

8.17 SUBORDINATED INDENTURE.

Enter into or agree to any amendment, modification or waiver of any term or condition of the Subordinated Indenture, the Subordinated Indenture Notes or the Subordinated Indenture Subsidiary Guaranty, or purchase, redeem or make any payment with respect to Indebtedness under the Subordinated Indenture Notes or the Subordinated Indenture Subsidiary Guaranty, or permit any of its Subsidiaries so to do, except the Borrower may make required payments to the extent expressly permitted pursuant to the subordination terms set forth therein.

8.18 FEDERAL RESERVE REGULATIONS.

Own, or permit any of its Subsidiaries to own, Margin Stock in excess of 25% (or such greater or lesser percentage as is provided in the exclusions from the definition of "Indirectly Secured" contained in Regulation U in effect at the time of the making of each Loan or the issuance of each Letter of Credit) of the value of the assets of (i) the Borrower, or (ii) the Borrower and its Subsidiaries on a Consolidated basis.

8.19 CHANGE IN NAME, JURISDICTION OF ORGANIZATION; NATURE OF BUSINESS.

Change its legal name or the jurisdiction of its organization or make any material change in the nature of its business, taken as a whole, as conducted on the Second Restatement Date, or permit any of its Subsidiaries so to do, except that any Subsidiary may change its name or the jurisdiction of its organization PROVIDED that the Subsidiary (i) shall provide to the Administrative Agent 30 days prior written notice of such name change, (ii) no fewer than 10 days prior to the applicable change, shall have taken all steps necessary or reasonably required by the Administrative Agent to maintain the perfection of the Security Interest under the Subsidiary Guaranty and (iii) shall deliver

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to the Administrative Agent such certificates and other documents as the Administrative Agent shall reasonably require.

8.20 LEASE OBLIGATIONS.

Create or suffer to exist any obligations for the payment of rent by the Borrower or any Subsidiary for any Property under lease or agreement to lease, or permit any of its Subsidiaries so to do, except for:

(a) leases in existence on the Second Restatement Date and any renewal, extension or refinancing thereof;

(b) operating leases in the ordinary course of business entered into or assumed after the Second Restatement Date; and

(c) capital leases other than those permitted under

clauses (a) and (b) of this Section, entered into after the Second Restatement Date to finance the acquisition of equipment to the extent the Indebtedness evidenced by such capital leases is permitted under Section 8.1.

8.21 KALC PURCHASE AGREEMENT AND KALC LMA

Enter into or agree to any amendment, modification or waiver of any material term or condition of the KALC Purchase Agreement or the KALC LMA (including, without limitation, any term or condition that would adversely affect the amount or terms of payment of the Purchase Price or Liquidated Damages Amount (as each such term is defined in the KALC Purchase Agreement) or the amount or terms of payment of the Consideration (as defined in the KALC LMA)), or permit any of its Subsidiaries so to do, without the consent of the Administrative Agent. The Borrower shall provide the Administrative Agent with a copy of each amendment, modification or waiver of any term or condition of the KALC Purchase Agreement or the KALC LMA entered into by Acquisition Corp., the Borrower or any of its Subsidiaries.

9. DEFAULT

9.1 EVENTS OF DEFAULT.

The following shall each constitute an "EVENT OF DEFAULT" hereunder:

(a) The failure of the Borrower to pay any installment of principal on any Note or any reimbursement payment in respect of a Letter of Credit on the date when due and payable; or

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(b) The failure of the Borrower to pay any installment of interest or any other fees or expenses payable hereunder or under or in connection with any other Loan Documents within three Business Days of the date when due and payable; or

(c) The use by the Borrower of the proceeds of any Loan or Letter of Credit in a manner inconsistent with or in violation of Section 2.7; or

(d) The failure of the Borrower to observe or perform any covenant or agreement contained in Section 6, Section 7.3, 7.5, 7.10, 7.11, 7.12(a), 7.13 or Section 8; or

(e) The failure of the Borrower to observe or perform any other term, covenant, or agreement contained in this Agreement and such failure shall have continued unremedied for a period of 30 days after the Borrower shall have obtained knowledge thereof; or

(f) Any representation or warranty of any Loan Party (or of any officer on its behalf) made in any Loan Document or in any certificate, report, opinion (other than an opinion of counsel) or other document delivered or to be delivered pursuant to any Loan Document, shall prove to have been incorrect or misleading (whether because of misstatement or omission) in any material respect when made; or

(g) Any obligation of the Parent or any of its Subsidiaries (other than its obligations under the Loan Documents), whether as principal, guarantor, surety or other obligor, for the payment or purchase of any Indebtedness or operating lease(s) in excess of \$500,000 in the aggregate, (i) shall become or shall be declared to be due and payable prior to the expressed maturity thereof, or (ii) shall not be paid or purchased when due or within any grace period for the payment or purchase thereof, or (iii) the holder of any such Indebtedness or obligation(s) in excess of \$500,000 in the aggregate shall have the right to declare such Indebtedness or obligation(s) due and payable or require the purchase thereof prior to the expressed maturity thereof; or

(h) The Parent or any of its Subsidiaries shall (i) except as permitted by Sections 8.3 and 8.7, suspend or discontinue its business, or (ii) make an assignment for the benefit of creditors, or (iii) generally not be paying its debts as such debts become due, or (iv) admit in writing its inability to pay its debts as they become due, or (v) file a voluntary petition in bankruptcy, or (vi) become insolvent (however such insolvency shall be evidenced), or (vii) file any petition or answer seeking for itself any reorganization, arrangement, composition, readjustment of debt, liquidation or dissolution or similar relief under any present or future statute, law or regulation of any jurisdiction, or (viii) petition or apply to any tribunal for any receiver, custodian or any trustee for any substantial part of its Property, or (ix) be the subject of any such proceeding filed against

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it which remains undismissed for a period of 60 days, or (x) file any answer

admitting or not contesting the material allegations of any such petition filed against it or of any order, judgment or decree approving such petition in any such proceeding, or (xi) seek, approve, consent to, or acquiesce in any such proceeding, or in the appointment of any trustee, receiver, custodian, liquidator, or fiscal agent for it, or any substantial part of its Property, or an order is entered appointing any such trustee, receiver, custodian, liquidator or fiscal agent and such order remains in effect for 60 days, or (xii) except as permitted by Sections 8.3 and 8.7, take any formal action for the purpose of effecting any of the foregoing or looking to the liquidation or dissolution of the Parent or such Subsidiary; or

(i) An order for relief is entered under the United States bankruptcy laws or any other decree or order is entered by a court having jurisdiction (i) adjudging the Parent or any of its Subsidiaries a bankrupt or insolvent, or (ii) approving as properly filed a petition seeking reorganization, liquidation, arrangement, adjustment or composition of or in respect of the Parent or any of its Subsidiaries under the United States bankruptcy laws or any other applicable Federal or state law, or (iii) appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Parent or any of its Subsidiaries or of any substantial part of the Property thereof, or (iv) ordering the winding up or liquidation of the affairs of the Parent or any of its Subsidiaries, and any such decree or order continues unstayed and in effect for a period of 60 days; or

(j) Any judgments or decrees against the Parent or any of its Subsidiaries (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage) aggregating in excess of \$500,000 for all such parties shall remain unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of 30 days; or

(k) The occurrence of an Event of Default under and as defined in any Collateral Document or any Reimbursement Agreement; or

(l) Any of the Loan Documents shall cease, for any reason, to be in full force and effect other than in accordance with its terms, or any Loan Party shall so assert in writing or shall disavow its obligations thereunder; or

(m) The FCC or any other Governmental Authority revokes or fails to renew any license, permit or franchise of the Parent or any of its Subsidiaries, or the Parent or any of its Subsidiaries for any reason loses any license, permit or franchise, or the Parent or any of its Subsidiaries suffers the imposition of any restraining order, escrow, suspension or impound of funds in connection with any proceeding (judicial or administrative) with respect to any license, permit or franchise, to the extent such revocation, failure to renew, loss or imposition (i) pertains to the main broadcasting

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license of any Broadcasting Station operated by the Borrower or any of its Subsidiaries or (ii) is reasonably likely to have a Material Adverse Effect; or

(n) The occurrence of a Material Adverse Change; or

(o) A Change of Control shall occur.

Upon the occurrence of an Event of Default or at any time thereafter during the continuance thereof, (a) if such event is an Event of Default specified in clauses (h) or (i) above, the RC Commitments and the Letter of Credit Commitment shall immediately and automatically terminate and the Loans, all accrued and unpaid interest thereon and all other amounts owing under the Loan Documents shall immediately become due and payable, and the Administrative Agent may, and upon the direction of the Required Lenders shall, exercise any and all remedies and other rights provided pursuant to the Loan Documents and (b) if such event is any other Event of Default, any or all of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, and upon the direction of the Required Lenders shall, by notice to the Borrower, declare the RC Commitments and the Letter of Credit Commitment to be terminated whereupon the RC Commitments and the Letter of Credit Commitment shall immediately terminate, and (ii) with the consent of the Required Lenders, the Administrative Agent may, and upon the direction of the Required Lenders shall, by notice of default to the Borrower, declare the Loans, all accrued and unpaid interest thereon and all other amounts owing under the Loan Documents to be due and payable forthwith, whereupon the same shall immediately become due and payable, and the Administrative Agent may, and upon the direction of the Required Lenders shall, exercise any and all remedies and other rights provided pursuant to the Loan Documents. Except as otherwise provided in this Section 9.1, presentment, demand, protest and all other notices of any kind are hereby expressly waived to the extent permitted by applicable law. The Borrower hereby further expressly waives and covenants not to assert any appraisal, valuation, stay, extension, redemption or similar laws, to the extent permitted by applicable law, now or at any time hereafter in force, which might delay, prevent or otherwise impede the performance or enforcement of any of the Loan Documents. In the event that the Administrative Agent shall fail or

refuse so to proceed, the Issuing Bank and each Lender shall be entitled to take such action as the Required Lenders shall deem appropriate to enforce its rights under the Loan Documents.

In the event that the RC Commitments or the Letter of Credit Commitment shall have been terminated or all of the Notes shall have been declared due and payable pursuant to the provisions of this Section 9.1, (i) the Borrower shall forthwith deposit an amount equal to the Letter of Credit Exposure in a cash collateral account with and under the sole dominion and control of the Administrative Agent and (ii) the Lenders and the Issuing Bank agree, among themselves, that any funds received in respect of the Loan Documents from or on behalf of the Borrower by any of the Lenders or the Issuing Bank

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(except funds received by any Lender or the Issuing Bank as a result of a purchase pursuant to the provisions of Section 11.9) shall be remitted to the Administrative Agent, and shall be applied by the Administrative Agent in payment of the Loans, the Reimbursement Obligations and the obligations of the Borrower under the Loan Documents in the following manner and order: (1) first, to reimburse the Administrative Agent, the Issuing Bank and the Lenders for any expenses due from the Borrower pursuant to the provisions of Section 11.5; (2) second, to the payment of the Commitment Fee, and Letter of Credit Fee, pro rata according to the RC Commitment Percentage of each Lender; (3) third, to the payment of any other fees, expenses or amounts (other than the principal of and interest on the Notes, the Reimbursement Obligations and any obligations to any Lender (and any Affiliate of any Lender) arising out of any Interest Rate Protection Arrangement) payable by the Borrower to the Administrative Agent, the Issuing Bank or any of the Lenders under the Loan Documents; (4) fourth, to the payment, pro rata according to the outstanding Loans of each Lender and outstanding Reimbursement Obligations including any interest by a Lender therein), of interest due thereon; (5) fifth, on a pro rata basis, to the payment of (A) the principal outstanding on the Notes, pro rata according to each Lender's outstanding Loans, (B) the principal outstandings on the Reimbursement Obligations, pro rata according to the Issuing Bank's and each other Lender's interest therein, and (C) the obligations of the Borrower to the Lenders (and any Affiliate of any Lender) arising out of any Interest Rate Protection Arrangements; and (6) sixth, any remaining funds shall be paid to whomsoever shall be entitled thereto or as a court of competent jurisdiction shall direct.

10. THE ADMINISTRATIVE AGENT

10.1 APPOINTMENT.

Each Lender hereby irrevocably designates and appoints BNY as the Administrative Agent of such Lender under and in connection with the Loan Documents. Each such Lender hereby irrevocably authorizes BNY as the Administrative Agent for such Lender to take such action on its behalf under the provisions of the Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of the Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement or any of the other Loan Documents, the Administrative Agent shall have no duties or responsibilities, except those expressly set forth herein or therein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into the Loan Documents or otherwise exist against the Administrative Agent.

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10.2 DELEGATION OF DUTIES.

The Administrative Agent may execute any of its duties under the Loan Documents by or through agents or attorneys-in-fact and shall be entitled to rely upon the advice of counsel concerning all matters pertaining to such duties.

10.3 EXCULPATORY PROVISIONS.

Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with the Loan Documents (except for its own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any officer thereof contained in the Loan Documents or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, the Loan Documents or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of any of the Loan Documents or for any failure of the Borrower or any other Person to perform its obligations hereunder or thereunder. The Administrative Agent shall be under no obligation to any Lender to ascertain or

to inquire as to the observance or performance of any of the agreements contained in, or conditions of, the Loan Documents, or to inspect the properties, books or records of the Borrower or any Subsidiary. The Administrative Agent shall have no liability or responsibility whatsoever to the Borrower or any other Person as a consequence of any failure or delay in performance, or any breach, by the Issuing Bank or any Lender of any of its obligations under any of the Loan Documents.

10.4 RELIANCE BY ADMINISTRATIVE AGENT.

The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, opinion, letter, cablegram, telegram, teletype, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by it. Subject to Section 11.7, the Administrative Agent may treat each Lender as the holder of all of the interests of such Lender in its RC Commitment and in its Loans and Notes. The Administrative Agent shall have no duty to examine or pass upon the validity, effectiveness or genuineness of the Loan Documents or any instrument, document or communication furnished pursuant thereto or in connection therewith, and the Administrative Agent shall be entitled to assume that the same are valid, effective and genuine, have been signed or sent by the proper parties and are what they purport to be. The Administrative Agent shall be fully

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justified in failing or refusing to take any action under the Loan Documents unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under the Loan Documents in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

10.5 NOTICE OF DEFAULT.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless it has received written notice thereof from the Issuing Bank, a Lender or the Borrower. In the event that the Administrative Agent receives such a notice, it shall promptly give notice thereof to the Issuer and the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; PROVIDED, HOWEVER, that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem to be in the best interests of the Lenders.

10.6 NON-RELIANCE.

Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereinafter, including any review of the affairs of the Borrower or its Subsidiaries, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own evaluation of and investigation into the business, operations, Property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries and made its own decision to enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, evaluations and decisions in taking or not taking action under this Agreement or any of the Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, Property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall have no duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, Property, financial and other condition

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or creditworthiness of the Borrower or its Subsidiaries which may come into the possession of the Administrative Agent or any of its officers, directors,

employees, agents, attorneys-in-fact or affiliates.

10.7 INDEMNIFICATION.

Each Lender agrees to indemnify the Administrative Agent in its capacity as such (to the extent not promptly reimbursed by or on behalf of the Borrower and without limiting the obligation of the Borrower or any other Loan Party to do so), ratably according to its Credit Exposure at such time, from and against any and all liabilities, obligations, claims, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever including, without limitation, any amounts paid to the Lenders (through the Administrative Agent) by the Borrower pursuant to the terms hereof, that are subsequently rescinded or avoided, or must otherwise be restored or returned) which may at any time (including, without limitation, at any time following the payment of the Notes) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement, the other Loan Documents or any other documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted to be taken by the Administrative Agent under or in connection with any of the foregoing; PROVIDED, HOWEVER, that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent resulting directly and primarily from the gross negligence or willful misconduct of the Administrative Agent. The agreements in this Section 10.7 shall survive the payment of the Notes and all other amounts payable under the Loan Documents.

10.8 ADMINISTRATIVE AGENT IN ITS INDIVIDUAL CAPACITY.

BNY and its Affiliates, may make loans to, accept deposits from, issue letters of credit for the account of and generally engage in any kind of business with, the Borrower and its Subsidiaries as though BNY were not the Administrative Agent. With respect to the RC Commitment made by BNY and each Note issued to BNY, the Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it was not the Administrative Agent or the Issuing Bank, and the terms "Lender" and "Lenders" shall in each case include BNY.

10.9 SUCCESSOR.

If at any time the Administrative Agent deems it advisable, in its sole discretion, it may submit to each of the Lenders a written notification of its resignation as Administrative Agent under the Loan Documents, such resignation to be effective on the

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later to occur of (i) the thirtieth day after the date of such notice and (ii) the date upon which any successor Administrative Agent, in accordance with the provisions of this Section 10.9, shall have accepted in writing its appointment as such successor Administrative Agent. Upon any such resignation of the Administrative Agent, the Required Lenders shall have the right to appoint from among the Lenders a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders and accepted such appointment within 30 days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which successor Administrative Agent shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$100,000,000. Upon the acceptance of any appointment as Administrative Agent by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent's rights, powers, privileges and duties as Administrative Agent under the Loan Documents shall be terminated. The Borrower and the Lenders shall execute such documents as shall be necessary to effect such appointment. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of Section 10 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents. If at any time hereunder there shall not be a duly appointed and acting Administrative Agent, the Borrower agrees to make each payment due under the Loan Documents directly to the Persons entitled thereto during such time.

10.10 UPDATING EXHIBITS AND SCHEDULES.

The Administrative Agent is hereby authorized and directed from time to time to (i) amend Exhibit A to reflect the RC Commitments of each Lender as of the date of each assignment pursuant to Section 11.7 and, in connection therewith, the Lending Offices and address for notices of each assignee "Lender", (ii) amend Schedule 1.1(L) to reflect any change of address of which the Administrative Agent has received written notice pursuant to Section 11.2, and (iii) in each such case, to send a copy thereof to each party hereto.

10.11 THE LEAD ARRANGER AND AGENTS.

The Lead Arranger, the Documentation Agent, the Syndication Agent and the Co-Agents shall have no duties or obligations under the Loan Documents in their respective capacities as Lead Arranger, Documentation Agent, the Syndication Agent and Co-Agents. The Lead Arranger, the Documentation Agent, the Syndication Agent and the Co-Agents shall be entitled to the same protections, indemnities and rights, and

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subject to the same standards with respect to their actions, inactions and duties, as the Administrative Agent.

11. MISCELLANEOUS

11.1 AMENDMENTS AND WAIVERS.

With the written consent of the Required Lenders, which consent may be transmitted by telecopier, the Administrative Agent and the appropriate Loan Parties may, from time to time, enter into written amendments, supplements or modifications of the Loan Documents and, with the consent of the Required Lenders, the Administrative Agent on behalf of the Lenders may execute and deliver to any such parties a written instrument waiving or consenting to the departure from, on such terms and conditions as the Administrative Agent may specify in such instrument, any of the requirements of the Loan Documents or any Default or Event of Default and its consequences; PROVIDED, however, that:

(a) no such amendment, supplement, modification, waiver or consent shall, without the written consent of all of the Lenders, (i) increase the RC Commitments (other than pursuant to Section 2.4(d)) or the Letter of Credit Commitment, (ii) extend the Maturity Date or the RC Commitment Termination Date, (iii) extend the date or decrease the amount of any mandatory reduction of the RC Commitments pursuant to Section 2.4(b)(i), (iv) decrease the interest rate, extend the time, forgive or change the pro rata method of payment of interest or principal on or applicable to any Note or Reimbursement Obligation, (v) decrease the amount, extend the time, forgive or change the pro rata method of payment of the Commitment Fee, or the Letter of Credit Fee, (vi) release all or any part of the Collateral, the Parent Guaranty or the Subsidiary Guaranty except in connection with a permitted sale or other permitted disposition of the Collateral or the applicable Subsidiary Guarantor, as the case may be, or to the extent that the Administrative Agent shall be required or permitted to do so under the terms and provisions of the Loan Documents, (vii) change the definition of Required Lenders, (viii) change the sharing provisions among the Lenders, (ix) change the several nature of the obligations of the Lenders to make Loans and participate in Letters of Credit, or (x) change the provisions of Sections 2.9, 2.10, 2.11, 2.13, 2.14, 11.1, 11.7(a) or 11.11;

(b) without the written consent of the Administrative Agent, no such amendment, supplement, modification or waiver shall amend, modify or waive any provision of Section 10 or otherwise change any of the rights or obligations of the Administrative Agent under the Loan Documents; and

(c) without the written consent of the Issuing Bank, no such amendment, supplement, modification or waiver shall amend, modify or waive any

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provision relating to the Issuing Bank, the Letter of Credit Commitment or the Letters of Credit or otherwise change any of the rights or obligations of the Issuing Bank hereunder or under the other Loan Documents.

Any such amendment, supplement, modification or waiver shall apply equally to each of the Lenders and shall be binding upon the parties to the applicable agreement, the Lenders, the Administrative Agent, the Issuing Bank and all future holders of the Notes and the Reimbursement Obligations. In the case of any waiver, the parties to the applicable agreement, the Lenders, the Administrative Agent, and the Issuing Bank shall be restored to their former position and rights under the Loan Documents to the extent provided for in such waiver, and any Default or Event of Default waived shall not extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

Notwithstanding the foregoing and in connection with the consummation of the Common Ground Reorganization, the Administrative Agent may release Common Ground Broadcasting, Inc. and Caron Broadcasting, Inc. and certain of their respective assets from the Subsidiary Guaranty (the "COMMON GROUND COLLATERAL RELEASE") upon the receipt by the Administrative Agent of a written notice from the Borrower stating that the Common Ground Reorganization will be consummated within the following five Business Days.

11.2 NOTICES.

Except as otherwise expressly provided herein, all notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made (i) when delivered by hand, (ii) one Business Day after having been sent by overnight courier service, (iii) five Business Days after having been deposited in the mail, first-class postage prepaid, or (iv) in the case of telecopier notice, when sent and transmission confirmed (which may include electronic confirmation), addressed as follows in the case of the Borrower, the Administrative Agent and the Issuing Bank, and as set forth in Schedule 1.1(L) hereto in the case of each of the Lenders, or to such other addresses as to which the Administrative Agent may be hereafter notified by the respective parties hereto or any future holders of the Notes:

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The Borrower:

Salem Communications Holding Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, California 93012
Attention: David Evans,
Senior Vice President and
Chief Financial Officer
Telephone: (805) 987-0400 (ext. 131)
Telecopy: (805) 384-4532

with a copy to:

Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, California 93012
Attention: Jonathan L. Block, Esq.,
Secretary
Telephone: (805) 987-0400 (ext. 106)
Telecopy: (805) 384-4505

The Administrative Agent, the Issuing Bank and/or BNY:

The Bank of New York
Media and Telecommunications Division
One Wall Street, 16th Floor
New York, New York 10286
Attention: Stephen M. Nettler,
Vice President
Telephone: (212) 635-8699
Telecopy: (212) 635-8595

with a copy to, in the case of all Borrowing Requests and Letter of Credit Requests, prepayment notices under Section 2.5(a) and conversion notices under Section 2.8, and to the attention of, in the case of all fundings by the Lenders:

The Bank of New York, as Administrative Agent
Agency Function Administration
One Wall Street, 18th Floor
New York, New York 10286
Attention: Renee Dudley
Telephone: (212) 635-4975
Telecopy: (212) 635-6365 (or 6366/6367)

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except that any notice, request or demand by the Borrower to or upon the Administrative Agent, the Issuing Bank or the Lenders pursuant to Section 2.3, 2.4, 2.5, 2.8 or 2.18 shall not be effective until received.

11.3 NO WAIVER; CUMULATIVE REMEDIES.

No failure to exercise and no delay in exercising, on the part of the Administrative Agent, the Issuing Bank or any Lender, any right, remedy, power or privilege under any Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege under any Loan Document preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges under the Loan Documents are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

11.4 SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement, the Notes and the other Loan Documents.

11.5 PAYMENT OF EXPENSES AND TAXES.

The Borrower agrees, promptly upon presentation of a statement or invoice therefor, and whether or not any Loan is made or Letter of Credit is issued, (i) to pay or reimburse the Administrative Agent and the Arranger for all their out-of-pocket reasonable costs and expenses incurred in connection with the development, preparation, execution and syndication of, and any amendment, waiver, consent, supplement or modification to, the Loan Documents, any documents prepared in connection therewith and the consummation of the transactions contemplated hereby and thereby, whether such Loan Documents or any such other documents are executed and whether the transactions contemplated thereby are consummated, including, without limitation, the reasonable fees and disbursements of Special Counsel, (ii) to pay or reimburse the Administrative Agent, the Issuing Bank, the Arranger and the Lenders for all of their respective reasonable costs and expenses incurred in connection with the workout, enforcement or preservation of any rights under the Loan Documents and any such documents, including, without limitation, reasonable fees and disbursements of counsel (including the allocated cost of internal counsel) to the Administrative Agent, the Issuing Bank, the Arranger and the Lenders including, without limitation, reasonable expenses of the Administrative Agent, the Issuing Bank, the Arranger and the Lenders in connection with or attributable to commercial finance examiners, accountants, investment banks and environmental consultants, (iii) to pay, indemnify, and hold each Lender, the Administrative Agent, the Issuing Bank and the Arranger harmless from, any and all recording and filing fees and

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any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other Taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, any of the Loan Documents and any such other documents, and (iv) to pay, indemnify and hold each Lender, the Administrative Agent, the Issuing Bank and the Arranger and each of their respective officers, directors, employees and agents harmless from and against any and all other liabilities, obligations, claims, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including, without limitation, reasonable counsel fees and disbursements (including the allocated cost of internal counsel)) with respect to the execution, delivery, enforcement and performance of the Loan Documents or the use of the proceeds of the Loans and Letters of Credit hereunder (all the foregoing, collectively, the "INDEMNIFIED LIABILITIES") and, if and to the extent that the foregoing indemnity may be unenforceable for any reason, the Borrower agrees to make the maximum payment permitted under applicable law; PROVIDED, however, that the Borrower shall have no obligation hereunder to pay Indemnified Liabilities to the Administrative Agent, the Issuing Bank, the Arranger or any Lender to the extent arising directly and primarily from the gross negligence or willful misconduct of the Administrative Agent, the Issuing Bank, the Arranger or such Lender, as the case may be. The agreements in this Section 11.5 shall survive the termination of the RC Commitments and the payment of the Notes and all other amounts payable hereunder.

11.6 LENDING OFFICES.

Subject to Section 2.17(b), each Lender shall have the right at any time and from time to time to transfer any Loan to a different office of such Lender, PROVIDED that such Lender shall promptly notify the Administrative Agent and the Borrower of any such change of office. Such office shall thereupon become such Lender's Lending Office.

11.7 SUCCESSORS AND ASSIGNS.

(a) This Agreement, the Notes and the other Loan Documents to which the Borrower is a party shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Administrative Agent, the Issuing Bank, all future holders of the Notes and their respective successors and assigns, except that the Borrower may not assign, delegate or transfer any of its rights or obligations under this Agreement, the Notes and the Loan Documents to which the Borrower is a party without the prior written consent of each Lender.

(b) Each Lender shall have the right at any time, upon written notice to the Administrative Agent of its intent to do so, to sell or assign (each an "ASSIGNMENT")

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all or any part of its Loans, its RC Commitment and its Notes, on a pro rata basis to one or more of the other Lenders (or, with the written consent of the Issuing Bank, such consent not to be unreasonably withheld or delayed, to affiliates of such Lender or such other Lenders) or, with the written consent of Administrative Agent, the Issuing Bank and the Borrower (such consents not to be unreasonably withheld or delayed and, such consent of the Borrower not to be

required during the continuance of a Default or Event of Default), to any other bank, insurance company, pension fund, mutual fund or other financial institution, PROVIDED that (i) each such partial Assignment shall be in a minimum aggregate amount of \$5,000,000 (unless otherwise consented to by the Borrower) or, in the case of any assignment pursuant to Section 2.4(d), \$1,000,000, (ii) the parties to each such Assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption Agreement along with a fee (the "ASSIGNMENT FEE") of \$3,500 with respect to the Assignment made under this Agreement and (iii) no such assignment may be made to the Borrower or to any Affiliate of the Borrower. Upon receipt of each such duly executed Assignment and Assumption Agreement together with the Assignment Fee therefor in compliance with the provisions hereof, the Administrative Agent shall (x) record the same and signify its acceptance thereof by executing two copies of such Assignment and Assumption Agreement in the appropriate place and delivering one copy to the assignor and one copy to the assignee and (y) request the Borrower to execute and deliver (1) to such assignee one or more Notes, in an aggregate principal amount equal to the Loans assigned to, and RC Commitments assumed by, such assignee and (2) to such assignor one or more Notes, in an aggregate principal amount equal to the balance of such assignor Lender's Loans and RC Commitment, if any, in each case against receipt of such assignor Lender's existing Notes. The Borrower agrees that it shall, upon each such request of the Administrative Agent, execute and deliver such new Notes at its own cost and expense. Upon such delivery, acceptance and recording by the Administrative Agent, from and after the effective date specified in such Assignment and Assumption Agreement, the assignee thereunder shall be a party hereto and shall for all purposes of this Agreement and the other Loan Documents be deemed a "Lender" and, to the extent provided in such Assignment and Assumption Agreement, the assignor Lender thereunder shall be released from its obligations under this Agreement and the other Loan Documents.

(c) Each Lender may grant participations in all or any part of its Loans, its Notes or its RC Commitment to any other bank, insurance company, pension fund, mutual fund, financial institution or other entity, PROVIDED that no such participant shall have any right to require such Lender to take or omit to take any action under any Loan Document except any action which would require the consent of all Lenders pursuant to Section 11.1. The Borrower hereby acknowledges and agrees that any such participant shall for purposes of Sections 2.9, 11.5, 11.9 and 11.11 be deemed to be a "Lender".

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(d) No Lender shall, as between and among the Borrower, the Administrative Agent, the Issuing Bank, and such Lender, be relieved of any of its obligations under the Loan Documents as a result of any Assignment or granting of a participation in, all or any part of its Loans, its RC Commitment or its Notes, except that a Lender shall be relieved of its obligations to the extent of any Assignment of all or any part of its Loans, its RC Commitment or its Notes pursuant to subsection (b) above.

(e) Notwithstanding anything to the contrary contained in this Section 11.7, any Lender may at any time assign all or any portion of its rights under the Loan Documents to a Federal Reserve Bank. No such assignment shall release such Lender from its obligations thereunder.

11.8 COUNTERPARTS.

This Agreement and each of the other Loan Documents (other than the Notes) may be executed by one or more of the parties to this Agreement or to such other Loan Document, as the case may be, on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same agreement. It shall not be necessary in making proof of any Loan Document to produce or account for more than one counterpart signed by the party to be charged. Any of the parties to this Agreement and the other Loan Documents may rely on signatures of such parties hereto and thereto which are transmitted by telecopier or other electronic means as fully as if originally signed. A set of the copies of this Agreement and each of the other Loan Documents signed by all the parties shall be lodged with each of the Borrower and the Administrative Agent.

11.9 ADJUSTMENTS; SET-OFF.

(a) If any Lender (a "BENEFITED LENDER") shall at any time receive any payment of all or any part of its Loans, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 9.1 (h) or (i), or otherwise) in a greater proportion than any such payment to and collateral received by any other Lender, if any, in respect of such other Lender's Loans, or interest thereon, such benefited Lender shall notify the Administrative Agent and shall purchase for cash from the other Lenders such portion of each such other Lender's Loans, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; PROVIDED, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefited Lender, such purchase shall be

rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest, unless the benefitted Lender is required to pay interest on the amount of the excess payment to be returned, in which case the other

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Lenders shall pay their pro rata share of such interest. The Borrower agrees that each Lender so purchasing a portion of another Lender's Loans may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

(b) In addition to any rights and remedies of the Lenders provided by law, upon the occurrence and at any time during the continuance of an Event of Default, each Lender shall have the right, without prior notice to any Loan Party, any such notice being expressly waived by each such Loan Party to the extent permitted by applicable law, to set off and apply against any indebtedness, whether matured or unmatured, of such Loan Party to such Lender, any amount owing from such Lender to such Loan Party, at, or at any time after, the happening of any of the above-mentioned events. To the extent permitted by applicable law, the aforesaid right of set-off may be exercised by such Lender against each Loan Party or against any trustee in bankruptcy, custodian, debtor in possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor of such Loan Party, or against anyone else claiming through or against such Loan Party or such trustee in bankruptcy, custodian, debtor in possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off shall not have been exercised by such Lender prior to the making, filing or issuance, or service upon such Lender of, or of notice of, any such petition, assignment for the benefit of creditors, appointment or application for the appointment of a receiver, or issuance of execution, subpoena, order or warrant. Promptly after any such set-off and application made by a Lender against a Loan Party, such Lender shall notify such Loan Party and the Administrative Agent, PROVIDED that the failure to give such notice shall not affect the validity of such set-off and application.

11.10 NO THIRD PARTY BENEFICIARY.

This Agreement is among the Borrower, the Lenders, the Administrative Agent, the Issuing Bank and the Arranger and no other Person is intended to or shall have any rights hereunder or shall be permitted to rely hereon.

11.11 INDEMNITY.

(a) The Borrower agrees to indemnify and hold harmless each of the Administrative Agent, the Issuing Bank, the Arranger, each Lender and each of their respective officers, directors, employees and agents (each an "INDEMNIFIED PARTY") from and against any loss, cost, liability, damage or expense (including the reasonable fees and out-of-pocket expenses of counsel to each such Indemnified Party, including all local counsel hired by any such counsel) incurred by each such Indemnified Party in investigating, preparing for, defending against, or providing evidence, producing documents or taking any other action in respect of, any claim, commenced or threatened

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litigation, administrative proceeding or investigation under any federal securities law or any other statute of any jurisdiction, or any regulation, or at common law or otherwise, which is alleged to arise out of or is based upon (i) any untrue statement or alleged untrue statement of any material fact of the Borrower or any Subsidiary in any document or schedule executed or filed with the Securities and Exchange Commission or any other Governmental Authority by or on behalf of the Borrower or any Subsidiary, (ii) any omission or alleged omission to state any material fact required to be stated in such document or schedule, or necessary to make the statements made therein, in light of the circumstances under which made, not misleading, (iii) any of the Loan Documents, the transactions contemplated hereby or thereby or any acts, practices or omissions or alleged acts, practices or omissions of the Borrower or any of its agents relating to the use of the proceeds of any or all Letters of Credit or Loans which are alleged to be in violation of Section 2.7, or in violation of any federal securities law or of any other statute, regulation or other law of any jurisdiction applicable thereto, or (iv) any acquisition or proposed acquisition by the Borrower or any Subsidiary of all or a portion of the Stock, or all or a portion of the assets, of any Person, in each case whether or not any Indemnified Party is a party thereto.

(b) In addition to the indemnity provided under Section 11.11(a), the Borrower agrees to defend, indemnify and hold harmless each Indemnified Party from and against any loss, cost, liability, fine, penalties, damage or expense (including the reasonable fees and out-of-pocket expenses of

counsel to each such Indemnified Party, including all local counsel hired by any such counsel) suffered or incurred by each such Indemnified Party, pertaining to any release or threatened release of a reportable quantity of any hazardous substance or hazardous waste at any Property of the Borrower or any of its Subsidiaries (a "HAZARDOUS DISCHARGE"), including, but not limited to, claims of any Governmental Authority or any third Person, whether arising under or on account of any Environmental Law or tort, contract or common law, including, without limitation, the assertion of any Lien thereunder, with respect to any Hazardous Discharge, the presence of any hazardous substances or hazardous wastes affecting any Property of the Borrower or any of its Subsidiaries, whether or not the same originates or engages from such Property or any contiguous real estate, including any loss of value of such Property as a result of the foregoing. The Borrower's obligations under this Section 11.11(b) shall arise upon the discovery of any Hazardous Discharge at such Property, whether or not any Governmental Authority or any other Person has taken or threatened any action in connection with the presence of any hazardous substances or hazardous wastes.

(c) The indemnities set forth herein shall be in addition to any other obligations or liabilities of the Borrower to the Indemnified Parties hereunder or at common law or otherwise, and shall survive any termination of this Agreement, the expiration of any Hazardous Discharge at such Property, and the payment of all indebtedness of the Borrower hereunder and under the other Loan Documents, PROVIDED that the Borrower shall have no

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obligation under this Section 11.11 to an Indemnified Party with respect to any of the foregoing to the extent arising directly and primarily out of the gross negligence or willful misconduct of such Indemnified Party.

11.12 GOVERNING LAW.

This Agreement, the Notes and the other Loan Documents and the rights and obligations of the parties under this Agreement, the Notes and the other Loan Documents shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, without regard to principles of conflict of laws.

11.13 HEADINGS.

Section headings have been inserted herein and in the other Loan Documents for convenience only and shall not be construed to be a part hereof or thereof.

11.14 SEVERABILITY.

Every provision of this Agreement and the other Loan Documents is intended to be severable, and if any term or provision hereof or thereof shall be invalid, illegal or unenforceable for any reason, the validity, legality and enforceability of the remaining provisions hereof or thereof shall not be affected or impaired thereby, and any invalidity, illegality or unenforceability in any jurisdiction shall not affect the validity, legality or enforceability of any such term or provision in any other jurisdiction.

11.15 INTEGRATION.

All exhibits and schedules to this Agreement shall be deemed to be a part of this Agreement or the applicable Loan Document, as the case may be. Except for agreements between the Borrower and the Administrative Agent, the Issuing Bank and the Arranger with respect to certain fees, this Agreement and the other Loan Documents embody the entire agreement and understanding among the Borrower, the Administrative Agent, the Issuing Bank, the Arranger and the Lenders with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings among the Borrower, the Administrative Agent, the Issuing Bank, the Arranger and the Lenders with respect to the subject matter hereof and thereof.

11.16 LIMITATION OF LIABILITY.

No claim may be made by the Borrower, any of its Subsidiaries, any other Loan Party, any Lender or other Person against the Administrative Agent, the Issuing Bank, any Lender, the Arranger, or any directors, officers, employees, or agents of any of them, for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the

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transactions contemplated by any Loan Document, or any act, omission or event occurring in connection therewith, and each of the Borrower, its Subsidiaries, such other Loan Party, any such Lender or other Person hereby waives, releases and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

11.17 CONSENT TO JURISDICTION.

The Borrower hereby irrevocably submits to the jurisdiction of any New York State or Federal Court sitting in the City of New York over any suit, action or proceeding arising out of or relating to the Loan Documents. The Borrower hereby irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum. The Borrower hereby agrees that a final judgment in any such suit, action or proceeding brought in such a court, after all appropriate appeals, shall be conclusive and binding upon it.

11.18 SERVICE OF PROCESS.

The Borrower hereby agrees that process may be served in any suit, action, counterclaim or proceeding of the nature referred to in Section 11.17 by mailing copies thereof by registered or certified mail, postage prepaid, return receipt requested, to the address of the Borrower set forth in Section 11.2 or to any other address of which the Borrower shall have given written notice to the Administrative Agent. The Borrower hereby agrees that such service, to the extent permitted by applicable law (i) shall be deemed in every respect effective service of process upon it in any such suit, action, counterclaim or proceeding, and (ii) shall to the fullest extent enforceable by law, be taken and held to be valid personal service upon and personal delivery to it.

11.19 NO LIMITATION ON SERVICE OR SUIT.

Nothing in the Loan Documents or any modification, waiver, or amendment thereto shall affect the right of the Administrative Agent, the Issuing Bank or any Lender to serve process in any manner permitted by law or limit the right of the Administrative Agent, the Issuing Bank or any Lender to bring proceedings against the Borrower in the courts of any jurisdiction or jurisdictions.

11.20 WAIVER OF TRIAL BY JURY.

THE ADMINISTRATIVE AGENT, THE ISSUING BANK, THE LENDERS AND THE BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY

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IN RESPECT OF ANY LITIGATION ARISING OUT OF, UNDER OR IN CONNECTION WITH THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREIN. FURTHER, THE BORROWER HEREBY CERTIFIES THAT NO REPRESENTATIVE OR AGENT OF THE ADMINISTRATIVE AGENT, THE ISSUING BANK OR THE LENDERS, OR COUNSEL TO THE ADMINISTRATIVE AGENT, THE ISSUING BANK OR THE LENDERS, HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE ADMINISTRATIVE AGENT, THE ISSUING BANK OR THE LENDERS WOULD NOT, IN THE EVENT OF SUCH LITIGATION, SEEK TO ENFORCE THIS WAIVER OF RIGHT TO JURY TRIAL PROVISION. THE BORROWER ACKNOWLEDGES THAT THE ADMINISTRATIVE AGENT, THE ISSUING BANK AND THE LENDERS HAVE BEEN INDUCED TO ENTER INTO THE LOAN DOCUMENTS BY, INTER ALIA, THE PROVISIONS OF THIS SECTION.

11.21 CONFIDENTIALITY.

The Administrative Agent, the Issuing Bank and the Lenders each agree that, without the prior written consent of the Borrower, it will not disclose the terms of this Agreement or any material confidential information with respect to the Borrower, or any of its Subsidiaries which is furnished pursuant to this Agreement to any Person except (i) its accountants, attorneys and other advisors who have a need to know such information or its Affiliates, and in each case who agree to be bound by the provisions of this Section 11.21, (ii) to the extent such information is requested to be disclosed to any regulatory or administrative body or commission to whose jurisdiction the Administrative Agent, the Issuing Bank or such Lender is subject, (iii) to the extent such information is requested or required to be disclosed by subpoena or similar process of applicable law or regulation, (iv) to the extent the Borrower has previously disclosed such information publicly or such information is otherwise in the public domain (except by virtue of a breach by the Administrative Agent, the Issuing Bank or such Lender of its obligations under this Section 11.21) at the time of disclosure, (v) such information which is disclosed in connection with any litigation or dispute between the Administrative Agent, the Issuing Bank or such Lender and any Loan Party concerning this Agreement, any other Loan Document, or any instrument or document executed or delivered in connection herewith or therewith, (vi) such information which was in the possession of such Person or such Person's Affiliates without the obligation of confidentiality prior to the Administrative Agent, the Issuing Bank or such Lender furnishing it to such Person, and (vii) in connection with a prospective assignment, grant of a participation interest or other transfer by a Lender of any of its interest in this Agreement or the Notes, PROVIDED that the Person to whom such information is disclosed shall

agree to be bound by the provisions of this Section 11.21.

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11.22 SAVINGS CLAUSE.

(a) This Agreement is intended solely as an amendment of, and contemporaneous restatement of, the terms and conditions of the Second Restated Agreement and this Agreement is not intended and should not be construed as in any way extinguishing or terminating the Second Restated Agreement. The Collateral Documents, each to the extent amended as provided herein, shall remain in full force and effect and continue to secure the obligations described therein.

(b) Nothing in this Agreement shall affect the rights of the Credit Parties to payments under Sections 2, 3 and 11 for the period prior to the Third Restatement Date and such rights shall continue to be governed by the provisions of the Second Restated Agreement.

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SALEM COMMUNICATIONS HOLDING CORPORATION
THIRD AMENDED AND RESTATED CREDIT AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Third Amended and Restated Credit Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

SALEM COMMUNICATIONS HOLDING CORPORATION

By: _____
Name: _____
Title: _____

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

By: _____
Name: _____
Title: _____

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

By: _____
Name: _____
Title: _____

FLEET NATIONAL BANK,
in its individual capacity and as
Documentation Agent

By: _____
Name: _____
Title: _____

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

By: _____
Name: _____

Title: _____

THE BANK OF NOVA SCOTIA, in its individual
capacity and as Co-Agent

By: _____
Name: _____
Title: _____

FIRST HAWAIIAN BANK

By: _____
Name: _____
Title: _____

SUMMIT BANK

By: _____
Name: _____
Title: _____

CITY NATIONAL BANK

By: _____
Name: _____
Title: _____

CONSENTED TO:

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
REACH SATELLITE NETWORK, INC.
SALEM MEDIA CORPORATION
SALEM MEDIA OF COLORADO, INC.
SALEM MEDIA OF KENTUCKY, INC.
SALEM MEDIA OF GEORGIA, INC.
SALEM MEDIA OF HAWAII, INC.
SALEM MEDIA OF OHIO, INC.
SALEM MEDIA OF OREGON, INC.
SALEM MEDIA OF PENNSYLVANIA, INC.
SALEM MEDIA OF TEXAS, INC.
SALEM MEDIA OF VIRGINIA, INC.

SALEM MUSIC NETWORK, INC.
SALEM RADIO NETWORK INCORPORATED
SALEM RADIO PROPERTIES, INC.
SALEM RADIO REPRESENTATIVES, INC.
SOUTH TEXAS BROADCASTING, INC.
SRN NEWS NETWORK, INC.
VISTA BROADCASTING, INC.

AS TO EACH OF THE FOREGOING:

By: _____
Name: _____
Title: _____

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<CAPTION>

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ASSET PURCHASE AGREEMENT
(KALC-FM, DENVER, COLORADO)

This ASSET PURCHASE AGREEMENT (the "Agreement") is dated as of September __, 2000 by and between SALEM COMMUNICATIONS ACQUISITION CORPORATION, a Delaware corporation ("Seller") and EMMIS COMMUNICATIONS CORPORATION, an Indiana corporation ("Buyer").

RECITALS

1. Seller owns and operates radio station KALC-FM, licensed to Denver, Colorado (the "Station"), and holds the licenses and authorizations issued by the FCC for the operation of the Station.
2. Buyer desires to acquire certain assets of the Station, 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 ADJUSTMENT AMOUNT. As provided in SECTION 2.7, the amount by which Buyer's account is to be credited or charged, as reflected on the Adjustment List.
- 1.3 ADJUSTMENT LIST. As provided in SECTION 2.7, an itemized list of all sums to be credited or charged against the account of Buyer, with a brief explanation in reasonable detail of the credits or charges.
- 1.4 ASSUMED OBLIGATIONS. Such term shall have the meaning defined in SECTION 2.3.
- 1.5 BUSINESS DAY. Any calendar day, excluding Saturdays and Sundays, on which federally chartered banks in the city of Denver, Colorado are regularly open for business.
- 1.6 BUYER'S THRESHOLD LIMITATION. As provided in SUBSECTION 9.3(b), the threshold dollar amount for the aggregate of claims, liabilities, damages, losses, costs and expenses that must be incurred by Buyer before Seller shall be obligated to indemnify Buyer. The Buyer's Threshold Limitation shall be Five Hundred Thousand Dollars (\$500,000.00).
- 1.7 CLOSING. The closing with respect to the transactions contemplated by this Agreement.
- 1.8 CLOSING DATE. The date determined as the Closing Date as provided in SECTION 8.1.
- 1.9 COMMITMENT FEE. Such term shall have the meaning defined in SECTION 2.4 hereof.
- 1.10 DOCUMENTS. This Agreement and all Exhibits and Schedules hereto, the LMA, and each other agreement, certificate, or instrument delivered pursuant to or in connection with this Agreement, including amendments thereto that are expressly permitted under the terms of this Agreement.
- 1.11 INTENTIONALLY OMITTED.
- 1.12 INTENTIONALLY OMITTED.
- 1.13 EXCLUDED ASSETS. Such term shall have the meaning defined in SECTION 2.2.
- 1.14 FCC. Federal Communications Commission.
- 1.15 FCC LICENSES. The licenses, permits and authorizations of the FCC for the operation of the Station listed on SCHEDULE 3.7.
- 1.16 FCC ORDER. An action, order, or decision of the FCC granting its consent to the assignment of the FCC Licenses to Buyer.
- 1.17 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.

1.18 INDEMNIFIED PARTY. Any party described in SECTION 9.3(a) or SECTION 9.4(a) against which any claim or liability may be asserted by a third party which would

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give rise to a claim for indemnification under the provisions of this Agreement by such party.

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

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

1.21 LMA. The Local Programming and Marketing Agreement by and herewith between Buyer and Seller relating to the Station's programming of even date herewith.

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

1.23 PERMITTED ENCUMBRANCES. For purposes hereof, "Permitted Encumbrances" shall mean (i) easements, restrictions, and other similar matters which will not materially adversely affect the use of the Real Property in the ordinary course of business; (ii) liens for taxes not due and payable or, that are being contested in good faith by appropriate proceedings; (iii) mechanics, materialmen's, carriers', warehousemen's, landlords' or other similar liens in the ordinary course of business for sums not yet due or which are being contested in good faith by appropriate proceedings; (iv) deposits or pledges to secure the performance of bids, tenders, contracts (other than for borrowed money), leases, statutory obligations, surety or appeal bonds or other deposits or pledges for purposes of a like general nature made or given in the ordinary course of business; (v) liens or mortgages that will be released at Closing; and (vi) zoning ordinances and regulations, including statutes and ordinances relating to the liens of streets and to other municipal improvements, which will not materially adversely affect the use of the Real Property in the ordinary course of business.

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1.24 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.

1.25 PURCHASE PRICE. The consideration to be paid by Buyer to Seller for purchase of the Sale Assets in an amount equal to Ninety Eight Million Eight Hundred Thousand Dollars (\$98,800,000).

1.26 REAL PROPERTY. Such term shall have the meaning defined in SECTION 3.6.

1.27 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.

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

1.32 SELLER'S THRESHOLD LIMITATION. As provided in SUBSECTION 9.4(b), the threshold dollar amount for the aggregate of claims, liabilities, damages, losses, costs and expenses that must be incurred by Seller before Buyer shall be obligated to indemnify Seller. The Seller's Threshold Limitation shall be Five Hundred Thousand Dollars (\$500,000.00).

1.29 STATION AGREEMENTS. The agreements, commitments, contracts, leases, and other items described in SECTION 2.1(D), which relate to the operation of the Station.

1.30 SURVIVAL PERIOD. Such term shall have the meaning defined in SECTION 9.1.

1.31 TANGIBLE PERSONAL PROPERTY. The personal property described in SUBSECTION 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 the tangible and intangible assets (except Excluded Assets) set forth below.

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(a) TANGIBLE PERSONAL PROPERTY. The equipment, parts, supplies, furniture, fixtures and other tangible personal property set forth on SCHEDULE 3.5, together with such modifications, replacements, improvements and additional items, and subject to such deletions therefrom, made or acquired between the date hereof and the Closing Date in accordance with the terms and provisions of this Agreement;

(b) REAL PROPERTY AND LEASES. The Real Property;

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

(d) STATION AGREEMENTS. All agreements listed on SCHEDULE 3.8; any renewals, extensions, amendments or modifications of those agreements 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;

(e) RECORDS. True and complete copies of all of the books, records, accounts, files, logs, ledgers, reports of engineers and other consultants or independent contractors, pertaining to or used in the operation of the Station (other than corporate records);

(f) INTANGIBLE PROPERTY. The intangible personal property "Intangible Personal Property" described on SCHEDULE 3.12.

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 with respect to 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.

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

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

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

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

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

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

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

2.3 ASSUMPTION OF LIABILITIES.

(a) At the Closing, Buyer shall assume and agree to perform, without duplication of Seller's performance, the following liabilities and obligations of Seller (the "Assumed Obligations"):

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

(ii) Liabilities and obligations arising under the Station Agreements, if any, 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 commencement of the LMA.

(iii) Obligations of Seller contained in SECTION 8.1 of the Asset Purchase Agreement dated as of March 5, 2000 by and between, INTER ALIA, Salem Communications Corporation and AMFM, Inc. ("AMFM Agreement"), as amended and assigned, which section relates to the collection of accounts receivable of Seller's predecessor in interest to the Sale Assets.

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(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 COMMITMENT FEE

(a) Concurrent with the execution of this Agreement, Buyer shall deposit One Million Two Hundred Thousand Dollars (\$1,200,000) in immediately available funds, which amount shall be hereinafter referred to as the "Commitment Fee." Except as otherwise referred to hereunder, the Commitment Fee shall be deemed to be a non-refundable payment to Seller for its commitment hereunder.

(b) If Closing does not occur, the Commitment Fee shall be retained by Seller or repaid to Buyer in accordance with SECTION 10.2, and if Closing does occur, the Commitment Fee shall be irrevocably retained by Seller.

2.5 PURCHASE PRICE.

(a) The Purchase Price shall be paid by Buyer as follows: At Closing the Purchase Price shall be paid to Seller at Closing by wire transfer of immediately available funds.

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

2.6 ALLOCATION OF THE PURCHASE PRICE. Within 90 days after Closing, Buyer and Seller shall agree to an allocation of the Purchase Price based upon an appraisal report prepared by BIA (the cost of which shall be split one-half by Buyer and one-half by Seller). Buyer and Seller shall use such allocation for all reporting purposes in connection with federal, state, and local income and, to the extent permitted under applicable law, franchise taxes. Buyer and Seller agree to report such allocation to the Internal Revenue Service in the form required by Treasury Regulation Section 1.1060-1T.

2.7 ADJUSTMENT OF PURCHASE PRICE.

(a) Except as provided in the LMA, all operating income and operating expenses of the Station shall be adjusted and allocated between Seller and Buyer in accordance with generally accepted accounting principles, and an adjustment in the Purchase Price shall be made as provided in this SECTION 2.7, to the extent necessary to reflect the principle that all such income and expenses attributable to the operation of the Station on or before 12:01 a.m. Mountain Standard Time on the Closing Date shall be

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for the account of Seller, and all income and expenses attributable to the operation of the Station thereafter shall be for the account of Buyer.

(b) For purposes of making the adjustments pursuant to this SECTION 2.7, Buyer shall prepare and deliver the Adjustment List to Seller within thirty (30) days following the Closing Date, or such earlier or later date as shall be mutually agreed to by Seller and Buyer. The Adjustment List shall set forth the Adjustment Amount. If the Adjustment Amount is a credit to the account of Buyer, Seller shall pay such amount to Buyer, 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

Notwithstanding anything to the contrary in this Agreement, Seller makes no representation or warranty other than the representations and warranties set forth in this ARTICLE III. Seller hereby represents and warrants to Buyer as follows:

3.1 ORGANIZATION AND GOOD STANDING. Seller is a corporation, validly existing and in good standing under the laws of the State of Delaware and authorized to conduct business in the State of Delaware and each and every jurisdiction where Seller conducts business. Seller has the requisite power and authority to execute and to deliver this Agreement and each of the other Documents to be delivered by Seller pursuant hereto, to consummate the transactions contemplated hereby and thereby, and to comply with the terms, conditions, and provisions hereof and thereof.

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

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executed and delivered by the parties hereto, will constitute legal and valid obligations of Seller enforceable against it in accordance with their terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights or remedies generally, and except as may be limited by general principles of equity (regardless of whether enforceability is sought in a proceeding in equity or at law).

3.3 ABSENCE OF CONFLICTS. Seller's execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents by Seller, and the consummation by Seller of the transactions contemplated hereby and thereby

(a) Do not in any material respect (with or without the giving of notice or the passage of time or both) violate (or result in the creation of any claim, lien, charge or encumbrance on any of the assets or properties of Seller under) any provision of law, rule or regulations or any order, judgment, injunction, decree or ruling applicable to Seller in any manner which would have a material adverse effect on the assets, business, operation or financial condition or results of operations of Seller;

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

3.4 GOVERNMENTAL CONSENTS AND CONSENTS OF THIRD PARTIES. Except for such consents as may be required by the FCC, DOJ and the FTC and as are disclosed on SCHEDULE 3.8, to Seller's actual knowledge, the execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents by Seller, and the consummation by Seller of the transactions contemplated hereby and thereby, do not require the approval, consent, authorization or act of, or the making by Seller of any declaration, filing, or registration with, any third party or any foreign, federal, state, or local court, governmental, or regulatory authority or body.

3.5 TANGIBLE PERSONAL PROPERTY. The list of Tangible Personal Property set forth on SCHEDULE 3.5 is a complete and correct list of all material items of tangible personal property included in the Sale Assets. Seller has title to the Tangible Personal Property free and clear of Liens other than Permitted Liens.

3.6 REAL PROPERTY. The real property described on SCHEDULE 3.6 constitutes a description in all material respects of all interests, including all leases, in real estate included in the Sale Assets. Said real property, together with all improvements affixed thereto, is herein defined as the "Real Property." To Seller's knowledge, the Real Property is not subject to any suit for condemnation or taking by any public authority.

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3.7 FCC LICENSES. Seller is the holder of the FCC Licenses listed on SCHEDULE 3.7, and except as set forth thereon, the FCC Licenses are in full force and effect and have not been revoked, suspended, canceled, rescinded, or terminated. There is not pending any action by or before the FCC to revoke, to suspend, to cancel, to rescind or materially adversely to modify any of the FCC Licenses (other than proceedings to amend FCC rules of general applicability), and there is not now issued or outstanding, by or before the FCC, any order to show cause, notice of violation, notice of apparent liability, or notice of forfeiture against Seller with respect to the Station. The Station is operating in compliance in all material respects with the FCC Licenses, the Act, and the Rules and Regulations of the FCC.

3.8 STATION AGREEMENTS. Each of the Station Agreements is in effect and is binding upon Seller and, to Seller's knowledge, the other parties thereto (subject to bankruptcy, insolvency, reorganization or other similar laws relating to or affecting the enforcement of creditors' rights generally). Seller has performed its obligations under each of the Station Agreements in all material respects, and is not in material default thereunder, and to Seller's knowledge, no other party to any of the Station Agreements is in default thereunder in any material respect.

3.9 LITIGATION. There is no action, suit, or proceeding pending against Seller with respect to the Station that will subject Buyer to liability or that questions the legality or propriety of the transactions contemplated by this Agreement.

3.10 COMPLIANCE WITH LAW. Seller has complied in all material respects with all laws, regulations, rules, writs, injunctions, ordinances, franchises, decrees, or orders of any court or of any foreign, federal, state, municipal, or other governmental authority that are applicable to the operation of the Station. To the actual knowledge of Seller, there is no action, suit, proceeding pending or threatened against the Seller in respect of the Station that will subject Buyer to liability or which questions the legality or propriety of the transactions contemplated by this Agreement. To Seller's knowledge, there are no governmental claims or investigations pending or threatened against Seller in respect of the Station (except those affecting the industry generally).

3.11 ENVIRONMENTAL MATTERS. To Seller's knowledge, no hazardous or toxic substance or waste regulated under any applicable environmental, health, or safety law has been generated, stored, transported, or released on, in, from, or to the Real Property. To Seller's knowledge, Seller has complied in all material respects with all environmental, health, and safety laws applicable to the Station.

3.12 INTANGIBLE PROPERTY. SCHEDULE 3.12 contains a description of the material Intangible Personal Property included in the Sale Assets. Except as set forth on SCHEDULE 3.12, Seller has received no notice of any claim that its use of the Intangible Personal Property infringes upon any third party rights. To Seller's actual knowledge, Seller has

the right to use the Intangible Personal Property free and clear of Liens other than Permitted Liens.

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

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

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

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

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

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

(a) Do not in any material respect (with or without the giving of notice or the passage of time or both) violate (or result in the creation of any claim, lien, charge or encumbrance on any of the assets or properties of Buyer under) any provision of law, rule or regulation or any order, judgment, injunction, decree or ruling applicable to Buyer in any manner which would have a material adverse effect on the assets, business, operation or financial condition or results of operations of Buyer;

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

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

4.5 QUALIFICATION.

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

(b) Without limiting the foregoing SECTION 4.5(a), Buyer shall make the affirmative certifications provided in Section III of FCC Form 314, or as may be required on any form required by the FCC to obtain its consent to this transaction, at the time of filing of such form with the FCC as contemplated by SECTION 5.2.

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

4.7 LITIGATION. There are no legal, administrative, arbitral, or other proceedings or governmental investigations pending or, to the knowledge of Buyer, threatened against Buyer that would give any third party the right to enjoin the transactions contemplated by this Agreement.

ARTICLE V

TRANSACTIONS PRIOR TO THE CLOSING DATE

5.1 CONDUCT OF THE STATION'S BUSINESS PRIOR TO THE CLOSING DATE.

Subject to the terms and conditions of the LMA, Seller covenants and agrees with Buyer that between the date hereof and the Closing Date, unless the Buyer otherwise agrees in writing (which agreement shall not be unreasonably withheld or delayed), Seller shall:

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

(b) Operate the Station and otherwise conduct its business in all material respects in accordance with the terms or conditions of its FCC Licenses, the Rules and Regulations, the Act and all other rules and regulations, statutes, ordinances and orders of all governmental authorities having jurisdiction over any aspect of the operation of the Station, except where the failure to so operate the Station would not 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 that are material, individually or in the aggregate, to the operation of the Station;

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

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(e) Not mortgage, pledge or subject to any Lien other than a Permitted Lien (except in the ordinary course of business) any of the Sale Assets;

(f) Not sell, lease or otherwise dispose of, nor agree to sell, lease or otherwise dispose of, any of the Sale Assets, except for dispositions in the ordinary course of business;

(g) Not amend or terminate any Station Agreement, other than in the ordinary course of business;

(h) Not introduce any material change with respect to the operation of the Station including, without limitation, any material changes in the broadcast hours of the Station or any other material change in the Station's programming policies, except such changes as in the sole discretion of Seller, exercised in good faith after consultation with Buyer, are required by the

public interest;

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

(j) Not enter into new Station Agreements with a term greater than one year and an aggregate value greater than \$25,000 which cannot be canceled with ninety (90) days prior written notice or that is with an affiliate of Seller (unless the terms are no less favorable to the Station than could be obtained on an arms-length basis from an unaffiliated third party and otherwise comply with this Section), without Buyer's prior written consent, or enter into trade agreements which in the aggregate exceed related barter assets.

5.2 GOVERNMENTAL CONSENTS.

(a) 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 and a Final Action with respect thereto may be obtained as soon as practicable. Buyer shall not knowingly take, and Seller covenants that Seller shall not knowingly take, any action that party knows or has reason to know would materially and adversely affect or materially delay issuance of the FCC Order or materially and adversely affect or materially delay its becoming a Final Action without a Material Adverse Condition, unless such action is requested or required by the FCC, its staff, or the Rules and Regulations. Should Buyer or Seller become aware of any facts that could reasonably be expected materially and adversely to affect or materially to delay issuance of the FCC

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Order without a Material Adverse Condition (including, but not limited to, in the case of Buyer, any facts that would reasonably be expected to disqualify Buyer from controlling the Station), such party shall promptly notify the other party thereof in writing and both parties shall cooperate to take all steps necessary or desirable to resolve the matter expeditiously and to obtain the FCC's approval of matters pending before it.

(b) Within five (5) business days after the execution of this Agreement, Buyer and Seller shall make any required filings with the Federal Trade Commission ("FTC") and the DOJ pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") with respect to the transactions contemplated hereby (including a request for early termination of the waiting period thereunder), and shall thereafter promptly respond to all requests received from such agencies for additional information or documentation. Buyer and Seller shall notify each other of all documents filed with or received from any governmental agency with respect to this Agreement or the transactions contemplated hereby. Buyer and Seller shall furnish each other with such information and assistance as such the other may reasonably request in connection with their preparation of any governmental filing hereunder. If Buyer becomes aware of any fact relating to it which would prevent or delay consent from the DOJ or FTC (collectively "DOJ Consent"), if any required, or HSR Clearance under the HSR Act, Buyer shall promptly notify Seller thereof and take such steps as necessary to remove such impediment, including but not limited to divesting any stations and terminating any agreements to acquire or program or market any stations.

5.3 OTHER CONSENTS. Seller shall use its reasonable best efforts to obtain the consent or waivers to the transactions contemplated by this Agreement required under any assumed Station Agreements; provided that Seller shall not be required to pay or to grant any material consideration in order to obtain any such consent or waiver.

5.4 TAX RETURNS AND PAYMENTS. All taxes pertaining to ownership of the Sale Assets or operation of the Station prior to the Closing Date will be timely paid; provided that Seller shall not be required to pay any such tax so long as the validity thereof shall be contested in good faith by appropriate proceedings and Seller shall have set aside adequate reserves with respect to any such tax.

5.5 ACCESS PRIOR TO CLOSING DATE. Prior to the Closing, Buyer and its representatives may make such reasonable investigation of the assets and business of the Station as it may desire, and Seller shall give to Buyer, its engineers, counsel, accountants, and other representatives reasonable access during normal business hours throughout the period prior to the Closing to personnel and all of the assets, books, records and files of or pertaining to the Station, provided that (i) Buyer shall give Seller reasonable advance notice of each date on which Buyer or any such other person or entity desires such access, (ii) each person (other than an officer of Buyer) shall, if requested by Seller, be accompanied by an officer or their representative of Buyer approved

by Seller, which approval shall not be unreasonably withheld, (iii) the investigations at the offices

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of Seller shall be reasonable in number and frequency, and (iv) all investigations shall be conducted in such a manner as not to damage physically any property or to constitute a disruption of the operation of the Station or Seller. Seller shall furnish to Buyer during such period all documents and copies of documents and information concerning the business and affairs of Seller and the Station as Buyer may reasonably request.

5.6 CONFIDENTIALITY: PRESS RELEASE. All information, data and materials furnished or to be furnished to either party with respect to the other party in connection with this transaction or pursuant to this Agreement are confidential. Each party agrees that prior to Closing (a) it shall not disclose or otherwise make available, at any time, any such information, data or material to any person who does not have a confidential relationship with such party; (b) it shall protect such information, data and material with a high degree of care to prevent the disclosure thereof; and (c) if, for any reason, this transaction is not consummated, all information, data or material concerning the other party obtained by such party, and all copies thereof, will be returned to the other party. After Closing, neither party will disclose or otherwise make available to any person any of such information, data or material concerning the other party, except as may be necessary or appropriate in connection with the operation of the Station by Buyer. Each party shall use its reasonable efforts to prevent the violation of any of the foregoing confidentiality provisions by its respective representatives. Notwithstanding the foregoing, nothing contained herein shall prohibit Buyer or Seller from:

(i) Using such information, data and materials in connection with any action or proceeding brought or any claim asserted by Buyer or Seller with respect to any breach by the other of any representation, warranty or covenant made in or pursuant to this Agreement; or

(ii) Supplying or filing such information, data or materials to or with the FCC, DOJ, FTC or SEC or any other valid governmental or court authority to the extent required by law or reasonably necessary to obtain any consent, waiver, amendment, modification, approval, authorization, permit or license which may be necessary to effectuate this Agreement, and to consummate the transaction contemplated herein.

Except as required by law, neither party shall make a public announcement of the transactions contemplated by this Agreement or the other Documents without the express written consent of the other, which consent shall not be unreasonably withheld, conditioned or delayed.

5.7 REASONABLE BEST EFFORTS. Subject to the terms and conditions of this Agreement, each of the parties hereto will use its reasonable best efforts to take all action and to do all things necessary, proper or advisable to satisfy any condition to the parties' obligations hereunder in its power to satisfy and to consummate and make effective as soon as practicable the transactions contemplated by this Agreement.

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5.8 FCC REPORTS. Seller shall continue to file, on a current basis until the Closing Date, all reports and documents required to be filed with the FCC with respect to the Station.

5.9 CONVEYANCE FREE AND CLEAR OF LIENS. At or prior to the Closing, Seller shall obtain executed releases, in suitable form for filing and otherwise in form and substance reasonably satisfactory to Buyer, of any security interests granted in the Sale Assets and properties as security for payment of loans and other obligations or judgments and of any other Liens on the Sale Assets. At the Closing, Seller shall transfer and convey to Buyer all of the Sale Assets free and clear of all Liens except Permitted Liens.

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ARTICLE VI

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF BUYER TO CLOSE

Buyer's obligation to close the transaction contemplated by this Agreement is subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, unless waived by Buyer in writing:

6.1 PERFORMANCE OF AGREEMENTS. The representations and warranties of Seller made in this Agreement shall be true and correct in all material respects and the covenants and agreements to be complied with and performed by Seller at

or prior to Closing shall have been complied with or performed in all material respects. Buyer shall have received a certificate dated as of the Closing Date from Seller, executed by an authorized officer of Seller to the effect that the conditions set forth in this Section have been satisfied.

6.2 FCC AND OTHER CONSENTS.

(a) The FCC Order, the DOJ Consent and the HSR Clearance (to the extent the same are required by law) shall have been issued without any condition materially adverse to Buyer.

(b) Seller shall have satisfied all material conditions which the FCC Order, the DOJ Consent and the HSR Clearance or any order, ruling or decree of any judicial or administrative body relating thereto or in connection therewith specifies and requires to be satisfied by Seller prior to transfer of the FCC Licenses to Buyer.

(c) All other material authorizations, consents, approvals and clearances of federal, state or local governmental agencies required to permit the consummation by Buyer of the transactions contemplated by this Agreement including, without limitation, the assignment of any FCC Authorization requested by Buyer, shall have been obtained; all material statutory and regulatory requirements for such consummation shall have been fulfilled; and no such authorizations, consents, approvals or clearances shall contain any conditions that individually or in the aggregate would have a material adverse effect on the operation of the Station.

6.4 ADVERSE PROCEEDINGS. Neither Buyer nor any affiliate of Buyer shall be subject to any ruling, decree, order or injunction restraining, imposing material limitations on or prohibiting (i) the consummation of the transactions contemplated hereby or (ii) its participation in the operation, management, ownership or control of the Station; and no litigation, proceeding or other action seeking to obtain any such ruling, decree, order or injunction shall be pending. No governmental authority having jurisdiction shall have notified any party to this Agreement that consummation of the

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transaction contemplated hereby would constitute a violation of the laws of the United States or of any state or political subdivision or that it intends to commence proceedings to restrain such consummation or to force divestiture, unless such governmental authority shall have withdrawn such notice. No governmental authority having jurisdiction shall have commenced any such proceeding.

6.5 DELIVERY OF CLOSING DOCUMENTS. Seller shall have delivered or caused to be delivered to Buyer on the Closing Date each of the Documents required to be delivered pursuant to SECTION 8.2.

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 PERFORMANCE OF AGREEMENTS. The representations and warranties of Buyer made in this Agreement shall be true and correct in all material respects and the covenants and agreements to be complied with and performed by Buyer at or prior to Closing shall have been complied with or performed in all material respects. Seller shall have received a certificate dated as of the Closing Date from Buyer, executed by an authorized officer of Buyer, to the effect that the conditions set forth in this Section have been satisfied.

7.2. FCC AND OTHER CONSENTS.

(a) The FCC Order, the DOJ Consent and the HSR Clearance (to the extent the same are required by law) shall have been issued by the FCC and shall have become effective under the rules of the FCC, without any condition materially adverse to Seller.

(b) Conditions which the FCC Order or any order, ruling or decree of any judicial or administrative body relating thereto or in connection therewith specifies and requires to be satisfied by Buyer prior to transfer of the FCC Licenses to Buyer shall have been satisfied by Buyer.

(c) All other authorizations, consents, approvals and clearances of all federal, state and local governmental agencies required to permit the consummation by Seller of the transactions contemplated by this Agreement shall have been obtained; all statutory and regulatory requirements for such consummation shall have been fulfilled;

and no such authorizations, consents, approvals or clearances shall contain any conditions that individually or in the aggregate would have any material adverse effect on Seller.

7.3 ADVERSE PROCEEDINGS. Seller shall not be subject to any ruling, decree, order or injunction restraining, imposing material limitations on or prohibiting the consummation of the transactions contemplated hereby. No governmental authority having jurisdiction shall have notified any party to this Agreement that consummation of the transactions contemplated hereby would constitute a violation of the laws of the United States or of any state or political subdivision or that it intends to commence proceedings to restrain such consummation or to force divestiture, unless such governmental authority shall have withdrawn such notice. No governmental authority having jurisdiction shall have commenced any such proceeding.

7.4 DELIVERY OF CLOSING DOCUMENTS AND PURCHASE PRICE. Buyer shall have delivered or caused to be delivered to Seller on the Closing Date each of the Documents required to be delivered pursuant to SECTION 8.3. Seller shall have received payment of the Purchase Price with the form of payment set forth in SECTION 2.5.

ARTICLE VIII

CLOSING

8.1 TIME AND PLACE. Unless otherwise agreed to in advance by the parties, Closing shall take place in person or via facsimile at the offices of Seller's counsel in Camarillo, California, or at such other place as the parties agree to in writing, at 10:00 a.m. Pacific Time on the date (the "Closing Date") that is the later of (i) the fifth (5th) Business Day after the Applicable Date; or (ii) the date as soon as practicable following satisfaction or waiver of the conditions precedent hereunder. The "Applicable Date" shall be the later of January 1, 2001 or the date on which the FCC Order, DOJ Consent and HSR Clearance (to the extent the same are required by law) without any Material Adverse Condition or condition materially adverse to Seller have become effective.

8.2 DOCUMENTS TO BE DELIVERED TO BUYER BY SELLER. At the Closing, Seller shall deliver or cause to be delivered to Buyer the following:

(a) Certified resolutions of Seller's Board of Directors and Shareholders approving the execution and delivery of this Agreement and each of the other Documents and authorizing the consummation of the transactions contemplated hereby and thereby.

(b) A bill of sale and other instruments of transfer and conveyance transferring to Buyer all right, title and interest of Seller in and to the Tangible Personal Property.

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(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, including leases for the Real Property, 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 instrument assigning to Buyer all rights, title and interest of Seller to the Intangible Personal Property.

(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 as set forth in SECTION 2.5.

(c) The agreement of Buyer assuming the obligations under any Station Agreements being assumed by Buyer.

(d) All fees owed Seller under the LMA.

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

8.4 STATION AGREEMENTS. Buyer and Seller acknowledge that certain of the Station Agreements, to be included in the Sale Assets, and the rights and benefits thereunder necessary or appropriate or relating to the conduct of the business and activities of Seller and/or the Station may not, by their terms, be assignable. Notwithstanding anything in this Agreement to the contrary, this Agreement shall not

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constitute an agreement to assign such Station Agreement, and Buyer shall not be deemed to have assumed the same or to be required to perform any obligations thereunder, if an attempted assignment thereof, without the consent of a third party thereto, would constitute a breach thereof or in any way affect the rights under such Station Agreement of Buyer or Seller thereunder. In such event, Seller will cooperate with Buyer to provide for Buyer all benefits to which Seller is entitled under such Station Agreement, and any transfer or assignment to Buyer by Seller of any such Station Agreement or any right or benefit arising thereunder or resulting therefrom which shall require the consent or approval of any third party shall be made subject to such consent or approval being obtained. Seller shall, without further consideration therefor, pay, assign and remit to Buyer promptly all monies, and, to the extent permitted, all other rights or consideration received or obtained, or which may be received or obtained in respect of performance of such Station Agreements.

ARTICLE IX

SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

9.1 SURVIVAL OF REPRESENTATION AND WARRANTIES. All representations and warranties contained in this Agreement or in any other Document shall survive the Closing for the Survival Period and the Closing shall not be deemed a waiver by either party of the representations, warranties, covenants or agreements of the other party contained herein or in any other Document. No claim may be brought under this Agreement or any other Document unless written notice describing in reasonable detail the nature and basis of such claim is given on or prior to the last day of the Survival Period. In the event such a notice is so given, the right to indemnification with respect thereto under this Article shall survive the Survival Period until such claim is finally resolved and any obligations with respect thereto are fully satisfied. For purposes of this agreement the "Survival Period" shall be for six (6) months.

9.2 INDEMNIFICATION IN GENERAL. Buyer and Seller agree that the rights to indemnification and to be held harmless set forth in this Agreement shall, as between the parties hereto and their respective successors and assigns, be exclusive of all rights to indemnification and to be held harmless that such party (or its successors or assigns) would otherwise have by statute, common law or otherwise.

9.3 INDEMNIFICATION BY SELLER.

(a) Subject to the provisions of SECTION 9.3(b) below and SECTION 10.2 below, Seller shall indemnify and hold harmless Buyer and any officer, director, agent, employee and affiliate thereof with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses (including reasonable attorneys' fees) relating to or arising out of:

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(i) Any breach or non-performance by Seller of any of its representations, warranties, covenants or agreements set forth in this Agreement or any other Documents;

(ii) The ownership or operation by Seller of the Station or the Sale Assets on or prior to the Closing Date;

(iii) All other liabilities and obligations of Seller other than the Assumed Obligations and the obligations of Seller contained in SECTION 10.4 of the AMFM Agreement;

(iv) Noncompliance by Seller with the provisions of the Bulk Sales Act, if applicable, in connection with the transaction contemplated hereby; or

(v) Any violation of any Environmental Laws by Seller or the existence of any Hazardous Materials on the Real Property on or before Closing.

(b) Except for any amounts owed by Seller to Buyer under SECTION 9.3(a)(iii) and SECTION 2.7, if Closing occurs, Seller shall not be obligated until the aggregate amount of such claims, liabilities, damages, losses, costs and expenses exceeds Buyer's Threshold Limitation, in which case Buyer shall then be entitled to indemnification of the amount in excess of the Buyer's Threshold Limitation; provided in no event shall the amount of Seller's obligations under this Article IX exceed One Million Dollars (\$1,000,000).

9.4 INDEMNIFICATION BY BUYER.

(a) Subject to the provisions of SUBSECTION (b) below and SECTION 10.2 below, Buyer shall indemnify and hold harmless Seller and any officer, director, agent, employee and affiliate thereof with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses (including reasonable attorneys' fees) relating to or arising out of:

(i) Any breach or non-performance by Buyer of any of its representations, warranties, covenants or agreements set forth in this Agreement or any other Document;

(ii) The ownership or operation of the Station after the Closing Date or Buyer's operation of the Station after the commencement of the LMA;

(iii) The Assumed Obligations;

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(iv) Seller's failure to satisfy the obligations of Seller contained in SECTION 10.4 of the AMFM Agreement, which section relates to the employment of transferred employees; or

(v) All other liabilities or obligations of Buyer.

(b) Except for any amounts owed by Buyer to Seller under SECTION 2.7, SECTION 9.4(a)(iii) and SECTION 9.4(a)(iv), if Closing occurs, Buyer shall not be obligated until the aggregate amount of such claims, liabilities, damages, losses, costs and expenses exceeds Seller's Threshold Limitation, in which case Seller shall then be entitled to indemnification of the amount in excess of Seller's Threshold Limitation; provided in no event shall the amount of Buyer's obligation under this Article IX exceed One Million Dollars (\$1,000,000).

9.5 INDEMNIFICATION PROCEDURES. In the event that an Indemnified Party may be entitled to indemnification hereunder with respect to any asserted claim of, or obligation or liability to, any third party, such party shall notify the Indemnifying Party thereof, describing the matters involved in reasonable detail, and the Indemnifying Party shall be entitled to assume the defense thereof upon written notice to the Indemnified Party with counsel reasonably satisfactory to the Indemnified Party; provided, that once the defense thereof is assumed by the Indemnifying Party, the Indemnifying Party shall keep the Indemnified Party advised of all developments in the defense thereof and any related litigation, and the Indemnified Party shall be entitled at all times to participate in the defense thereof at its own expense. If the Indemnifying Party fails to notify the Indemnified Party of its election to defend or contest its obligation to indemnify under this ARTICLE IX, the Indemnified Party may pay, compromise, or defend such a claim without prejudice to any right it may have hereunder.

ARTICLE X

TERMINATION; LIQUIDATED DAMAGES

10.1 TERMINATION. If Closing shall not have previously occurred, this Agreement shall terminate upon the earliest of:

(a) The giving of written notice from Seller to Buyer, or from Buyer to Seller, if:

(i) Seller gives such termination notice and Seller 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) Any of the following occurs:

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(A) Any of the representations or warranties contained herein of Buyer (if such termination notice is given by Seller), or of Seller (if such termination notice is given by Buyer), are inaccurate in any material respect and 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 and materially adverse to the party giving such termination notice 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, at any time after January 1, 2002; 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. Written notice from Buyer to Seller, at any time after January 1, 2002; provided that termination shall not occur 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 10.1(c).

(d) Written notice from Buyer to Seller or Seller to Buyer of any time following an "Event of Default," as such term is defined in the LMA.

10.2 OBLIGATIONS UPON TERMINATION.

(a) In the event this Agreement is terminated pursuant to SUBSECTION 10.1(a)(ii)(A) OR (B), the aggregate liability of Buyer for breach hereunder shall be limited as provided in SECTIONS 10.2(c) AND 10.2(e) below, and the aggregate liability for

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Seller for breach hereunder shall be limited as provided in SECTIONS 10.2(d) AND 10.2(e) below. In the event this Agreement is terminated for any other reason, neither party shall have any liability hereunder.

(b) Upon termination of this Agreement, Buyer shall be entitled to the repayment of the Commitment Fee (i) if such termination is effected by Buyer's giving of valid written notice to Seller pursuant to SECTIONS 10.1, or (ii) if such termination is effected by Seller's giving of valid written notice to Buyer pursuant to SECTIONS 10.1(a)(ii)(C), 10.1(b) OR 10.1(c). If Buyer is entitled to repayment of the Commitment Fee, Seller shall promptly repay such amount to Buyer.

(c) If this Agreement is terminated by Seller's giving of valid written notice to Buyer pursuant to SECTION 10.1(a)(ii)(A) OR (B), Buyer agrees that Seller shall, in addition to its right to retain the Commitment Fee, be entitled to receive upon such termination, as liquidated damages and not as a penalty, Twenty-Three Million Eight Hundred Thousand Dollars (\$23,800,000) ("Liquidated Damages Amount"). Seller shall be entitled to pursue any remedy available to Seller at law or equity to recover from Buyer the full amount of the Liquidated Damages Amount, provided the total monetary damages to which Seller shall be entitled, less the Commitment Fee, shall not exceed 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.

Seller: _____ Buyer: _____

(d) Notwithstanding any provision of this Agreement to the

contrary, if this Agreement is terminated by Buyer's giving of written notice to Seller pursuant to SECTIONS 10.1, Buyer shall not be entitled to damages or indemnification from Seller.

(e) In any dispute between Buyer and Seller as to which party is entitled to all or a portion of the Commitment Fee, the prevailing party shall receive, in addition to that portion of the Commitment Fee to which it is entitled, an amount equal to interest on that portion at the rate of ten percent (10%) per annum, calculated from the date the prevailing party's demand for all or a portion of the Commitment Fee is received by Seller.

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10.3 TERMINATION NOTICE. Each notice given by a party pursuant to SECTION 10.1 to terminate this Agreement shall specify the subsection (and clause or clauses thereof) of SECTION 10.1 pursuant to which such notice is given.

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ARTICLE XI

CASUALTY

Upon the occurrence of any casualty loss, damage or destruction material to the operation of the Station prior to the Closing, Seller shall promptly give Buyer written notice setting forth in detail the extent of such loss, damage or destruction and the cause thereof if known. Except as otherwise provided in the LMA, Seller shall use its reasonable efforts to promptly commence and thereafter to diligently proceed to repair or replace any such lost, damaged or destroyed property.

ARTICLE XII

CONTROL OF STATION

Subject to the terms and conditions of the LMA, between the date of this Agreement and the Closing Date, Buyer shall not control, manage, or supervise the operation of the Station or conduct of its business, all of which shall remain the sole responsibility and under the control of Seller, subject to Seller's compliance with this Agreement.

ARTICLE XIII

MISCELLANEOUS

13.1 FURTHER ACTIONS. From time to time before, at and after the Closing, each party, at its expense and without further consideration, will execute and deliver such documents to the other party as the other party may reasonably request in order more effectively to consummate the transactions contemplated hereby.

13.2 ACCESS AFTER THE CLOSING DATE.

(a) After the Closing and for a period of twelve (12) months, Buyer shall provide Seller and Seller's counsel, accountants, and other representatives with reasonable access during normal business hours to the books, records, property, personnel, contracts, commitments, and documents of the Station pertaining to transactions occurring prior to the Closing Date when reasonably requested by Seller, and Buyer shall retain such books and records for the normal document retention period of Buyer. At the request and expense of Seller, Buyer shall deliver copies of any such books and records to Seller.

(b) After the Closing and for a period of twelve (12) months, upon the request and expense of Buyer, Seller shall provide Buyer and Buyer's counsel,

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accountants, and other representatives copies of any audited financial information for the last three fiscal years and the present year, within its possession, custody and control.

13.3 PAYMENT OF EXPENSES.

(a) Any fees assessed by the FCC in connection with the filings contemplated by SECTION 5.2 or consummation of the transactions contemplated hereby shall be divided equally between Seller and Buyer. Any fees associated with the filing of the HSR Filing shall be paid by 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 taxes.

(c) Except as otherwise expressly provided in this Agreement, each of the parties shall bear its own expenses, including the fees of any attorneys and accountants engaged by such party, in connection with this Agreement and the consummation of the transactions contemplated herein.

13.4 SPECIFIC PERFORMANCE. Seller acknowledges that the Station is of 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 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.

13.5 NOTICES. All notices, demands or other communications given hereunder shall be in writing and shall be sufficiently given if delivered by courier or sent by registered or certified mail, first class, postage prepaid, or by telex, cable, telegram, facsimile machine or similar written means of communication, addressed as follows:

(a) If to Seller, to:

Jonathan L. Block, Esq.
Vice President and General Counsel
Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, California 93012

(b) If to Buyer, to:

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Jeffrey H. Smulyan
President and Chief Executive Officer
Emmis Communications Corporation
One Emmis Plaza, Suite 700
Indianapolis, IN 46204

With a copy to:

J. Scott Enright

Vice President and Associate General Counsel
Emmis Communications Corporation
One Emmis Plaza, Suite 700
Indianapolis, IN 46204

or such other address with respect to any party hereto as such party may from time to time notify (as provided above) to the other party hereto. Any such notice, demand or communication shall be deemed to have been given (i) if so mailed, as of the close of the third (3rd) Business Day following the date mailed, and (ii) if personally delivered or otherwise sent as provided above, on the date received.

13.6 ENTIRE AGREEMENT. This Agreement, the Schedules and Exhibits hereto, and the other Documents constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede any prior negotiations, agreements, understandings or arrangements between the parties with respect to the subject matter hereof.

13.7 BINDING EFFECT; BENEFITS. Except as otherwise provided herein, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors or assigns. Except to the extent specified herein, nothing in this Agreement, express or implied, shall confer on any person other than the parties hereto and their respective successors or assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

13.8 ASSIGNMENT. This Agreement and any rights hereunder shall not be assignable by either party hereto without the prior written consent of the other party; provided, however, that either party may assign this Agreement to one or more direct or indirect wholly-owned subsidiaries so long as (i) such party remains liable hereunder, and (ii) such assignment will not delay any consent required to be obtained hereunder, including but not limited to HSR Clearance, DOJ Consent and FCC Consent, or delay the Closing in any respect. Further, Buyer may collaterally assign its rights under this Agreement to representatives of lenders under Buyer's Senior Credit Facility. With respect to any permitted assignment, the parties shall take all such actions as are reasonably necessary to effectuate such assignment, including but not limited to cooperating in any appropriate filings with the FCC or other governmental authorities.

All covenants, agreements, statements, representations, warranties and indemnities in this Agreement by and on behalf of any of the parties hereto shall bind and inure to the benefit of their respective successors and permitted assigns of the parties hereto.

13.9 GOVERNING LAW. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of Colorado, including all matters of construction, validity and performance.

13.10 BULK SALES. Buyer hereby waives compliance by Seller with the provisions of the Bulk Sales Act and similar laws of any state or jurisdiction, if applicable. Seller shall, in accordance with ARTICLE IX, indemnify and hold Buyer harmless from and against any and all claims made against Buyer by reason of such non-compliance.

13.11 AMENDMENTS AND WAIVERS. No term or provision of this Agreement may be amended, waived, discharged or terminated orally but only by an instrument in writing signed by the party against whom the enforcement of such amendment, waiver, discharge or termination is sought. Any waiver shall be effective only in accordance with its express terms and conditions.

13.12 SEVERABILITY. If any provision of this Agreement, or the application thereof to any person or entity or any circumstance, is invalid or unenforceable in any jurisdiction, (i) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the extent and purpose of such invalid and unenforceable provision, and (ii) the remainder of this Agreement and the application of such provision to other persons, entities or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

13.13 HEADINGS. Except as provided in ARTICLE I, the captions in this Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

13.14 COUNTERPARTS. This Agreement may be executed in any number of counterparts, and by either party on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.15 REFERENCES. All references in this Agreement to Articles, Sections, and Subsections are to Articles, Sections, and Subsections contained in this Agreement unless a different document is expressly specified.

13.16 SCHEDULES AND EXHIBITS. Unless otherwise specified herein, each Schedule and Exhibit referred to in this Agreement is attached hereto, and each such

Schedule and Exhibit is hereby incorporated by reference and made a part hereof as if fully set forth herein.

{SIGNATURES ON FOLLOWING PAGE.}

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

"SELLER"
SALEM COMMUNICATIONS
ACQUISITION CORPORATION

"BUYER "
EMMIS COMMUNICATIONS
CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

LIST OF SCHEDULES AND EXHIBITS

SCHEDULE 3.6	Description of Real Property
SCHEDULE 3.7	FCC Licenses
SCHEDULE 3.8	Station Agreements
SCHEDULE 3.12	Intangible Property

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SCHEDULE 3.6

TANGIBLE PERSONAL PROPERTY

The Station Assets include all equipment and other tangible personal property that is owned by Seller (or in which seller holds an interest) and used primarily in the operation of the Station (and that is not used to operate any other radio station owned by Seller), whether or not identified on the attached list, except for Excluded Assets. The attached list identifies items of tangible personal property used in the operation of the Station but may also include items that are Excluded Assets or assets which are not owned by Seller because the same were not transferred to Seller in its acquisition of the Station. The Station Assets do not include any Excluded Assets, whether or not identified on the attached list.

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ASSETS SHARED WITH KXPK

EQUIPMENT RACKS
LIMITERS/PROCESSING
T.C. Electronic finalizer
Orban 424a
urei 1178
Valley 401 (2)
Symetrix 528 (4)
BBE 822a
BBE 862
Aphex Compellor (2)
Orban 8200
Orban 8100 XT/2
Paragon audio processor
Symetrix 528E (3)
Calvin EQ2015 (2)
TELCO INTERFACE
Telos 100 (4)
Telos direct interface (2)
Telos Zephyr (3)
AUDIO ROUTING/DISTRIBUTION
SAS Router
ATI 4x4 DA's (3)
Audiometrics DA84 (2)
Audiometrics DA-16000 (2)
Excalibur CDA-1 composite distribution amp
TRANSMISSION EQUIPMENT
Moseley 606
Moseley 6010
Moseley TPT2
QEI cat link (2)
Modulation Sciences Composite line driver
MONITORING EQUIPMENT
QEI 691 Modulation monitor
Crown D-75 Amplifier
JBL 6215 Amplifier

ENGINEERING SHOP
Audio Test Set - Audio Precision
Oscilloscope - Tektronix 20 MHz
Frequency Counter - Sencore
Isolation Transformer - Sencore

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Function Generator - Kenwood
"Z" Meter - Sencore
RPU Receiver - Marti CR-10
Amplifier - Hafler
CD Players - Denon 951FA (2)
Orban 8100 (2)
Audio Prism - Texar
Tascam Cassette - 122MKIII

Yamaha SPX90
SPL Vitalizer
Audio Mixer - EV ELX1A
Aphex Aural Exciter
Hnat Hinds Composite Processor
Eventide MONO delay BD931
Microphone Processor - Aphex Tubessence
Excalibur CDA1
Orban 222A Telos 1A2 Interface (2)
Telos 100 Telephone units (2)
Denon 650F

KITCHEN AREA
Table, kitchen, seats 8
Chairs, metal and fabric (6)

LARGE CONFERENCE ROOM
Table, Wood, 2 sections, seats over 12
Chairs, metal and fabric (18)
Credenza, wood

SMALL CONFERENCE ROOM
Table, Wood, seats 12
Chairs, fabric, (12)
Television, Sony Trinitron, 19"
Stereo, compact tabletop
Table, Wood, small

RECEPTION AREA
Table, wood, square
Chairs, vinyl (4)
Computer, Capitol Info Systems, P166

RECEPTION KITCHEN
Refrigerator, free standing
Microwave, countertop

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OFFICES

A. SMITH
Desk w/return, wood, overhead cabinets
Storage cabinet, wood and fabric, floor standing
Chair, exec, fabric
Chair, guest, metal and fabric
File cabinet, legal, 2 drawer
Computer system, P366 Celeron

ADMIN ASST.
Desk, corner, wood
Storage cabinet, wood and fabric, floor standing
Computer, P366 Celeron
File, cabinet, legal, 2 drawer

SALES AREA
Workstations:
Metal and fabric, desktop, overhead 3 door storage (12)
Computers - P366 Celeron
Chairs - Metal and Fabric

NEW SALES AREA
Computers P366 Celeron
Printer HP LaserJet 4000TN

EXECUTIVE ASSISTANT
Desk w/return, wood, 5 drawers
File cabinets, legal, 4 drawer, top bin, metal (3)
Desk w/return, wood, 5 drawers
File cabinet, wood, legal, 2 drawers
Computer, P200

TRAFFIC OFFICE
Computer, IBM, AS400
Workstation, IBM, 3180
Computer, Emulated Workstation (3)
Desk w/return, wood, 5 drawers (2)
Desk, custom, vinyl surface
File cabinets, metal, 7 drawer (2)
File cabinet, metal, 6 drawer, 2 bin
File cabinets, metal, 4 drawer, 2 bin (2)
File cabinet, metal, legal, metal, 2 drawers
Printer, IBM 4234 (2)

TRAFFIC 2

Desk w/return, wood, overhead cabinets, 5 doors
 File cabinet, metal, standard, 3 drawer
 File cabinet, metal, legal, 2 drawer
 Printer, HP, Laserjet III

EXECUTIVE OFFICE

Workstation, Winsted, metal frame, vinyl surfaces
 Chair, metal/fabric
 Computer, P366 Celeron
 File cabinet, standard, 2 drawer.
 RF Test set, IFR COM120B
 Loudspeakers, Mackie HR824 (2)
 Desk, wood w/return and rear cabinets
 Computer docking station (w/ monitor)
 Chair, Exec, Leather and metal
 Chairs, guest, metal and fabric (2)
 Table, conference, round, wood
 Chairs, conference, vinyl and fabric (5)
 Cabinets, wood, open, 2 level
 Television, Sony, 17", w/ VCR

OFFICE, CONTROLLER

Desk, wood, w/return
 Computer, P366 Celeron
 Printer, HP, Laserjet 4
 Chair, Metal and fabric
 Chairs, Guest, fabric (2)

PROMOTION OFFICE

Desk, wood, old
 Desk, wood, old
 Desk, wood, w/return
 Desk, wood, w/return
 File cabinet, metal, legal, 4 drawer, 1 bin (2)
 Computer, MAC, w/ printer
 Computer, PC, Compaq CDS972
 Computer, PC, Generic
 File cabinet, metal, legal, 4 drawer, 1 bin
 Chairs, various, old (5)

MUSIC LIBRARY

Desk, wood, small
 File cabinet, metal, legal, 2 drawer

Computer, PC, generic

BACK HALL

File cabinets, metal, legal, 2 drawer

VEHICLES

KALC/KXPK Chief Engineer - 1995 Range Rover

ROOFTOP EQUIPMENT - TABOR CENTER

Antenna, Receiving, UHF (1)

ASSETS SHARED WITH KXPK-FM/KVOD-AM/KIMN-FM/KDJM-FM/KXKL-FM

MIS OFFICE

Rack Case - Network Patch Panels - 24 (3)
 Hub - CentreCom FH82FV - 24
 Rack, Floor, 5'
 Network Patch Panel - 24 (2)
 Network Switch, Cisco Catalyst 2900/ 24 port
 Switch, Nortel Networks, Baystack 350-24T
 KVM Switcher, 8 port, Belkin Omniview
 Computer, Server, Custom P2/400
 Computer, Server, Gateway P2/400
 Computer, Web Server, Custom P3/450
 Computer, Laptop, Toshiba Satellite 4030CDT

MULTIMEDIA OFFICE

Desk, vinyl veneer
 Computers, PII/PIII class (6)
 Monitors, 17" (2)
 Monitors, 19" (2)
 Scanner, HP Scanjet 2CX
 QMS color Laser Printer
 Canon Digital Video camera

Printer, HP Laserjet
Projector, INFOCUS
Computers, Laptops, Toshiba (3)
Chairs, Metal and vinyl (2)
Chairs, Fabric (2)
Network HUB, Cisco, 20 port

VEHICLES

Director of Engineering - 1999 Ford Explorer (shared with all 16 Denver stations)

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KALC ASSETS

GREG & BO OFFICE

Shure sm-5b

KALC AIR STUDIO

Microphones
Shure SM-5B (3)
Console:
Auditronics 800-24
Hard Disk Automation
Scott Studios SS
Scott Studios PB
360 Systems Instant Replay
VoxPro Telephone Editor
Tascam 112B Cassette
TFT 911 EAS System Unit
Amplifier, Hafler Model P1500
Distribution Amplifier, ATI DA416
Burk Transmitter Remote Control ARC16
CD Players - Audiometrics CD (3)
Sony DAT Machine PCM-2300
Cartridge Players - ITC Delta (3)
Loudspeakers - JBL 4411 (2)

KALC SIDE STUDIO

Desk, wood, small (2)
Chairs, metal and fabric, various (3)
Computer, Capitol Info. Systems P166
Desk, small, formica top
File cabinet, metal, legal, 3 drawer
File cabinet, metal, standard, 4 drawer

BO'S STUDIO

Console- Auditronics Air Master
Sony MDS MS510 MiniDisks (2)
Denon CD 951 (2)
Denon CD 950 (1)
Headphone Amplifier - Rane
Scott Studios - PB Workstation
Voxpro Telephone Editor
Tascam DA-70 DAT
Digidesign 882 I/O unit

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Telos 1X6 Telco Interface
Mic. Processor Symetrix 528E
Pro Tools System (NT)
Microphones Shure SM5B (2)
Loudspeakers JBL 4301 (2)

ALICE PRODUCTION STUDIO

DAT - Panasonic SV3800
Cart Recorder - ITC 99
Keyboard - Ensoniq Performance Sampler
Reel Machine - Otari MX5050
Typewriter IBM Wheelwriter 3
Reel Machine - Otari MTR10/2
Microphone Preamp - Aphex 107 Tubessence
Compressor/Limiter - Symetrix 525
Equalizer - UREI 535
Noise Reduction - Symetrix 511A
Sonic Maximizer - BBE 862
Microphone Processor - Valley 400
Microphone Processor - Valley 401
Cassette - Tascam 122MKIII
DAT - SONY - PCMR500
Cart Recorder - ITC 99

Harmonizer - Eventide H3000B
Mini-Disk Tascam MD501
CD Player - Denon DN961FA
Console - Audiotronics Series 850 24 ch.
Loudspeakers - JBL 4408 (2)
Digital Workstation - Orban Audicy
Scott Studios - PB Workstation
Desk - Wood - L shape
File Cabinet - Legal - 2 drawer (3)
Production Library CDS - various
Amplifier - Mackie M1400

OFFICES

G. JONES
Desk w/ return, wood, overhead cabinets
Storage cabinet, wood and fabric, floor standing
Computer, P366 Celeron
Table, round, vinyl, veneer
Chair, exec, fabric
Chairs, metal, leather (2)
EOZ's

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Desk, wood, w/return
File cabinet, metal, legal, 2 drawer
Computer, PC, P366 Celeron
Chairs, Metal and fabric, (3)

JIM LAWSON OFFICE
Desk, wood, w/return
Chair, metal and fabric
CD player, Denon DN950FA
Chairs, guest, metal and fabric (2)

LIZ YOUNG OFFICE
Desk, wood, w/return
Chair, metal and fabric
File cabinet, metal, legal, 2 drawer
Computer, P366 Celeron
Printer, HP 4L
File cabinet, metal, legal, 4 drawer
Stereo, compact, Technics
Chairs, guest, metal and fabric (2)

KALC TRANSMITTER SITE - LOOKOUT MTN.
Transmitter, main, Continental Electronics 816R-5B 35 kw
Transmitter, aux, CCA, 20kw
Generator, Onan, 100kw w/ 130 gal. base tank
Transfer switch, AC, ASCO
Electrical switch, fuse and disconnect equipment
Transtector Systems ACP3000 branch service protector
Remote Control system, Burk ARC 16
STL receiver, Moseley PCL 6030
STL receiver, Moseley PCL 606
Exciter, FM, QEI 695
Exciter, FM, Continental 802
Exciter, BE, FX30
Prism, Texar
Stereo Generator, Inovonics
Coaxial Switch and hardware
RF Termination Unit, Electro Impulse DPTC-25KFM
Exhaust Fan, Wall mounted, 12"
Dehydrator, Andrew XT-300 and monitor
UPS, Sola
Antenna, Jampro 5 element directional
Transmission Line, approx. 335', 3 1/8"
RF Amplifier, 500 watt, 2nd auxiliary

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Antenna, STL, Scala
Rack, equipment, metal, 7'
Rack, equipment, metal, 6'

VEHICLES - PROMOTIONAL - KALC
Promotion jeep
Ambulance remote vehicle
REMOTE BROADCAST EQUIPMENT - KALC
(all equipment in vehicle or road case)

Transmitter, RPU, Marti, RPT-30
Transmitter, RPU, Marti, RPT-2
Receiver, RPU, AR-10
Power Amplifier, RPU, 500 watt
Mixer, Allen Heath, 24X4
Mast, Wil-burt, 30'
Audio system - JBL
Microphones, wireless (5)
Audio system - Carvin

ROOFTOP EQUIPMENT - TABOR CENTER
Receiver, RPU, Marti, Frequency Agile
Antenna, STL, Mark, 6'
CN LIB:190690.5

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SCHEDULE 3.6

REAL PROPERTY

*1. Lease and License Agreement dated February 27, 1998 between KWG Inc. and Shamrock Broadcasting; Term: 3/1/1997-10/31/2004 (Transmitter and Tower Lease).

*2. The right to "holdover" with respect to two (2) Tabor Center Leases, as amended pursuant to a First Amendment dated January 28, 1999, between The Tabor Group and Great American Television and Radio; Term: 9/12/1991-12/31/2000 and 11/1/94 -12/31/2000 (Studio Lease).

*3. The right to "holdover" with respect to a Storage Space Lease dated March 5, 1991 between The Tabor Group and Great American Television and Radio; Term: perpetual.

[*] Contract requires third party consent to assignment.

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SCHEDULE 3.7

FCC LICENSES

CALL SIGN	FREQUENCY	FILE NO.	EXPIRATION
KALC	105.9 MHZ	BRH-961129N5	4/1/2005
WCD-984	Aural STL		4/1/2005

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SCHEDULE 3.8

STATION AGREEMENTS

The Station Agreements include all agreements to which Seller is a party (or in which Seller has an interest) and which relate to the operation of the Station (and that are not used to operate any other radio station owned by Seller), except Excluded Assets. The attached list identifies contracts used in the operation of the Station, but may also include items that are Excluded Assets or agreements to which Seller is not a party or has no right, title or interest in.

Contracts marked below with an asterisk require third party notice or consent to be assigned.

1. All agreements for the sale of time on the Station.
2. All Trade Agreements.
3. The interest and obligations (if any) described on SCHEDULE 3.6.
4. Any other contracts, agreements or leases designated by Seller and made in the ordinary course of business that are used in the operation of any Station.
5. Arbitron and National Representation Agreement .
6. The following:

KALC-FM

1. Representation Agreement dated February 1, 1996 between Christal Radio Sales and Chancellor Broadcasting
2. Local Station Blanket Radio License dated May 5, 1997 between ASCAP and Shamrock Broadcasting.
3. License Agreement dated May 19, 1998 between Brown Bag Productions and Chancellor (Rampage Music Library).
4. Subcarrier Ageement dated April 1, 1998 between Command Audio Corporation and Chancellor (revenue producing).
- * 5. Standard License Agreement dated December 9, 1998 between Radio Computing Services and Chancellor.

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6. Jingle License Agreement dated March 12, 1998 between TM Century and Chancellor Media (Jingle Package).
7. Jingle License Agreement dated August 31, 1998 between TM Century and Chancellor Media (Morning Jingles).

KXPK-FM/KALC-FM/KVOD-AM/KIMIV-FM/KDJM-FM/KXKL-PM

1. MS Voter ID Contract Database Agreement dated July 26, 1999 between Media Strategies and AMFM
- * 2. Penthouse Suite License Agreement dated September 30, 1999 between Stadium Management Co. and Chancellor Media (non-assignability clause).
- * 3. License Agreement for an Executive Suite dated September 14, 1999 between Stadium Management Co., and Chancellor Media (non-assignability clause).
- * 4. License Agreement dated December 2, 1999 between Columbine JDS and AMFM.
- * 5. License Agreement dated November 26, 1997 between Ascent Arena and Chancellor (Pepsi-Center Suite).
6. Lease Agreement dated March 30, 1999 between Minolta and Chancellor (Agreement entered into with Chancellor Marketing Group being shared between all stations as "cluster" people are using).
7. Lease Agreement dated April 19, 1999 between Peak Office Furniture and Chancellor (Agreement entered into with Chancellor Marketing Group being shared between all stations as "cluster" people are using).

KALC-FM/KIMN-FM

- * 1. Lease Agreement dated March 19, 1998 between Pitney Bowes and KALC and KIMN.
- * 2. License Agreement to Receive and Use Scarborough Reports dated June 11, 1997 between Arbitron and KIMN-FM/KALC-FM.

KXPK-FM/KALC-FM/KVOD-AM/KIMN-FM/KRRF-AM/KXKL-FM

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1. Agreement dated October 9, 1998 between Presslaff Interactive Revenue and KXPK-FM/KALC-FM/KVOD-AM/KIMN-FM/KRRF-AM/KXKL-FM (Phone Voice React System).

KALC-FM/KIMN-FM/KXKL-FM

- * 1. Software License Agreement and Service Master Agreement dated March 13, 1999 between TAPSCAN and KIMN/KALC/KXKL.

KALC-FM/KXP K-FM

1. Cost-Per-Copy Agreement dated September 1, 1998 between Copy Vend and Chancellor.
2. Agreement dated April 8, 1999 between Urban Forest Plantscaping and KALC.

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EMPLOYMENT AGREEMENTS

KXKL/KD JM/KXPK/KVOD/KALC/KIMN

1. Employment Agreement between Dennis Douglass and Chancellor (Director of Business Development).

KALC/KXPK

1. Employment Agreement dated November 10, 1999 between Anne Smith and KALC/KXPK (Director of Market Development).

KALC/KXPK/KIMN

1. Employment Agreement dated October 1999 between Laura Zimmett and KALC/KXPK/KIMN (National Sales Manager).

KALC-FM

1. Employment Agreement dated January 7, 1999 between James Lawson and Chancellor (Program Director).
2. Employment Agreement dated April 29, 1999 between Kevin Koske and Chancellor (Assistant Program Director/Music Director).
3. Employment Agreement dated August 9, 1999 between Tod Tucker and Chancellor (Night Air Personality)
4. Employment Agreement dated September 9, 1999 between Patrick DuBord and AMFM; Term: 9/9/1999-12/31/2002 (Afternoon Drive Personality)
5. Employment Agreement dated September 9, 1999 between Greg Malba and AMFM; Term: 9/9/1999-12/31/2002 (Afternoon Drive Personality)

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MISCELLANEOUS EMPLOYMENT AGREEMENTS

EMPLOYEE NAME	POSITION
Allison Jennifer	KALC AM Producer
Arpaio Michael	Database Marketing Supervisor
Bertke Nathan	KALC Promotions Assistant
Charles Gerald	Production Director
Cown Chad	KALC Part Time Air Staff
DuBord Patrick	ALC Afternoon Drive
Geary Susan	KALC Part Time Air Staff
Hazzard Scott	Account Executive
Hawey Chris	Account Executive
Jones Gerry	GMS
Juarez Christina	KALC Part Time Air Staff
Judson Rob	Receptionist
Kayes Ben	KALC Promotions Assistant
Knauer Christopher	KALC Part Time Air Staff
Koske Kevin	KALC Music Director
Larry -King Teresa	KALC Overnight
Lawson Jim	KALC Program Director
Lawless Chris	KALC/KXPK Engineer
Leddy Megan	KALC Sales Asst
Lee Michael	Afternoon Producer
Lujan Elizabeth	Account Executive
Malban Greg	KALC Afternoon Drive
McGrew Susie	A/R Clerk
Moore Anita	KALC Traffic Director
Parsons Heather	Account Executive
Smith Anne	NTR Sales
Smith Judith	Executive Assistant (KXPK/KALC)
Smith Kathy	Revenue Manager
Smith Laura	KALC Mid Days
Stickney Jay	Account Executive
Sullivan Anne	Account Executive
Talley Lisa	Continuity (KXPK/KALC)
Tucker Todd	KALC Part Time Air Staff
Wells Todd	Account Executive
Womble Terry	MIS Assistant
Yaksich Kelly	KALC Part Time Air Staff
Young Liz	KALC Promotions Director
Zimmett Laura	National Sales Manager

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SCHEDULE 3.12

INTANGIBLE PERSONAL PROPERTY

All of Seller's rights in and to the Station's call letters and Seller's rights in and to the trademarks, trade names, service marks, franchises, copyrights, computer software, programs, websites, domain names, and programming material, jingles, slogans, logos, and other intangible property, and goodwill related thereto, which are used primarily in the operation of the Station (and that is not used to operate any other radio station owned by Seller), including but not limited to:

License for the following marks:

	MARK	COLORADO REGISTRATION NUMBER	EXPIRATION
1.	KALC	Unregistered	
2.	ALICE	2145746	3/24/2004
3.	"Five Thousand Dollar Thursdays"	19991224371	12/01/2009
4.	"Shortcuts to Y-2 Cash"	19991224372	12/01/2009
5.	"Last Millennium Lunch"	19991224373	12/01/2009

REGISTERED INTERNET DOMAIN NAMES

alice106.fm
kalc.fm
106.fm
jamieanddanny.fm
Gregandbo.fm
alice106.com

EXHIBIT "A"

ESCROW AGREEMENT

ASSET PURCHASE AGREEMENT
(WLKY-AM, LOUISVILLE, KENTUCKY)

This AGREEMENT (this "Agreement") is dated as of July , 2000, by and between TRUTH BROADCASTING CORPORATION ("Seller") and SALEM MEDIA OF KENTUCKY, INC. ("Buyer").

RECITALS:

1. Seller has entered into an agreement (the "HAP Agreement") to acquire radio station WLKY-AM, Louisville, Kentucky (the "Station") from Hearst-Argyle Properties, Inc.

2. Buyer desires to acquire certain assets of the Station, and Seller is willing to convey such assets to Buyer.

3. The acquisition of the Station is subject to consummation of the acquisition of the Station from Hearst-Argyle Properties, Inc. and is further subject to prior approval of the FCC.

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

ARTICLE 1

TERMINOLOGY

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

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

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

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

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

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

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

1.8 CLOSING DATE. The date determined as the Closing Date as provided in SECTION 8.1.

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

1.10 EARNEST MONEY. The amount of One Hundred Thousand Dollars (\$100,000).

1.11 ESCROW AGENT. Fletcher, Heald & Hildreth, P.L.C.

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

1.13 EXCLUDED ASSETS. Such term shall have the meaning defined in SECTION 2.2.

1.14 FCC. Federal Communications Commission.

1.15 FCC LICENSES. The licenses, permits and authorizations of the FCC for the operation of the Station as listed on SCHEDULE 3.8.

1.16 FCC ORDER. An action, order or decision of the FCC granting its consent to the assignment of the FCC Licenses to Buyer.

1.17 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.

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

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

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

1.21 LMA. The Local Programming and Marketing Agreement by and between Buyer and Seller relative to the programming of the Station.

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

1.23 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.

1.24 PURCHASE PRICE. The consideration to be paid by Buyer to Seller for purchase of the Sale Assets in an amount equal to One Million Seven Hundred Fifty Thousand Dollars (\$1,750,000).

1.25 REAL PROPERTY. Such term shall have the meaning defined in SECTION 3.7.

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1.26 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.

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

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

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

1.30 SURVIVAL PERIOD. The term following the Closing Date during

which all representations, warranties, covenants and agreements of the parties under this Agreement shall survive. The term shall be six (6) months.

1.31 TANGIBLE PERSONAL PROPERTY. The personal property described in SECTION 2.1(a).

1.32 TOWER COORDINATES. Such term shall have the meaning defined in SECTION 3.15 hereof.

ARTICLE II

PURCHASE AND SALE

2.1 SALE ASSETS. On the Closing Date, Seller will sell, transfer, assign and convey to Buyer, and Buyer will purchase from Seller, free and clear of all Liens, except Permitted Liens, all of Seller's right, title and interest, legal and equitable, in and to the tangible and intangible assets (except Excluded Assets) used or useful in the operation of the Station as specifically set forth in the following:

(a) TANGIBLE PERSONAL PROPERTY. All equipment, parts, supplies, furniture, fixtures and other tangible personal property now or hereinafter owned by Seller and used in the operation of the Station, 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 and the HAP Agreement.

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(b) REAL PROPERTY. Seller's interests in the Real Property including, without limitation, all right, title and interest of Seller in and to the Station's transmitting facilities;

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

(d) STATION AGREEMENTS. All agreements for the sale of advertising time on the Station entered into in the ordinary course of the Station's business and all agreements listed on SCHEDULE 3.9; any renewals, extensions, amendments or modifications of those agreements which are made in accordance with the terms and provisions of this Agreement and the HAP Agreement;

(e) RECORDS. True and complete copies of all of the books, records, accounts, files, logs, ledgers, reports of engineers and other consultants or independent contractors, pertaining to or used in the operation of the Station (other than corporate records);

(f) MISCELLANEOUS ASSETS. Any other tangible or intangible asset, properties or rights of any kind or nature not otherwise described in this SECTION 2.1 and now or hereinafter owned or used by Seller in the operation of the Station including, but not limited to, goodwill, call letters, slogans and other intellectual property of the Station and all other assets acquired by Seller pursuant to the HAP Agreement.

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.

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

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

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

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

(g) All tangible personal property disposed of or consumed between the date hereof and the Closing Date in accordance with the terms and provisions of this Agreement or the HAP Agreement; all tangible personal property not specifically assumed by Buyer pursuant to Section 2.1(a) above.

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

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

(j) All studios and furniture and fixtures.

2.3 ASSUMPTION OF LIABILITIES.

(a) At the Closing, Buyer shall assume and agree to perform, without duplication of Seller's performance, the following liabilities and obligations of Seller (the "Assumed Obligations"):

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

(ii) Liabilities and obligations arising under the Station Agreements, if any, 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 commencement of the LMA.

(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

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absolute, including, without limitation, any liabilities to or in connection with Seller's employees whether arising in connection with the transaction contemplated hereunder or otherwise.

2.4 EARNEST MONEY.

(a) Within five (5) days of the execution of this Agreement, Buyer shall deposit with Escrow Agent under the Escrow Agreement, in immediately available funds, the Earnest Money. The Escrow Agent shall hold the Earnest Money under the terms of the Escrow Agreement in trust for the benefit of the parties hereto. Interest and other earnings on the Earnest Money shall be distributed by the Escrow Agent to Buyer from time to time upon the request of Buyer.

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

2.5 PAYMENTS.

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

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

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

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

2.6 ALLOCATION OF THE PURCHASE PRICE. 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 Section 1.1060-1T.

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2.7 ADJUSTMENT OF PURCHASE PRICE.

(a) Except as provided in the LMA, 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 2.7 shall be made in accordance with generally accepted accounting principles.

(c) For purposes of making the adjustments pursuant to this Section, Buyer shall prepare and deliver the Adjustment List to Seller within thirty (30) days following the Closing Date, or such earlier or later date as shall be mutually agreed to by Seller and Buyer. The Adjustment List shall set forth the Adjustment Amount. If the Adjustment Amount is a credit to the account of Buyer, 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

Notwithstanding anything to the contrary in this Agreement, Seller makes no representation or warranty other than as set forth in this Article III. Seller hereby represents and warrants to Buyer as follows:

3.1 ORGANIZATION AND GOOD STANDING. Seller is a corporation, validly existing and in good standing under the laws of the State of North Carolina. Seller has all requisite power to own, operate and lease its properties and carry on its business as it is now being conducted and as the same will be conducted until the Closing.

3.2 AUTHORIZATION AND BINDING EFFECT OF DOCUMENTS. Seller's execution and delivery of, and the performance of its obligations under, this Agreement and each of the

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other Documents, and the consummation by Seller of the transactions contemplated hereby and thereby, have been duly authorized and approved by all necessary corporate action on the part of Seller. Subject only to consummation of the HAP Agreement, Seller has the power and authority to execute, deliver and perform its obligations under this Agreement and each of the other Documents and to consummate the transactions hereby and thereby contemplated. This Agreement and each of the other Documents have been, or at or prior to the Closing will be, duly executed by Seller. The Documents, when executed and delivered by the parties hereto, will constitute legal and valid obligations of Seller enforceable against it in accordance with their terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights or remedies generally, and except as may be limited by general principles of equity (regardless of whether enforceability is sought in a proceeding in equity or at law).

3.3 ABSENCE OF CONFLICTS. The execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents by Seller, and the consummation of the transactions contemplated hereby and thereby:

(a) do not, to Seller's actual knowledge, in any material respect (with or without the giving of notice or the passage of time or both) violate (or result in the creation of any Lien other than a Permitted Lien on any of the Sale Assets under), any provision of law, rule or regulation or any

order, judgment, injunction, decree or ruling applicable to Seller;

(b) do not (with or without the giving of notice or the passage of time or both) conflict with or result in a breach or termination of, or constitute a default or give rise to a right of termination or acceleration under the Articles of Incorporation or Bylaws of Seller or pursuant to any lease, agreement, commitment or other instrument which Seller is a party to, or bound by, or by which any of the Sale Assets may be bound, or result in the creation of any Lien, other than a Permitted Lien, upon any of the Sale Assets.

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

3.5 SALE ASSETS. To Seller's actual knowledge, the Sale Assets include all of

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the assets, properties and rights of every type and description, real, personal and mixed, tangible and intangible, that are used to a material extent in the conduct of the business of owning and operating the Station in the manner in which that business is now conducted (with the exception of the Excluded Assets and any asset owned by Buyer and used in the operation of the Station pursuant to the LMA).

3.6 TANGIBLE PERSONAL PROPERTY. Except for supplies and other incidental items which in the aggregate are not of material value and except for studio equipment, to Seller's actual knowledge, the list of Tangible Personal Property set forth on SCHEDULE 3.6 is a complete and correct list of all of the items of tangible personal property (other than Excluded Assets and any asset owned by Buyer and used in the operation of the Station pursuant to the LMA) used to a material extent in the operation of the Station in the manner in which it is now operated. At Closing, Seller will have good, marketable and valid title to all of the items of Tangible Personal Property free and clear of all Liens except Permitted Liens, and including the right to transfer same.

3.7 REAL PROPERTY. To Seller's actual knowledge, the real property described on SCHEDULE 3.7 constitutes a complete and correct summary description in all material respects of all of the interests in real estate used to any extent in the operation of the Station in the manner in which it has been and is now operated. Said real property, together with all improvements affixed thereto, is herein defined as the "Real Property." At Closing, Seller will have fee simple title to the Real Property. To Seller's knowledge, the Real Property is not subject to any suit for condemnation or other taking by any public authority.

3.8 FCC LICENSES. At Closing, Seller will be the holder of the FCC Licenses listed on SCHEDULE 3.8, and the FCC Licenses (i) will be 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 in all material respects as now operated, and (ii) will constitute all the current licenses and authorizations issued by the FCC to Seller for or in connection with the current operation of the Station. Seller has no knowledge of any condition imposed by the FCC as part of any FCC License which is neither set forth on the face thereof as issued by the FCC nor contained in the Rules and Regulations applicable generally to stations of the type, nature, class or location of the Station. At Closing, no proceedings will be pending or, to the knowledge of the Seller at Closing, threatened which may result in the revocation, modification, non-renewal or suspension of any of the FCC Licenses, the denial of any pending applications, the issuance of any cease and desist order or the imposition of any fines, forfeitures or other administrative actions by the FCC with respect to the Station or its operation, other than proceedings affecting the radio broadcasting industry in general.

3.9 STATION AGREEMENTS. At Closing, each of the Station Agreements will be in effect and binding upon Seller and, to Seller's knowledge, the other parties thereto

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(subject to bankruptcy, insolvency, reorganization or other similar laws relating to or affecting the enforcement of creditors' rights generally). To

Seller's knowledge, no other party to any of the Station Agreements is in default thereunder in any material respect.

3.10 COMPLIANCE WITH LAW. To Seller's actual knowledge, the operation of the Station complies in all material respects with the applicable rules and regulations of the FCC and all federal, state, local or other laws, statutes, ordinances, regulations, and any applicable order, writ, injunction or decree of any court, commission, board, agency or other instrumentality.

3.11 ENVIRONMENTAL MATTERS. To Seller's knowledge, no hazardous or toxic substance or waste regulated under any applicable environmental, health or safety law has been generated, stored, transported or released on, in, from or to the Real Property, and at Closing Seller shall have complied in all material respects with all environmental, health and safety laws applicable to the Station.

3.12 TOWER COORDINATES. To Seller's actual knowledge the current vertical elevation and geographical coordinates of the Station's towers ("the Tower Coordinates") are properly registered with the FCC and FAA; and (ii) the Tower Coordinates comply with and correspond to the current vertical elevation and geographical coordinates authorized by the FAA, FCC and any other governmental authority, including any federal, state or local authority having jurisdiction over the Station or said towers.

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

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

4.1 ORGANIZATION AND GOOD STANDING. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Kentucky. 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

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

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

(a) Do not in any material respect (with or without the giving of notice or the passage of time or both) violate (or result in the creation of any claim, lien, charge or encumbrance on any of the assets or properties of Buyer under) any provision of law, rule or regulation or any order, judgment, injunction, decree or ruling applicable to Buyer in any manner which would have a material adverse effect on the assets, business, operation or financial condition or results of operations of Buyer;

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

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

4.5 QUALIFICATION.

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

(b) Without limiting the foregoing SUBSECTION (a), Buyer shall make the affirmative certifications provided in Section III of FCC Form 314, or as may be required on any form required by the FCC to obtain its consent to this transaction, at the time of filing of such form with the FCC as contemplated by SECTION 5.2.

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

ARTICLE V

TRANSACTIONS PRIOR TO THE CLOSING DATE

5.1 CONDUCT OF THE STATION'S BUSINESS PRIOR TO THE CLOSING DATE.

Subject to the terms and conditions of the LMA, Seller covenants and agrees with Buyer that between the date Seller consummates the HAP Agreement and the Closing Date, unless the Buyer otherwise agrees in writing (which agreement shall not be unreasonably withheld or delayed), Seller shall:

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

(b) Operate the Station and otherwise conduct its business in all material respects in accordance with the terms or conditions of its FCC Licenses, the Rules and Regulations, the Act and all other rules and regulations, statutes, ordinances and orders of all governmental authorities having jurisdiction over any aspect of the operation of the Station, except where the failure to so operate the Station would not 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;

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

(e) Not mortgage, pledge or subject to any Lien other than a Permitted Lien (except in the ordinary course of business) any of the Sale Assets;

(f) Not sell, lease or otherwise dispose of, nor agree to sell, lease or otherwise dispose of, any of the Sale Assets, except for dispositions in the ordinary course of business;

(g) Not amend or terminate any Station Agreement, other than in the ordinary course of business;

(h) Not introduce any material change with respect to the operation of the Station including, without limitation, any material changes in the broadcast hours of the Station or any other material change in the Station's programming policies, except such changes as in the sole discretion of Seller, exercised in good faith after consultation with Buyer, are required by the public interest;

(i) Notify Buyer of any material litigation pending or threatened against Station or any material damage to or destruction of any assets included or to be included in the Sale Assets of which Seller receives actual knowledge.

5.2 GOVERNMENTAL CONSENTS. Seller and Buyer shall file with the FCC, within five (5) business days after the execution of this Agreement or at such later date as the parties deem appropriate, such applications and other documents in the name of Seller or Buyer, as appropriate, as may be necessary or advisable to obtain the FCC Order. Seller and Buyer shall take all commercially reasonable steps necessary to prosecute such filings with diligence and shall diligently oppose any objections to, appeals from or petitions to reconsider such approval of the FCC, to the end that the FCC Order and a Final Action with respect thereto may be obtained as soon as practicable; provided, however, that in the event the application for assignment of the FCC Licenses has been designated for hearing, either Buyer or Seller may elect to terminate this Agreement pursuant to SECTION 10.1(c). Buyer shall not knowingly take, and Seller covenants that Seller shall not knowingly take, any action that party knows or has reason to know would materially and adversely affect or materially delay issuance of the FCC Order or

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materially and adversely affect or materially delay its becoming a Final Action without a Material Adverse Condition, unless such action is requested or required by the FCC, its staff or the Rules and Regulations. Should Buyer or Seller become aware of any facts which could reasonably be expected to materially and adversely affect or materially delay issuance of the FCC Order without a Material Adverse Condition (including but not limited to, in the case of Buyer, any facts which would reasonably be expected to disqualify Buyer from controlling the Station), such party shall promptly notify the other party thereof in writing and both parties shall cooperate to take all steps necessary or desirable to resolve the matter expeditiously and to obtain the FCC's approval of matters pending before it.

5.3 OTHER CONSENTS. Seller shall use its reasonable best efforts to obtain the consent or waivers to the transactions contemplated by this Agreement required under any assumed Station Agreements; provided that Seller shall not be required to pay or grant any material consideration in order to obtain any such consent or waiver.

5.4 TAX RETURNS AND PAYMENTS. All taxes pertaining to ownership of the Sale Assets or operation of the Station prior to the Closing Date will be timely paid; provided that Seller shall not be required to pay any such tax so long as the validity thereof shall be contested in good faith by appropriate proceedings and Seller shall have set aside adequate reserves with respect to any such tax.

5.5 REASONABLE BEST EFFORTS. Subject to the terms and conditions of this Agreement, each of the parties hereto will use its reasonable best efforts to take all action and to do all things necessary, proper or advisable to satisfy any condition to the parties' obligations hereunder in its power to satisfy and to consummate and make effective as soon as practicable the transactions contemplated by this Agreement.

5.6 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.

5.7 CONVEYANCE FREE AND CLEAR OF LIENS. At or prior to the Closing, Seller shall obtain executed releases, in suitable form for filing and otherwise in form and substance reasonably satisfactory to Buyer, of any security interests granted in the Sale Assets and properties as security for payment of loans and other obligations or judgments and of any other Liens on the Sale Assets. At the closing, Seller shall transfer and convey to Buyer all of the Sale Assets free and clear of all Liens except Permitted Liens.

ARTICLE VI

CONDITIONS PRECEDENT TO THE

OBLIGATIONS OF BUYER TO CLOSE

Buyer's obligation to close the transaction contemplated by this Agreement is subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, unless waived by Buyer in writing:

6.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES; CLOSING CERTIFICATE.

(a) The representations and warranties of Seller contained in this Agreement or in any other Document shall be complete and correct in all material respects on the date hereof and at the Closing Date with same effect as though made at such time except for changes that are not materially adverse to the Station or the Sale Assets taken as a whole.

(b) Seller shall have delivered to Buyer on the Closing Date a certificate that (i) the condition specified in SECTION 6.1(a) is satisfied as of the Closing Date, and (ii) except as set forth in such certificate (none of which exceptions shall be materially adverse to the Station, the Sale Assets or Seller's ability to consummate the transaction contemplated hereby), the condition specified in SECTION 6.2 is satisfied as of the Closing Date.

6.2 PERFORMANCE OF AGREEMENTS. Seller shall have performed in all material respects all of its covenants, agreements and obligations required by this Agreement and each of the other Documents to be performed or complied with by it prior to or upon the Closing Date.

6.3 FCC AND OTHER CONSENTS.

(a) The FCC Order shall have been issued by the FCC and shall have become effective under the rules of the FCC without any Material Adverse Condition.

(b) Seller shall have satisfied all material conditions which the FCC Order or any order, ruling or decree of any judicial or administrative body relating thereto or in connection therewith specifies and requires to be satisfied by Seller prior to transfer of the FCC Licenses to Buyer.

(c) All other material authorizations, consents, approvals and clearances of federal, state or local governmental agencies required to permit the consummation by Buyer of the transactions contemplated by this Agreement shall have been obtained; all material statutory and regulatory requirements for such consummation shall have been fulfilled; and no such authorizations, consents, approvals or clearances shall contain any conditions that individually or in the aggregate would have a material adverse effect on the operations of the Station.

6.4 ADVERSE PROCEEDINGS. Neither Buyer nor any affiliate of Buyer shall be subject to any ruling, decree, order or injunction restraining, imposing material limitations on or prohibiting (i) the consummation of the transactions contemplated hereby or (ii) its participation in the operation, management, ownership or control of the Station; and no litigation, proceeding or other action seeking to obtain any such ruling, decree, order or injunction shall be pending. No governmental authority having jurisdiction shall have notified any party to this Agreement that consummation of the transaction contemplated hereby would constitute a violation of the laws of the United States or of any state or political subdivision or that it intends to commence proceedings to restrain such consummation or to force divestiture, unless such governmental authority shall have withdrawn such notice. No governmental authority having jurisdiction shall have commenced any such proceeding.

6.6 OTHER CONSENTS. Seller shall have obtained in writing and provided to Buyer on or before the Closing Date, without any condition materially adverse to Buyer or the Station, the material consents or waivers to the transactions contemplated by this Agreement required under those Station Agreements which Buyer has elected to assume.

6.7 DELIVERY OF CLOSING DOCUMENTS. Seller shall have delivered or caused to be delivered to Buyer on the Closing Date each of the Documents required to be delivered pursuant to SECTION 8.2.

ARTICLE VII

CONDITIONS PRECEDENT OF THE
OBLIGATION OF SELLER TO CLOSE

The obligation of Seller to close the transaction contemplated by this Agreement is subject to the satisfaction, on or prior to the closing Date, of each of the following conditions, unless waived by Seller in writing:

7.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES.

(a) The representations and warranties of Buyer contained in this Agreement shall be complete and correct in all material respects on the date hereof and at the Closing Date with the same effect as though made at such time except for changes that are not materially adverse to Seller.

(b) Buyer shall have delivered to Seller on the Closing Date a certificate that (i) the condition specified in SECTION 7.1(a) is satisfied as of the Closing Date, and (ii) except as set forth in such certificate (none of which exceptions shall be materially adverse to Buyer's ability to consummate the transaction contemplated hereby), the conditions specified in SECTION 7.2 are satisfied as of the Closing Date.

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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 any condition materially adverse to Seller.

(b) Conditions which the FCC Order or any order, ruling or decree of any judicial or administrative body relating thereto or in connection therewith specifies and requires to be satisfied by Buyer prior to transfer of the FCC Licenses to Buyer shall have been satisfied by Buyer.

(c) All other authorizations, consents, approvals and clearances of all federal, state and local governmental agencies required to permit the consummation by Seller of the transactions contemplated by this Agreement shall have been obtained; all statutory and regulatory requirements for such consummation shall have been fulfilled; and no such authorizations, consents, approvals or clearances shall contain any conditions that individually or in the aggregate would have any material adverse effect on Seller.

7.4 ADVERSE PROCEEDINGS. Seller shall not be subject to any ruling, decree, order or injunction restraining, imposing material limitations on or prohibiting the consummation of the transactions contemplated hereby. No governmental authority having jurisdiction shall have notified any party to this Agreement that consummation of the transactions contemplated hereby would constitute a violation of the laws of the United States or of any state or political subdivision or that it intends to commence proceedings to restrain such consummation or to force divestiture, unless such governmental authority shall have withdrawn such notice. No governmental authority having jurisdiction shall have commenced any such proceeding.

7.5 DELIVERY OF CLOSING DOCUMENTS AND PURCHASE PRICE. Buyer shall have delivered or caused to be delivered to Seller on the Closing Date each of the Documents required to be delivered pursuant to SECTION 8.3, and Seller shall have received payment of the Purchase Price with the form of payment set forth in SECTION 2.5.

ARTICLE VIII

CLOSING

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8.1 TIME AND PLACE. Unless otherwise agreed to in advance by the parties, Closing shall take place in person or via facsimile at the offices of Buyer in Camarillo, California, or at such other place as the parties agree, at 10:00 A.M. Pacific Time on the date (the "Closing Date") that is the later of (i) the fifth Business Day after the Applicable Date or (ii) the date as soon as practicable following satisfaction or waiver of the conditions precedent hereunder. The "Applicable Date" shall be the date on which issuance of the FCC Order without any Material Adverse Condition or condition materially adverse to Seller has become effective.

8.2 DOCUMENTS TO BE DELIVERED TO BUYER BY SELLER. At the Closing, Seller shall deliver or cause to be delivered to Buyer the following:

(a) Certified resolutions of Seller's Board of Directors approving the execution and delivery of this Agreement and each of the other Documents and authorizing the consummation of the transactions contemplated hereby and thereby.

(b) The certificate required by SECTION 6.1(b).

(c) A bill of sale, warranty deed and other instruments of transfer and conveyance transferring to Buyer the Tangible Personal Property and the Real Property.

(d) Executed releases, in suitable form for filing and otherwise in form and substance reasonably satisfactory to Buyer, of any security interests granted in the Sale Assets as security for payment of loans and other obligations and of any other Liens (other than Permitted Liens).

(e) An instrument or instruments assigning to Buyer all right, title and interest of Seller in and to all Station Agreements being assumed by Buyer.

(f) An instrument assigning to Buyer all right, title and interest of Seller in the FCC Licenses, all pending applications relating to the Station before the FCC, and any remaining Sale Assets not otherwise conveyed.

(g) An instrument assigning to Buyer all rights, title and interest of Seller to the assets described in SECTION 2.1(f) hereof.

(h) An instrument assigning to Buyer all of Seller's rights to indemnification under the HAP Agreement.

(h) Such additional information and materials as Buyer shall have reasonably requested.

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:

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(a) Certified resolutions of Buyer's Board of Directors approving the execution and delivery of this Agreement and each of the other Documents and authorizing the consummation of the transaction contemplated hereby and thereby.

(b) The Purchase Price as set forth in SECTION 2.5.

(c) The agreement of Buyer assuming the obligations under any Station Agreements being assumed by Buyer.

(d) The certificate required under SECTION 7.1(b).

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

ARTICLE IX

SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

9.1 SURVIVAL OF REPRESENTATION AND WARRANTIES. All representations, warranties, covenants and agreements contained in this Agreement or in any other Document shall survive the Closing for the Survival Period and the Closing shall not be deemed a waiver by either party of the representations, warranties, covenants or agreements of the other party contained herein or in any other Document. No claim may be brought under this Agreement or any other Document unless written notice describing in reasonable detail the nature and basis of such claim is given on or prior to the last day of the Survival Period. In the event such a notice is so given, the right to indemnification with respect thereto under this Article shall survive the Survival Period until such claim is finally resolved and any obligations with respect thereto are fully satisfied. Notwithstanding the foregoing, the provisions for survival and the making of claims shall not apply to the agreements whereby Buyer assumes the obligations under SUBSECTION 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.

(a) Subject to the provisions of SUBSECTION (b) below and SECTION 10.2 below, Seller shall indemnify and hold harmless Buyer and any officer, director, agent,

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employee and affiliate thereof with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses (including reasonable attorneys' fees) relating to or arising out of:

(i) Any breach or non-performance by Seller of any of its representations, warranties, covenants or agreements set forth in this Agreement or any other Documents; or

(ii) The ownership or operation by Seller of the Station or the Sale Assets on or prior to the Closing Date; or

(iii) All other liabilities and obligations of Seller other than the Assumed Obligations.

(b) Except for any amounts owed by Seller to Buyer under SECTION 2.7, if Closing occurs, Seller shall not be obligated until the aggregate amount of such claims, liabilities, damages, losses, costs and expenses exceeds Buyer's Threshold Limitation, in which case Buyer shall then be entitled to indemnification of the entire aggregate amount.

9.4 INDEMNIFICATION BY BUYER.

(a) Subject to the provisions of SUBSECTION (b) below and SECTION 10.2 below, Buyer shall indemnify and hold harmless Seller and any officer, director, agent, employee and affiliate thereof with respect to any and all demands, claims, actions, suits, proceedings, assessments, judgments, costs, losses, damages, liabilities and expenses (including reasonable attorneys' fees) relating to or arising out of:

(i) Any breach or non-performance by Buyer of any of its representations, warranties, covenants or agreements set forth in this Agreement or any other Document; or

(ii) The ownership or operation of the Station after the Closing Date or Buyer's operation of the Station after the commencement of the LMA; or

(iii) All other liabilities or obligations of Buyer.

(b) Except for any amounts owed by Buyer to Seller under SECTION 2.7, if Closing occurs, Buyer shall not be obligated until the aggregate amount of such claims, liabilities, damages, losses, costs and expenses exceeds Seller's Threshold Limitation, in which case Seller shall then be entitled to indemnification of the entire aggregate amount.

9.5 INDEMNIFICATION PROCEDURES. In the event that an Indemnified Party may be entitled to indemnification hereunder with respect to any asserted claim of, or obligation or liability to, any third party, such party shall notify the Indemnifying Party

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thereof, describing the matters involved in reasonable detail, and the Indemnifying Party shall be entitled to assume the defense thereof upon written notice to the Indemnified Party with counsel reasonably satisfactory to the Indemnified Party; provided, that once the defense thereof is assumed by the Indemnifying Party, the Indemnifying Party shall keep the Indemnified Party advised of all developments in the defense thereof and any related litigation, and the Indemnified Party shall be entitled at all times to participate in the defense thereof at its own expense. If the Indemnifying Party fails to notify the Indemnified Party of its election to defend or contest its obligation to indemnify under this ARTICLE IX, the Indemnified Party may pay, compromise, or defend such a claim without prejudice to any right it may have hereunder.

ARTICLE X

TERMINATION; LIQUIDATED DAMAGES

10.1 TERMINATION. If Closing shall not have previously occurred, this Agreement shall terminate upon the earliest of:

(a) the giving of written notice from Seller to Buyer, or from Buyer to Seller, if:

(i) Seller gives such termination notice and is not at such time in material default hereunder, or Buyer gives such termination notice and Buyer is not at such time in material default hereunder; and

(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

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nor satisfied within twenty (20) days after written notice thereof from the party giving such termination notice nor waived in writing by the party giving such termination notice.

(b) Written notice from Seller to Buyer, or from Buyer to Seller, at any time after one year from the date this Agreement is executed; 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).

(d) The written election by Buyer under ARTICLE XI.

10.2 OBLIGATIONS UPON TERMINATION.

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

(b) Upon termination of this Agreement, Buyer shall be entitled to the return of the Earnest Money from the Escrow Agent under the Escrow Agreement (i) if such termination is effected by Buyer's giving of valid written notice to Seller pursuant to SUBSECTIONS 10.1(a), (b) (c) or (d), or (ii) if such termination is effected by Seller's giving of valid written notice to Buyer pursuant to SUBSECTIONS 10.1(a) (ii) (C), 10.1(b) OR 10.1(c). If Buyer is entitled to the return of the Earnest Money, Seller shall cooperate with Buyer in taking such action as is required under the Escrow Agreement in order to effect such return from the Escrow Agent.

(c) If this Agreement is terminated by Seller's giving of valid written notice to Buyer pursuant to SUBSECTION 10.1(a) (ii) (A) OR (B), Buyer agrees that Seller shall be entitled to receive upon such termination, as liquidated damages and not as a penalty, the Earnest Money ("Liquidated Damages Amount"). SELLER'S RECEIPT OF THE LIQUIDATED DAMAGES AMOUNT SHALL CONSTITUTE PAYMENT OF LIQUIDATED DAMAGES HEREUNDER AND NOT A PENALTY, AND SHALL BE SELLER'S SOLE REMEDY AT LAW OR IN EQUITY FOR BUYER'S BREACH HEREUNDER IF CLOSING DOES NOT OCCUR. BUYER AND SELLER EACH ACKNOWLEDGE AND AGREE THAT THE LIQUIDATED DAMAGE AMOUNT IS

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REASONABLE IN LIGHT OF THE ANTICIPATED HARM WHICH WILL BE CAUSED BY BUYER'S BREACH OF THIS AGREEMENT, THE DIFFICULTY OF PROOF OF LOSS, THE INCONVENIENCE AND NON-FEASIBILITY OF OTHERWISE OBTAINING AN ADEQUATE REMEDY, AND THE VALUE OF THE TRANSACTION TO BE CONSUMMATED HEREUNDER.

(d) Notwithstanding any provision of this Agreement to the contrary, if this Agreement is terminated by Buyer's giving of written notice to Seller pursuant to SECTION 10.1(a) (ii) (A) OR (B), Buyer shall not be entitled to damages or indemnification from Seller.

(e) In any dispute between Buyer and Seller as to which party is entitled to all or a portion of the Earnest Money, the prevailing party shall receive, in addition to that portion of the Earnest Money to which it is entitled, an amount equal to interest on that portion at the rate of 10% per

annum, calculated from the date the prevailing party's demand for all or a portion of the Earnest Money is received by the Escrow Agent.

10.3 TERMINATION NOTICE. Each notice given by a party pursuant to SECTION 10.1 to terminate this Agreement shall specify the Subsection (and clause or clauses thereof) of SECTION 10.1 pursuant to which such notice is given.

ARTICLE XI

CASUALTY

Subject to the last sentence of this Article XI, upon the occurrence of any casualty loss, damage or destruction material to the operation of the Station prior to the Closing, Seller shall promptly give Buyer written notice setting forth in detail the extent of such loss, damage or destruction and the cause thereof if known. Seller shall use its reasonable efforts to promptly commence and thereafter to diligently proceed to repair or replace any such lost, damaged or destroyed property. In the event that such repair or replacement is not fully completed prior to the Closing Date, Buyer may elect to postpone the Closing until Seller's repairs have been fully completed or to consummate the transactions contemplated hereby on the Closing Date, in which event Seller shall assign to Buyer the portion of the insurance proceeds (less all reasonable costs and expenses, including without limitation attorney's fees, expenses and court costs incurred by Seller to collect such amounts), if any, not previously expended by Seller to repair or replace the damaged or destroyed property (such assignment of proceeds to take place regardless of whether

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the parties close on the scheduled or deferred Closing Date) and Buyer shall accept the damaged Sale Assets in their damaged condition. In the event the loss, damage or destruction causes or will cause the Station to be off the air for more than seven (7) consecutive days or fifteen (15) total days, whether or not consecutive, then Buyer may elect either (i) to consummate the transactions contemplated hereby on the Closing Date, in which event Seller shall assign to Buyer the portion of the insurance proceeds (less all reasonable costs and expenses, including without limitation attorney's fees, expenses and court costs, incurred by Seller to collect such amounts), if any, not previously expended by Seller to repair or replace the damaged or destroyed property, and Buyer shall accept the damaged Sale Assets in their damaged condition, or (ii) to terminate this Agreement. Notwithstanding the foregoing, the provisions of this Article XI shall not apply to any loss, damage or destruction to the extent it is caused by Buyer as operator of the Station pursuant to the LMA.

ARTICLE XII

CONTROL OF STATION

Subject to the terms and conditions of the LMA, between the date of this Agreement and the Closing Date, Buyer shall not control, manage or supervise the operation of the Station or conduct of its business, all of which shall remain the sole responsibility and under the control of Seller, subject to Seller's compliance with this Agreement.

ARTICLE XIII

MISCELLANEOUS

13.1 FURTHER ACTIONS. From time to time before, at and after the Closing, each party, at its expense and without further consideration, will execute and deliver such documents to the other party as the other party may reasonably request in order more effectively to consummate the transactions contemplated hereby.

13.2 PAYMENT OF EXPENSES.

(a) Any fees assessed by the FCC in connection with the filings contemplated by SECTION 5.2 or consummation of the transactions contemplated hereby shall be shared equally between Seller and Buyer.

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(b) All state or local sales or use, stamp or transfer, grant and other similar taxes payable in connection with consummation of the transactions contemplated hereby shall be paid by the party primarily liable under applicable law to pay such tax.

(c) Except as otherwise expressly provided in this Agreement, each of the parties shall bear its own expenses, including the fees of any attorneys and accountants engaged by such party, in connection with this Agreement and the consummation of the transactions contemplated herein.

13.3 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.

13.4 NOTICES. All notices, demands or other communications given hereunder shall be in writing and shall be sufficiently given if delivered by courier or sent by registered or certified mail, first class, postage prepaid, or by telex, cable, telegram, facsimile machine or similar written means of communication, addressed as follows:

(a) If to Seller, to:

c/o Stuart Epperson, Jr.
Truth Broadcasting Corporation
3780 Will Scarlet Road
Winston-Salem, NC 27104

(b) if to Buyer, to:

c/o Salem Communications Corporation
4880 Santa Rosa Road, Suite 300

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Camarillo, California 93012
Attention: Jonathan L. Block, Esq.
Vice President and General Counsel

or such other address with respect to any party hereto as such party may from time to time notify (as provided above) to the other party hereto. Any such notice, demand or communication shall be deemed to have been given (i) if so mailed, as of the close of the third (3rd) business day following the date mailed, and (ii) if personally delivered or otherwise sent as provided above, on the date received.

13.5 ENTIRE AGREEMENT. This Agreement, the Schedules and Exhibits hereto, and the other Documents constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede any prior negotiations, agreements, understandings or arrangements between the parties with respect to the subject matter hereof.

13.6 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.

13.7 ASSIGNMENT. This Agreement and any rights hereunder shall not be assignable by either party hereto without the prior written consent of the other party.

13.8 GOVERNING LAW. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of Kentucky, including all matters of construction, validity and performance.

13.9 AMENDMENTS AND WAIVERS. No term or provision of this Agreement may be amended, waived, discharged or terminated orally but only by an instrument in writing signed by the party against whom the enforcement of such amendment, waiver, discharge or termination is sought. Any waiver shall be effective only in accordance with its express terms and conditions.

13.10 SEVERABILITY. If any provision of this Agreement, or the application thereof to any person or entity or any circumstance, is invalid or unenforceable in any jurisdiction, (i) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the extent and purpose of such invalid and unenforceable provision, and (ii) the remainder of this Agreement and the application of such provision to other persons, entities or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the

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validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

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

13.12 COUNTERPARTS. This Agreement may be executed in any number of counterparts, and by either party on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.13 REFERENCES. All references in this Agreement to Articles and Sections are to Articles and Sections contained in this Agreement unless a different document is expressly specified.

13.14 SCHEDULES AND EXHIBITS. Unless otherwise specified herein, each Schedule and Exhibit referred to in this Agreement is attached hereto, and each such Schedule and Exhibit is hereby incorporated by reference and made a part hereof as if fully set forth herein.

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

"SELLER"

"BUYER "

TRUTH BROADCASTING CORPORATION

SALEM MEDIA OF KENTUCKY, INC.

By:

By:

Stuart W. Epperson, Jr.
President

Eric H. Halvorson
Executive Vice President

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LIST OF SCHEDULES

SCHEDULE 3.6	Tangible Personal Property
SCHEDULE 3.7	Description of Real Property
SCHEDULE 3.8	FCC Licenses
SCHEDULE 3.9	Station Agreements

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ASSET PURCHASE AGREEMENT
(WROL-AM, BOSTON, MASSACHUSETTS)

This AGREEMENT (this "Agreement") is dated as of December ____, 2000, by and between CARTER BROADCASTING, INC. ("Seller") and SCA LICENSE CORPORATION ("Buyer").

RECITALS:

1. Seller owns and operates radio station WROL-AM licensed to Boston, Massachusetts (the "Station"), and holds the licenses and authorizations issued by the FCC for the operation of the Station.
2. Buyer desires to acquire certain assets of the Station, 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 foregoing and the mutual covenants and agreements contained herein, Seller and Buyer hereby agree as follows:

ARTICLE 1

TERMINOLOGY

- 1.1 ACT. The Communications Act of 1934, as amended.
- 1.2 ADJUSTMENT AMOUNT. As provided in SECTION 2.6, the amount by which Buyer's account is to be credited or charged, as reflected on the Adjustment List.
- 1.3 ADJUSTMENT LIST. As provided in SECTION 2.6, an itemized list of all sums to be credited or charged against the account of Buyer, with a brief explanation in reasonable detail of the credits or charges, consistent with the allocation principle set forth in Section 2.6(a).
- 1.4 ASSUMED OBLIGATIONS. Such term shall have the meaning defined in SECTION 2.3.
- 1.5 BUSINESS DAY. Any calendar day, excluding Saturdays and Sundays, on which federally chartered banks are regularly open for business.
- 1.6 CLOSING. The closing with respect to the transactions contemplated by this Agreement.
- 1.7 CLOSING DATE. The date determined as the Closing Date as provided in SECTION 8.1.
- 1.8 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.
- 1.9 ENVIRONMENTAL ASSESSMENT. Such term shall have the meaning defined in SECTION 5.10.
- 1.10 ENVIRONMENTAL LAWS. The Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Clean Air Act and the Toxic Substances Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, the Emergency Planning and Community Right-to-Know Act, the Safe Drinking Water Act, each as amended, and any other applicable federal, state and local laws, statutes, rules or regulations concerning or relating to the

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treating, producing, handling, storing, releasing, spilling, leaking, pumping, pouring, emitting or dumping of Hazardous Materials, or the pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata).
- 1.11 EXCLUDED ASSETS. Such term shall have the meaning defined in SECTION 2.2.
- 1.12 FCC. Federal Communications Commission.
- 1.13 FCC LICENSES. The licenses, permits and authorizations of the FCC for the operation of the Station as listed on SCHEDULE 3.8.

1.14 FCC ORDER. An action, order or decision of the FCC, which is a Final Action, granting its consent to the assignment of the FCC Licenses to Buyer.

1.15 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.

1.16 HAZARDOUS MATERIALS. Toxic materials, hazardous wastes, hazardous substances, pollutants or contaminants, asbestos or asbestos-related products, polychlorinated biphenyls ("PCBs"), petroleum, crude oil or any fraction or distillate thereof in excess of legally-defined permissible limits (as such terms are defined in any applicable federal, state or local laws, ordinances, rules and regulations, and including any other terms which are or may be used in any applicable Environmental Laws to define prohibited or regulated substances).

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

1.18 INDEMNIFYING PARTY. The party to the Agreement (not the Indemnified Party) that, in the event of a claim or liability asserted by a third party against the Indemnified Party which would give rise to a claim for indemnification under the provisions of this Agreement.

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

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

1.21 OSHA LAWS. The Occupational Safety and Health Act of 1970, as amended, and all other federal, state or local laws or ordinances, including orders, rules and regulations thereunder, regulating or otherwise affecting health and safety of the workplace.

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1.22 PERMITTED LIEN. For purposes hereof, "Permitted Lien" shall mean (i) easements, restrictions, and other similar matters which will not materially adversely affect the use of the Real Property in the ordinary course of business; (ii) liens for taxes not due and payable or, that are being contested in good faith by appropriate proceedings; (iii) mechanics, materialmen's, carriers', warehousemen's, landlords' or other similar liens in the ordinary course of business for sums not yet due or which are being contested in good faith by appropriate proceedings; (iv) liens or mortgages that will be released at Closing; and (v) zoning ordinances and regulations, including statutes and ordinances relating to the liens of streets and to other municipal improvements, which will not materially adversely affect the use of the Real Property in the ordinary course of business, provided that any of the foregoing alone or in the aggregate do not 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.

1.23 PURCHASE PRICE. The consideration to be paid by Buyer to Seller for purchase of the Sale Assets in an amount equal to Eleven Million Dollars (\$11,000,000) payable pursuant to the terms of SECTION 2.4 and subject to adjustments pursuant to SECTION 2.6.

1.24 REAL PROPERTY. Such term shall have the meaning defined in SECTION 3.7.

1.25 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 FCC, whether contained in the Code of Federal Regulations, or not, that apply to the Station.

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

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

1.28 TOWER COORDINATES. Such term shall have the meaning defined in SECTION 3.15 hereof.

ARTICLE II

PURCHASE AND SALE

2.1 SALE ASSETS. On the Closing Date, Seller will sell, transfer, assign and convey to Buyer, and Buyer will purchase from Seller, free and clear of all Liens, except Permitted Liens, all of Seller's right, title and interest, legal and equitable, in and to the tangible and intangible, real, personal and mixed assets (except Excluded Assets) used or useful in the operation of the Station including the following:

(a) TANGIBLE PERSONAL PROPERTY. All equipment, parts, supplies, furniture, fixtures, studio equipment, and other tangible personal property now or hereinafter owned by Seller and used in the operation of the Station including, but not limited to the tangible personal property listed on SCHEDULE 3.6, together with such modifications, replacements, improvements and additional items, made or acquired between the date hereof and the Closing Date;

(b) REAL PROPERTY AND LEASES. Seller's interests in all of the real property used in operating the Station including, without limitation, all right, title and interest of Seller in and to the Station's transmitting facilities and all Real Property described in SCHEDULE 3.7.

(c) LICENSES AND PERMITS. The FCC Licenses listed on SCHEDULE 3.8 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

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hereof and the Closing Date, to the extent such other permits, licenses and authorizations pertain to or are used in the operation of the Station;

(d) STATION AGREEMENTS. All agreements which are listed on SCHEDULE 3.9 as agreements which Buyer elects to assume; any renewals, extensions, amendments or modifications of those agreements being assumed which are made in the ordinary course of Seller's operation of the Station and in accordance with the terms and provisions of this Agreement;

(e) RECORDS. True and complete copies of all of the books, records, accounts, files, logs, ledgers, reports of engineers and other consultants or independent contractors, pertaining to or used in the operation of the Station (other than corporate records);

(f) INTELLECTUAL PROPERTY. All of Seller's Intellectual Property used in, or related to, the Station or Sale Assets. For purposes of this Agreement, "Intellectual Property" shall mean all of the following relating to the use or operation of the Station or the Sale Assets: trademarks, service marks, brand names, trade names, mask works, Internet Domain Name(s), Internet Web page(s), HTML content located and publicly accessible from the Domain Names, the visitor e-mail data bases for Internet Domain Names, call letters, slogans, and other indications of origin, the goodwill associated with the foregoing and registrations in any jurisdiction of, and applications in any jurisdictions to register the foregoing, including any extension, modification or renewal of any such registration or application; inventions, discoveries and ideas, whether patentable or not; patents and applications for patents; nonpublic information, trade secrets or confidential information; writings and other works, whether copyrightable or not; technology, know-how or computer software programs and applications used in the Station's business, any similar intellectual property or proprietary rights, and any claims or causes of action arising out of or relating to any infringement or misappropriation of any of the foregoing.

(g) MISCELLANEOUS ASSETS. Any other tangible, intangible, real, personal or mixed asset, property or right of any kind or nature not otherwise described in this SECTION 2.1 and now or hereinafter owned or used by Seller in connection with the operation 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, 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, that are unrelated to the operation of the Station after the Closing Date and further provided that such cash or receivable is not for services on obligations of the Station after the Closing Date (except to the extent Seller receives a credit therefor under SECTION 2.6, in which event such cash, receivable, deposit or security shall be included as part of the Sale Assets).

(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 2.6, in which event the prepaid expense shall be included as part of the Sale Assets).

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

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

(f) All contracts that are terminated in accordance with the terms and provisions of

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this Agreement or have expired prior to the Closing Date in the ordinary course of business; and all loans and loan agreements.

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

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

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

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 2.6, but not in excess of the amount of such credit;

(ii) Liabilities and obligations arising under the Station Agreements, if any, assumed by and transferred to Buyer in accordance with this Agreement, but only to the extent such liabilities and obligations relate to any period of time after the Closing; and

(iii) The obligations, if any, specifically listed in SCHEDULE 2.3.

(b) Except for the Assumed Obligations, Buyer shall not assume or in any manner be liable for any debts, liens, charges, claims, encumbrances, 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 PAYMENTS OF PURCHASE PRICE. The Purchase Price shall be paid by Buyer as follows:

(a) At the Closing, Ten Million Dollars (\$10,000,000) of the Purchase Price shall be paid to Seller by wire transfer of immediately available funds.

(b) Buyer shall pay to Seller, or Seller shall pay to Buyer, the Adjustment Amount in accordance with SECTION 2.6.

(c) On or before twelve months after the Closing Date, One Million Dollars (\$1,000,000) of the Purchase Price shall be paid to Seller by wire transfer of immediately available funds.

2.5 ALLOCATION OF THE PURCHASE PRICE. Buyer and Seller shall agree to an allocation of the Purchase Price as set forth in SCHEDULE 2.5 hereof.

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

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Service in the form required by Treasury Regulation Section 1.1060-1T.

2.6 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. Any cost or obligation related to any Permitted Lien shall also be included as part of the adjustment and allocation between Buyer and Seller.

(b) To the extent not inconsistent with the express provisions of this Agreement, the allocations made pursuant to this SECTION 2.6 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 forty five (45) days following the Closing Date, or such 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. The fees and expenses of such accountants shall be paid by the party who does not prevail on the disputed matters decided by the accountants.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Notwithstanding anything to the contrary in this Agreement, Seller makes no representation or warranty other than as set forth in this ARTICLE III. Seller hereby represents and warrants to Buyer as follows:

3.1 ORGANIZATION AND GOOD STANDING. Seller is a corporation, validly existing and in good standing under the laws of the State of _____ and authorized to conduct business in the State of _____ and each and every jurisdiction where Seller conducts business. Seller has all requisite power to own, operate and lease its properties and carry on its business as it is now being conducted and as the same will be conducted until the Closing.

3.2 AUTHORIZATION AND BINDING EFFECT OF DOCUMENTS. Seller's execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents, and the consummation by Seller of the transactions contemplated hereby and thereby, have been duly authorized and approved by all necessary corporate action on the part of Seller, and no other corporate proceedings on the part of the Seller are necessary to authorize and approve this Agreement. As of the date hereof, the Board of Directors of Seller has determined that the transaction contemplated by this Agreement is advisable and in the best interest of its stockholders. Seller has the power and authority to execute, deliver and perform its obligations under this Agreement and each of the other Documents and to consummate the transactions hereby and thereby contemplated. This Agreement and each of the other Documents have been, or at or prior to the Closing will be, duly executed by Seller. The Documents, when executed and

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delivered by the parties hereto, will constitute legal and valid obligations of Seller enforceable against it in accordance with their terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights or remedies generally, and except as may be limited by general principles of equity.

3.3 ABSENCE OF CONFLICTS. The execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents by Seller, and the consummation of the transactions contemplated hereby and thereby:

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

(b) do not (with or without the giving of notice or the passage of time or both) conflict with or result in a breach or termination of, or constitute a default or give rise to a right of termination or acceleration under the articles of incorporation or bylaws of Seller or pursuant to any lease, agreement, commitment or other instrument which Seller is a party to, or bound by, or by which any of the Sale Assets may be bound, or result in the creation of any Lien, other than a Permitted Lien, upon any of the Sale Assets.

3.4 GOVERNMENTAL CONSENTS AND CONSENTS OF THIRD PARTIES. Except for such consents as are required by the FCC and as are disclosed on SCHEDULE 3.4, the execution and delivery of, and the performance of Seller's obligations under, this Agreement and each of the other Documents by Seller, and the consummation by Seller of the transactions contemplated hereby and thereby, do not require the consent, waiver, approval, permit, license, clearance or authorization of, or any declaration of filing with, any court or public agency or governmental body or other authority, or the consent of any person under any agreement, arrangement or commitment of a nature to which Seller is a party or by which it is bound or by which the Sale Assets are bound or to which they are subject to, the failure of which to obtain would have a Material Adverse Effect on the Sale Assets or the operation of the Station.

3.5 SALE ASSETS. The Sale Assets include all of the assets, properties and rights of every type and description, real, personal and mixed, tangible and intangible, that are used in the conduct of the business of owning and operating the Station in the manner in which that business is now conducted, including, without limitation all of the assets described in SECTION 2.1 with the exception of the Excluded Assets described in SECTION 2.2.

3.6 TANGIBLE PERSONAL PROPERTY. Except for supplies and other incidental items which in the aggregate are not of material value, the list of Tangible Personal Property set forth on SCHEDULE 3.6 is a complete and correct list of all of the items of tangible personal property (other than Excluded Assets) used to a material extent in the operation of the Station in the manner in which it is now operated. In addition:

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

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

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

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(d) There is no any defect in the condition or operation of any item of the Tangible Personal Property which is reasonably likely to have a Material Adverse Effect on the operation of the Station.

3.7 REAL PROPERTY.

(a) The real property described on SCHEDULE 3.7 constitutes a complete and correct summary description in all material respects of all of the interests in real estate, including all leases, used to any extent in the operation of the Station in the manner in which it has been and is now operated. Said real property, together with all improvements affixed thereto, is herein defined as the "Real Property."

(b) Seller does not owe any money to any architect, contractor, subcontractor or materialman for labor or materials performed, rendered or supplied to or in connection with the Real Property which shall not be paid in full on or before Closing.

(c) Seller's present use of the Real Property is in compliance with all applicable zoning codes in effect as of the date hereof, and Seller has not received any notices of uncorrected violations of the applicable housing, building, safety or fire ordinances. The Real Property is served by all utilities, including, without limitation, electricity and water in capacities adequate for the present use of the Real Property and improvements thereon.

(d) Seller has not made any other agreement for the sale or lease of, or given any other person an option to purchase or lease or a right of first refusal to purchase or lease, all or any part of the Real Property, and Seller has not subjected the Real Property to any liens (other than Permitted Liens), easements, rights, duties, obligations, covenants, conditions, restrictions, limitations or agreements not of record.

(e) Seller has good and marketable title to the Real Property.

3.8 FCC LICENSES. Seller is the holder of the FCC Licenses listed on SCHEDULE 3.8, and except as set forth on such Schedule, the FCC Licenses (i) are valid, in good standing and in full force and effect, unimpaired by any act or omission of Seller, 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 in all material respects as now operated, (ii) constitute all the current licenses and authorizations issued by the FCC to Seller for or in connection with the current operation of the Station; (iii) there is no condition imposed by the FCC as part of any FCC License which is neither set forth on the face thereof as issued by the FCC nor contained in the Rules and Regulations applicable generally to stations of the type, nature, class or location of the Station; (iv) the Station is being operated at full authorized power, in accordance with the terms and conditions of the FCC Licenses applicable to it and in accordance with the Rules and Regulations, except to the extent a failure to so comply would not constitute a Material Adverse Effect; (v) no application, action or proceeding is pending, or, is threatened which may result in the revocation, modification, non-renewal or suspension of any of the FCC Licenses, the denial of any pending applications, the issuance of any cease and desist order or the imposition of any fines, forfeitures or other administrative actions by the FCC with respect to the Station or its operation, other than proceedings affecting the radio broadcasting industry in general; (vi) there is not before the FCC any material investigation, proceeding, notice of violation or order of forfeiture relating to the Station; (vii) Seller has complied in all material respects with all requirements to file reports, applications and other documents with the FCC with respect to the Station, and all such reports, applications and documents are complete and correct in all material respects; (viii) there are no matters (A) which could reasonably be expected to result in the suspension, revocation, cancellation, modification of or the refusal to renew any of the FCC Licenses or the imposition of any fines or forfeitures by the FCC, or (B) against Seller which could reasonably be expected to result in the FCC's refusal to grant approval of the assignment to Buyer of the FCC Licenses or

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the imposition of any Material Adverse Effect in connection with approval of such assignment; (ix) there are not any unsatisfied or otherwise outstanding citations issued by the FCC with respect to the Station or its operation; and (x) the "Public Inspection File" of the Station is in substantial and material compliance with Section 73.3526 of the Rules and Regulations. Complete and accurate copies of all FCC Licenses are attached hereto as a part of SCHEDULE 3.8.

3.9 STATION AGREEMENTS.

(a) SCHEDULE 3.9 sets forth an accurate and complete list of all material agreements, contracts, arrangements or commitments in effect as of the date hereof, including all amendments, modifications and supplements thereto which the Station or its assets or properties are bound by ("Station Agreements"). Complete and correct copies of all Station Agreements have been delivered to Buyer.

(b) Except as set forth in the Schedules, and with respect to all Station Agreements being assumed by Buyer, (i) all Station Agreements are legal, valid and 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; (ii) neither Seller, nor, any party thereto is in material breach of or in material default under any Station Agreements; (iii) there has not occurred any event which, after the giving of notice or the lapse of time or both, would constitute a material default under, or result in the material breach of, any Station Agreements which 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.

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

(d) Buyer and Seller acknowledge that certain of the Station Agreements, to be included in the Sale Assets, and the rights and benefits thereunder necessary or appropriate or relating to the conduct of the business and activities of Seller and/or the Station may not, by their terms, be assignable. Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign such Station Agreement, and Buyer shall not be deemed to have assumed the same or to be required to perform any obligations thereunder, if an attempted assignment thereof, without

the consent of a third party thereto, would constitute a breach thereof or in any way affect the rights under such Station Agreement of Buyer or Seller thereunder. In such event, Seller will cooperate with Buyer to provide for Buyer all benefits to which Seller is entitled under such Station Agreements, and any transfer or assignment to Buyer by Seller of any such Station Agreement or any right or benefit arising thereunder or resulting therefrom which shall require the consent or approval of any third party shall be made subject to such consent or approval being obtained. Seller shall, without further consideration therefor, pay, assign and remit to Buyer promptly all monies, and, to the extent permitted, all other rights or consideration received or obtained, or which may be received or obtained in respect of performance of such Station Agreements.

3.10 LITIGATION. There are no actions, suits, claims, investigations or administrative, arbitration or other proceedings pending or threatened against Seller which would, individually or in the aggregate if adversely determined, have a Material Adverse Effect on the Sale Assets or the operation of the Station, or which would give any third party the right to enjoin the transactions contemplated by this Agreement. There is no basis for any such claim, investigation, action, suit or proceeding which would, individually or in the aggregate if adversely determined, have a Material Adverse Effect on the Sale Assets or operation of the Station. To the best knowledge of Seller, there are no existing or pending orders, judgments or decrees of any court or governmental agency affecting Seller, the Station or any of the Sale

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Assets which would materially adversely affect the Station's operations of the Sale Assets. Notwithstanding the disclosure of any matter herein, Buyer shall not assume any liability for any such matter.

3.11 LABOR MATTERS.

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

(b) With respect to the Station:

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

(ii) Except as set forth in SCHEDULE 3.11, there are neither pending nor threatened, any suits, actions, administrative proceedings, union organizing activities, arbitrations, grievances, complaint, charges, claims or other proceedings between Seller and any employees of the Station or any union representing such employees; and to Seller's actual knowledge, there are no existing labor or employment or other controversies or grievances involving employees of the Station which have had or are reasonably likely to have a Material Adverse Effect on the operation of the Station;

(iii) (A) Seller is in compliance in all material respects with all laws, rules and regulations relating to the employment of labor and all employment contractual obligations, including those relating to wages, hours, collective bargaining, affirmative action, discrimination, sexual harassment, wrongful discharge and the withholding and payment of taxes and contributions except for such non-compliance which individually or in the aggregate would not have a Material Adverse Effect on the business or financial condition of the Station; (B) Seller has withheld all amounts required by law or agreement to be withheld from the wages or salaries of its employees; and (C) Seller is not liable to any present or former employees or any governmental authority for damages, arrears of wages or any tax or penalty for failure to comply with the foregoing except for such liability which individually or in the aggregate would not have a Material Adverse Effect on the business or financial condition of the Station;

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

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

3.13 COMPLIANCE WITH LAW. The operation of the Station complies in

all material respects with the applicable rules and regulations of the FCC and all federal, state, local or other laws, statutes, ordinances, regulations, and any applicable order, writ, injunction or decree of any court, commission, board, agency or other instrumentality.

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3.14 ENVIRONMENTAL MATTERS; OSHA.

(a) Seller has obtained all material, environmental, health and safety permits necessary or required for either the operation of the Station as currently operated or the ownership of the Sale Assets and all such permits are in full force and effect and Seller is in compliance with all material terms and conditions of such permits.

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

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

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

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

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

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

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

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

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waste at such site by a prior owner of the Sale Assets.

(j) Seller is in material compliance with all OSHA Laws applicable to the Sale Assets.

(k) Seller has not received written notice of, nor is it the subject of, any actions, causes of action, claims, investigations, demands or notices alleging liability under or non-compliance with Environmental Laws or that Seller is a potentially responsible party at any superfund site or state equivalent site with respect to the Real Property or Sale Assets.

(l) Seller has not agreed to indemnify any predecessor or other party with respect to any environmental liability relating to the Real Property or Sale Assets.

3.15 TOWER COORDINATES. At Closing, the current vertical elevation and geographical coordinates of the Station's towers ("the Tower Coordinates") shall be properly registered with the FCC and Federal Aviation Administration ("FAA"); and the Tower Coordinates shall comply with and correspond to the current vertical elevation and geographical coordinates authorized by the FAA, FCC and any other governmental authority, including any federal, state or local authority having jurisdiction over the Station or said towers.

3.16 FILING OF TAX RETURNS. Seller has filed all federal, state and local tax returns which are required to be filed, and has paid all taxes and all assessments to the extent that such taxes and assessments have become due, other than such returns, taxes and assessments, the failure to file or pay would not, individually or in the aggregate, have a Material Adverse Effect on Buyer.

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

3.18 BROKER'S OR FINDER'S FEES. Except for as set forth on SCHEDULE 3.18, no agent, broker, investment banker or other person or firm acting on behalf of or under the authority of Seller or any affiliate of Seller is or will be entitled to any broker's or finder's fee or any other commission or similar fee, directly or indirectly, in connection with the transactions contemplated by this Agreement.

3.19 INSURANCE. There is now, and through the Closing Date there shall be, in full force and effect with reputable insurance companies fire and extended coverage insurance with respect to all material tangible Sale Assets and public liability insurance, all in commercially reasonable amounts, and the Sale Assets shall be insured to cover the full amount of any loss.

3.20 NO UNDISCLOSED LIABILITIES. As of the Closing Date, Seller has no liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, of a type required by GAAP to be reflected on a consolidated balance sheet that relates to the Station or the Sale Assets except liabilities or obligations which would not in the aggregate have a Material Adverse Effect on the Station or Sale Assets.

3.21 ABSENCE OF CERTAIN CHANGES OR EVENTS. As of the Closing Date, the Station and Sale Assets shall have been conducted and utilized in all material respects in the ordinary course and there has not been any event, circumstance, occurrence or development that has had or will have a Material Adverse Effect on the Station or Sale Assets.

3.22 REPRESENTATIONS COMPLETE. None of the representations or warranties made by Seller,

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nor any statement made in any document or certificate furnished by Seller pursuant to this Agreement contains or will contain at the Closing, any untrue statement of a material fact, or omits or will omit at the Closing, to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

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

4.2 AUTHORIZATION AND BINDING EFFECT OF DOCUMENTS. Buyer's execution and delivery of, and the performance of its obligations under, this Agreement and each of the other Documents, and the consummation by Buyer of the transactions contemplated hereby and thereby, have been duly authorized and approved by all necessary corporate action on the part of Buyer. Buyer has the power and authority to execute, deliver and perform its obligations under this Agreement and each of the other Documents and to consummate the transactions

hereby and thereby contemplated. This Agreement and each of the other Documents have been, or at or prior to the Closing will be, duly executed by Buyer. 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 or remedies generally, and except as may be limited by general principles of equity.

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

(a) do not in any material respect (with or without the giving of notice or the passage of time or both) violate or result in the creation of any claim, lien, charge or encumbrance on any of the assets or properties of Buyer under any provision of law, rule or regulation or any order, judgment, injunction, decree or ruling applicable to Buyer in any manner which would have a Material Adverse Effect on the assets, business, operation or financial condition or results of operations of Buyer;

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

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

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4.5 QUALIFICATION.

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

(b) Without limiting the foregoing SUBSECTION (a), Buyer shall make the affirmative certifications provided in Section III of FCC Form 314, or as may be required on any form required by the FCC to obtain its consent to this transaction, at the time of filing of such form with the FCC as contemplated by SECTION 5.2.

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

4.7 LITIGATION. There are no legal, administrative, arbitration or other proceedings or governmental investigations pending or, to the knowledge of Buyer, threatened against Buyer that would give any third party the right to enjoin the transactions contemplated by this Agreement.

4.8 REPRESENTATIONS COMPLETE. None of the representations or warranties made by Buyer, nor any statement made in any document or certificate furnished by Buyer pursuant to this Agreement contains or will contain at the Closing, any untrue statement of a material fact, or omits or will omit at the Closing, to state any material fact necessary in order to make the statements contained herein or therein, in the light of the circumstances under which they were made, not misleading.

ARTICLE V

TRANSACTIONS PRIOR TO THE CLOSING DATE

5.1 CONDUCT OF THE STATION'S BUSINESS PRIOR TO THE CLOSING DATE. Seller covenants and agrees with Buyer that between the date hereof and the

Closing Date, unless the Buyer otherwise agrees in writing (which agreement shall not be unreasonably withheld or delayed), Seller shall:

(a) Use reasonable commercial efforts to maintain insurance upon all of the Sale Assets in such amounts and of such kind to cover the full amount of any loss with respect to such Sale Assets and with respect to the operation of the Station, with insurers of substantially the same or better financial condition;

(b) Operate the Station and otherwise conduct its business in all material respects in accordance with the terms or conditions of its FCC Licenses, the Rules and Regulations, the Act and all other rules and regulations, statutes, ordinances and orders of all governmental authorities having jurisdiction over any aspect of the operation of the Station, except where the failure to so operate 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;

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(c) Comply in all material respects with all Station Agreements now or hereafter existing;

(d) Promptly notify Buyer of any material default by, or claim of default against, any party under any Station Agreements and any event or condition which, with notice or lapse of time or both, would constitute an event of default under such Station Agreements;

(e) Not mortgage, pledge or subject to any Lien other than a Permitted Lien any of the Sale Assets;

(f) Not sell, lease or otherwise dispose of, nor agree to sell, lease or otherwise dispose of, any of the Sale Assets;

(g) Not amend or terminate any Station Agreement;

(h) Not introduce any material change with respect to the operation of the Station including, without limitation, any material changes in the broadcast hours of the Station or any other material change in the Station's programming policies, except such changes as in the sole discretion of Seller, exercised in good faith after consultation with Buyer, are required by the public interest;

(i) Notify Buyer of any complaints, investigations, hearing or any material litigation pending or threatened against Station or any material damage to or destruction of any assets included or to be included in the Sale Assets.

5.2 GOVERNMENTAL CONSENTS. Seller and Buyer shall file with the FCC, within ten (10) business days after the execution of this Agreement, such applications and other documents in the name of Seller or Buyer, as appropriate, as may be necessary or advisable to obtain the FCC Order. Seller and Buyer shall take all commercially reasonable steps necessary to prosecute such filings with diligence and shall diligently oppose any objections to, appeals from or petitions to reconsider such approval of the FCC, to the end that the FCC Order and a Final Action with respect thereto may be obtained as soon as practicable; provided, however, that in the event the application for assignment of the FCC Licenses has been designated for hearing, either Buyer or Seller may elect to terminate this Agreement pursuant to SECTION 10.1(C). Buyer shall not knowingly take, and Seller covenants that Seller shall not knowingly take, any action that such party knows or has reason to know would materially and adversely affect or materially delay issuance of the FCC Order or materially and adversely affect or materially delay its becoming a Final Action without a Material Adverse Effect, unless such action is requested or required by the FCC, its staff or the Rules and Regulations. Should Buyer or Seller become aware of any facts which could reasonably be expected to materially and adversely affect or materially delay issuance of the FCC Order without a Material Adverse Effect (including but not limited to, in the case of Buyer, any facts which would reasonably be expected to disqualify Buyer from controlling the Station), such party shall promptly notify the other party thereof in writing and both parties shall cooperate to take all steps necessary or desirable to resolve the matter expeditiously and to obtain the FCC's approval of matters pending before it. Subject to the terms and conditions herein provided, Buyer and Seller shall promptly determine whether any filings are required to be made with, or consents, permits, authorizations or approvals are required to be obtained from, any other governmental agency or regulatory body of the federal, state and local jurisdictions in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and take all reasonable actions necessary to obtain any required permits, authorizations or appraisals.

5.3 OTHER CONSENTS. Seller shall use its reasonable best efforts to obtain the consent or waivers to the transactions contemplated by this Agreement required under any assumed Station Agreements; provided that Seller shall not be required to pay or grant any material consideration in order to

obtain any such consent or waiver.

5.4 TAX RETURNS AND PAYMENTS. All taxes pertaining to ownership of the Sale Assets or operation of the Station prior to the Closing Date will be timely paid; provided that Seller shall not be required to pay any such tax so long as the validity thereof shall be contested in good faith by appropriate proceedings and Seller shall have set aside adequate reserves with respect to any such tax to the reasonable satisfaction of Buyer.

5.5 ACCESS PRIOR TO THE CLOSING DATE. Prior to the Closing, Buyer and its representatives may make such reasonable investigation of the assets and business of the Station and the Sale Assets as it may desire; and Seller shall give to Buyer, its engineers, counsel, accountants and other representatives reasonable access during normal business hours throughout the period prior to the Closing to personnel and all of the assets, books, records and files of or pertaining to the Station and the Sale Assets, provided that (i) Buyer shall give Seller reasonable advance notice of each date on which Buyer or any such other person or entity desires such access, (ii) each person (other than an officer of Buyer) shall, if requested by Seller, be accompanied by an officer or their representative of Buyer approved by Seller, which approval shall not be unreasonably withheld, (iii) the investigations at the offices of Seller shall be reasonable in number and frequency, and (iv) all investigations shall be conducted in such a manner as not to physically damage any property or constitute a disruption of the operation of the Station or Seller. Seller shall furnish to Buyer during such period all documents and copies of documents and information concerning the business and affairs of Seller and the Station as Buyer may reasonably request. No investigation or information furnished pursuant to this SECTION 5.5 shall affect any representations or warranties made by the Seller herein.

5.6 CONFIDENTIALITY; PRESS RELEASE. All information, data and materials furnished or to be furnished to either party with respect to the other party in connection with this transaction or pursuant to this Agreement are confidential. Each party agrees that prior to Closing (a) it shall not disclose or otherwise make available, at any time, any such information, data or material to any person who does not have a confidential relationship with such party; (b) it shall protect such information, data and material with a high degree of care to prevent the disclosure thereof; and (c) if, for any reason, this transaction is not consummated, all information, data or material concerning the other party obtained by such party, and all copies thereof, will be returned to the other party. After Closing, neither party will disclose or otherwise make available to any person any of such information, data or material concerning the other party, except as may be necessary or appropriate in connection with the operation of the Station by Buyer. Each party shall use its reasonable efforts to prevent the violation of any of the foregoing confidentiality provisions by its respective representatives. Notwithstanding the foregoing, nothing contained herein shall prohibit Buyer or Seller from:

(i) using such information, data and materials in connection with any action or proceeding brought or any claim asserted by Buyer or Seller in respect of any breach by the other of any representation, warranty or covenant made in or pursuant to this Agreement; or

(ii) supplying or filing such information, data or materials to or with the FCC or SEC or any other valid governmental or court authority to the extent required by law or reasonably necessary to obtain any consent, waiver, amendment, modification, approval, authorization, permit or license which may be necessary to effectuate this Agreement, and to consummate the transaction contemplated herein.

In the event that either party determines in good faith that a press release or other public announcement is desirable under any circumstances, the parties shall consult with each other to determine the appropriate timing, form and content of such release or announcement and thereafter may make such release or announcement.

5.7 REASONABLE BEST EFFORTS. Subject to the terms and conditions of this Agreement, each of the parties hereto will use its reasonable best efforts to take all action and to do all things necessary, proper or advisable to satisfy any condition to the parties' obligations hereunder in its power to satisfy and to consummate and make effective as soon as practicable the transactions contemplated by this Agreement.

5.8 FCC REPORTS. Seller shall continue to file, on a current basis until the Closing Date, all reports and documents required to be filed with the FCC with respect to the Station. Seller shall provide Buyer with copies of all such filings within five business days of the filing with the FCC.

5.9 CONVEYANCE FREE AND CLEAR OF LIENS. At or prior to the Closing, Seller shall obtain executed releases, in suitable form for filing and

otherwise in form and substance reasonably satisfactory to Buyer, of any security interests granted in the Sale Assets and properties as security for payment of loans and other obligations or judgments and of any other Liens on the Sale Assets. At the closing, Seller shall transfer and convey to Buyer all of the Sale Assets free and clear of all Liens except Permitted Liens.

5.10 ENVIRONMENTAL ASSESSMENT. Not later than forty-five (45) days after execution of this Agreement, Buyer may obtain a Phase I ("the Phase I") environmental assessment of the Sale Assets by an environmental engineer selected by Buyer. Within fourteen (14) days after Buyer's receipt of the Phase I, if the Phase I indicates environmental conditions may exist on, under or affect such properties that may constitute a violation or breach of Seller's representations and warranties contained in SECTION 3.14 of this Agreement or cause the condition contained in SECTION 6.9 to not be satisfied, then Buyer shall be entitled to obtain a Phase II ("the Phase II") environmental assessment of the Real Property, or any portion thereof. (The Phase I and the Phase II, if obtained, shall be referred to herein as the "Environmental Assessment"). Buyer shall commission and pay the cost of such Environmental Assessment and shall provide a copy to Seller. The Environmental Assessment shall be subject to the confidentiality provisions of SECTION 5.6. If after appropriate inquiry into the previous ownership of and uses of the Real Property consistent with good commercial or customary practice, the engineer concludes that environmental conditions exist on, under or affecting such properties that would constitute a violation or breach of Seller's representations and warranties contained in SECTION 3.14 of this Agreement or cause the condition contained in SECTION 6.9 to not be satisfied, then Buyer may elect to proceed with the Closing or terminate the Agreement at the sole option of Buyer.

5.11 NO INCONSISTENT ACTIVITIES. Seller agrees that it shall not, nor shall it authorize or permit any officer, director, employee, investment banker, attorney, advisor or agent, to directly or indirectly, solicit, initiate or encourage the submission of, or participate in any discussions or negotiations regarding, or furnish to any person any information with respect to, or take any other action to facilitate any inquiries or the making of any proposal by any party to acquire the Station or the Sale Assets.

ARTICLE VI

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF BUYER TO CLOSE

Buyer's obligation to close the transaction contemplated by this Agreement is subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, unless waived by Buyer in writing:

6.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES; CLOSING CERTIFICATE.

(a) The representations and warranties of Seller contained in this Agreement or in any other Document shall be complete and correct in all material respects on the date hereof and at the

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Closing Date with the same effect as though made at such time except for changes that do not have a Material Adverse Effect on the Station or the Sale Assets taken as a whole.

(b) Seller shall have delivered to Buyer on the Closing Date a certificate that (i) the condition specified in SECTION 6.1(a) is satisfied as of the Closing Date, and (ii) except as set forth in such certificate (none of which exceptions shall be a Material Adverse Effect on the Station, the Sale Assets or Seller's ability to consummate the transaction contemplated hereby), the condition specified in SECTION 6.2 is satisfied as of the Closing Date.

6.2 PERFORMANCE OF AGREEMENTS. Seller shall have performed in all material respects all of its covenants, agreements and obligations required by this Agreement and each of the other Documents to be performed or complied with by it prior to or upon the Closing Date.

6.3 FCC AND OTHER CONSENTS.

(a) The FCC Order shall have been issued by the FCC and shall have become a Final Action without any Material Adverse Effect.

(b) Seller shall have satisfied all material conditions which the FCC Order or any order, ruling or decree of any judicial or administrative body relating thereto or in connection therewith specifies and requires to be satisfied by Seller prior to transfer of the FCC Licenses to Buyer.

(c) All other material authorizations, consents, approvals and clearances of federal, state or local governmental agencies required to permit the consummation by Buyer of the transactions contemplated by this Agreement including, without limitation, the assignment of any FCC Authorization

requested by Buyer, shall have been obtained; all material statutory and regulatory requirements for such consummation shall have been fulfilled; and no such authorizations, consents, approvals or clearances shall contain any conditions that individually or in the aggregate would have a Material Adverse Effect on the operations of the Station.

6.4 ADVERSE PROCEEDINGS. Neither Buyer nor any affiliate of Buyer shall be subject to any ruling, decree, order or injunction restraining, imposing material limitations on or prohibiting (i) the consummation of the transactions contemplated hereby or (ii) its participation in the operation, management, ownership or control of the Station; and no litigation, proceeding or other action seeking to obtain any such ruling, decree, order or injunction shall be pending. No governmental authority having jurisdiction shall have notified any party to this Agreement that consummation of the transaction contemplated hereby would constitute a violation of the laws of the United States or of any state or political subdivision or that it intends to commence proceedings to restrain such consummation or to force divestiture, unless such governmental authority shall have withdrawn such notice. No governmental authority having jurisdiction shall have commenced any such proceeding.

6.5 OPINION OF SELLER'S FCC COUNSEL. Buyer shall have received from Seller's FCC counsel an opinion, dated the Closing Date, in form and substance reasonably satisfactory to Buyer's FCC counsel, to the effect that:

(a) The FCC Licenses listed on SCHEDULE 3.8 are valid, in good standing and in full force and effect and include all material licenses, permits and authorizations which are necessary under the Rules and Regulations for Seller to operate the Station in the manner in which the Station is currently being operated.

(b) To counsel's knowledge, no condition has been imposed by the FCC as part of any FCC License which is not set forth on the face thereof as issued by the FCC or contained in the Rules

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and Regulations applicable generally to stations of the type, nature, class or location of the Station.

(c) No proceedings are pending or, to counsel's knowledge, are threatened which may result in the revocation, modification, non-renewal of, suspension of, or the imposition of a Material Adverse Effect upon, any of the FCC Licenses, the denial of any pending applications, the issuance of any cease and desist order or the imposition of any fines, forfeitures or other administrative actions by the FCC which would materially adversely affect the continued operation of the Station, other than proceedings affecting the radio broadcasting industry in general.

6.6 OTHER CONSENTS. Seller shall have obtained in writing and provided to Buyer on or before the Closing Date, without any condition materially adverse to Buyer or the Station, the material consents or waivers to the transactions contemplated by this Agreement required under those Station Agreements which Buyer has elected to assume.

6.7 DELIVERY OF CLOSING DOCUMENTS. Seller shall have delivered or caused to be delivered to Buyer on the Closing Date each of the Documents required to be delivered pursuant to SECTION 8.2.

6.8 NO CESSATION OF BROADCASTING.

(a) Between the date hereof and the Closing Date, the Station shall not have for a period of more than ten (10) continuous days, (i) ceased broadcasting on its authorized frequency, (ii) lost substantially all of its normal broadcasting capability or (iii) been broadcasting at a power level of 50% or less of its FCC authorized level. Seller shall promptly notify Buyer of the occurrence of any one or more of the foregoing events or conditions, and the non-fulfillment of the condition precedent set forth in this Subsection caused by the occurrence of the events specified in Seller's notice shall be deemed waived by Buyer unless, within fifteen (15) days after Buyer's receipt of Seller's written notice, Buyer notifies Seller in writing to the contrary.

(b) In addition, during the five (5) days immediately preceding the Closing Date, the Station shall have been operating continuously with substantially all of its normal broadcasting capability except for cessation or reductions for insignificant periods of time resulting from occurrences (such as lightning strikes) over which Seller has no control. Seller shall have the right to delay Closing for a period not to exceed thirty (30) days if Seller reasonably determines that any action to restore the Station substantially all of its normal broadcasting capability can be completed during such delay period.

6.9 ENVIRONMENTAL CONDITIONS. The Environmental Assessment obtained by Buyer pursuant to SECTION 5.10 hereof shall not have disclosed any material violation of any Environmental Law which is not removed or cured by Seller prior to Closing.

6.10 ATLA POLICY. Seller shall have furnished to Buyer, at Seller's expense, an ATLA Title Insurance Policy, dated as of the Closing, that title to the Real Property is consistent with the representations and warranties set forth in Sections 3.7(d) and (e).

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:

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7.1 ACCURACY OF REPRESENTATIONS AND WARRANTIES.

(a) The representations and warranties of Buyer contained in this Agreement shall be complete and correct in all material respects on the date hereof and at the Closing Date with the same effect as though made at such time except for changes that are not materially adverse to Seller.

(b) Buyer shall have delivered to Seller on the Closing Date a certificate that (i) the condition specified in SECTION 7.1(a) is satisfied as of the Closing Date, and (ii) except as set forth in such certificate (none of which exceptions shall be a Material Adverse Effect on Buyer's ability to consummate the transaction contemplated hereby), the conditions specified in SECTION 7.2 are satisfied as of the Closing Date.

7.2 PERFORMANCE OF AGREEMENTS. Buyer shall have performed in all material respects all of its covenants, agreements and obligations required by this Agreement and each of the other Documents to be performed or complied with by it prior to or upon the Closing Date.

7.3 FCC AND OTHER CONSENTS.

(a) The FCC Order shall have been issued by the FCC and shall have become effective under the rules of the FCC, without any condition materially adverse to Seller.

(b) Conditions which the FCC Order or any order, ruling or decree of any judicial or administrative body relating thereto or in connection therewith specifies and requires to be satisfied by Buyer prior to transfer of the FCC Licenses to Buyer shall have been satisfied by Buyer.

(c) All other authorizations, consents, approvals and clearances of all federal, state and local governmental agencies required to permit the consummation by Seller of the transactions contemplated by this Agreement shall have been obtained; all statutory and regulatory requirements for such consummation shall have been fulfilled; and no such authorizations, consents, approvals or clearances shall contain any conditions that individually or in the aggregate would have any material adverse effect on Seller.

7.4 ADVERSE PROCEEDINGS. Seller shall not be subject to any ruling, decree, order or injunction restraining, imposing material limitations on or prohibiting the consummation of the transactions contemplated hereby. No governmental authority having jurisdiction shall have notified any party to this Agreement that consummation of the transactions contemplated hereby would constitute a violation of the laws of the United States or of any state or political subdivision or that it intends to commence proceedings to restrain such consummation or to force divestiture, unless such governmental authority shall have withdrawn such notice. No governmental authority having jurisdiction shall have commenced any such proceeding.

7.5 DELIVERY OF CLOSING DOCUMENTS AND PURCHASE PRICE. Buyer shall have delivered or caused to be delivered to Seller on the Closing Date each of the Documents required to be delivered pursuant to SECTION 8.3, and Seller shall have received payment of the Purchase Price with the form of payment set forth in SECTION 2.4.

ARTICLE VIII

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CLOSING

8.1 TIME AND PLACE. Unless otherwise agreed to in advance by the parties, Closing shall take place in person or via facsimile at the offices of Buyer's counsel in Westlake Village, California, or at such other place as the parties agree, at 10:00 A.M. Pacific Time on the date (the "Closing Date") that is the later of (i) the fifth Business Day after the Applicable Date or (ii) the date as soon as practicable following satisfaction or waiver of the conditions precedent hereunder. The "Applicable Date" shall be the date on which issuance

of the FCC Order without any Material Adverse Effect or condition materially adverse to Seller has become effective.

8.2 DOCUMENTS TO BE DELIVERED TO BUYER BY SELLER. At the Closing, Seller shall deliver or cause to be delivered to Buyer the following:

(a) Certified resolutions of Seller's Board of Directors and Shareholders approving the execution and delivery of this Agreement and each of the other Documents and authorizing the consummation of the transactions contemplated hereby and thereby.

(b) The certificate required by SECTION 6.1(b).

(c) A bill of sale and other instruments of transfer and conveyance transferring to Buyer the Tangible Personal Property.

(d) Executed releases, in suitable form for filing and otherwise in form and substance reasonably satisfactory to Buyer, of any security interests granted in the Sale Assets as security for payment of loans and other obligations and of any other Liens (other than Permitted Liens).

(e) An instrument or instruments assigning to Buyer all right, title and interest of Seller in and to all Station Agreements being assumed by Buyer, and all Real Property, including leases for the Real Property.

(f) An instrument assigning to Buyer all right, title and interest of Seller in the FCC Licenses, all pending applications relating to the Station before the FCC, and any remaining Sale Assets not otherwise conveyed.

(g) An instrument assigning to Buyer all rights, title and interest of Seller to the assets described in SECTIONS 2.1(f) AND (g) hereof.

(h) The opinion of Seller's FCC counsel, dated the Closing Date, to the effect set forth in SECTION 6.5.

(i) True and correct copies of all records as described in SECTION 2.1(e) hereof.

(j) The ATLA Policy required by Section 6.10.

(k) 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:

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(a) Certified resolutions of Buyer's Board of Directors approving the execution and delivery of this Agreement and each of the other Documents and authorizing the consummation of the transaction contemplated hereby and thereby.

(b) The Purchase Price as set forth in SECTION 2.4.

(c) The agreement of Buyer assuming the obligations under any Station Agreements being assumed by Buyer.

(d) The certificate required under SECTION 7.1(b).

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

ARTICLE IX

SURVIVAL OF REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

9.1 SURVIVAL OF REPRESENTATION AND WARRANTIES. All representations, warranties, covenants and agreements contained in this Agreement or in any other Document shall survive the Closing for the Survival Period and the Closing shall not be deemed a waiver by either party of the representations, warranties, covenants or agreements of the other party contained herein or in any other Document. No claim may be brought under this Agreement or any other Document unless written notice describing in reasonable detail the nature and basis of such claim is given on or prior to the last day of the Survival Period. In the event such a notice is so given, the right to indemnification with respect thereto under this Article shall survive the Survival Period until such claim is finally resolved and any obligations with respect thereto are fully satisfied. For purposes of this agreement the "Survival Period" shall be twelve (12) months after the Closing Date except as follows:

(a) Any representation and warranty contained in this Agreement shall be subject to the twelve (12) month Survival Period, except that any representation or warranty of Buyer of Seller as to (i) such party's qualification and authority to consummate the transactions contemplated hereby, (ii) title of the parties to the Station or Sale Assets, or (iii) any tax obligation of Seller, the Survival Period shall be indefinite; and,

(b) As to any representation and warranty relating to any Station Agreement, the Survival Period shall be for the presently existing term of such Station Agreement plus any applicable period of time under any applicable law governing the bringing of claims under such Station Agreement.

9.2 INDEMNIFICATION IN GENERAL. Buyer and Seller agree that the rights to indemnification and to be held harmless set forth in this Agreement shall, as between the parties hereto and their respective successors and assigns, be exclusive of all rights to indemnification and to be held harmless that such party (or its successors or assigns) would otherwise have by statute, common law or otherwise.

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:

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(i) Any breach or non-performance by Seller of any of its representations, warranties, covenants or agreements set forth in this Agreement or any other Documents; or

(ii) The ownership or operation by Seller of the Station or the Sale Assets on or prior to the Closing Date; or

(iii) All other liabilities and obligations of Seller other than the Assumed Obligations; or

(iv) Noncompliance by Seller with the provisions of the Bulk Sales Act, if applicable, in connection with the transaction contemplated hereby; or

(v) Any violation of any Environmental Laws during the time Seller occupied the Real Property.

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:

(i) Any breach or non-performance by Buyer of any of its representations, warranties, covenants or agreements set forth in this Agreement or any other Document; or

(ii) The ownership or operation of the Station after the Closing Date; or

(iii) All other liabilities or obligations of Buyer pursuant to the terms of this Agreement.

9.5 INDEMNIFICATION PROCEDURES. In the event that an Indemnified Party may be entitled to indemnification hereunder with respect to any asserted claim of, or obligation or liability to, any third party, such party shall notify the Indemnifying Party thereof, describing the matters involved in reasonable detail, and the Indemnifying Party shall be entitled to assume the defense thereof upon written notice to the Indemnified Party with counsel reasonably satisfactory to the Indemnified Party; provided, that once the defense thereof is assumed by the Indemnifying Party, the Indemnifying Party shall keep the Indemnified Party advised of all developments in the defense thereof and any related litigation, and the Indemnified Party shall be entitled at all times to participate in the defense thereof at its own expense. If the Indemnifying Party fails to notify the Indemnified Party of its election to defend, or contests its obligation to indemnify under this ARTICLE IX, the Indemnified Party may pay, compromise, or defend such a claim without prejudice to any right it may have hereunder.

ARTICLE X

TERMINATION; LIQUIDATED DAMAGES

10.1 TERMINATION. If Closing shall not have previously occurred,

this Agreement shall terminate upon the earliest of:

(a) the giving of written notice from Seller to Buyer, or from Buyer to Seller, if:

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(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 after nine (9) months from the date this Agreement is executed; 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).

(d) The written election by Buyer under SECTION 5.10 or

ARTICLE XI.

10.2 OBLIGATIONS UPON TERMINATION.

(a) In the event this Agreement is terminated pursuant to SECTION 10.1(a)(ii)(A) or (B), the aggregate liability of Buyer for breach hereunder shall be limited as provided in SUBSECTION (b) below and the aggregate liability for Seller for breach hereunder shall be limited as provided in SUBSECTION (c) below. In the event this Agreement is terminated for any other reason, neither party shall have any liability hereunder, except that if a party acts in bad faith, such party shall be liable for the attorneys' fees and expenses incurred by the other party.

(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 sum of \$550,000 ("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

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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) Notwithstanding any provision of this Agreement to the contrary, but subject to the provisions of the following sentences, if this Agreement is terminated by Buyer's giving of written notice to Seller pursuant to SECTION 10.1(a)(ii)(A) OR (B), Buyer shall not be entitled to damages or indemnification from Seller. Subject to the following sentence, if Seller attempts to terminate this Agreement under circumstances where it is not

entitled to do so, or if Seller, by its own action, causes a breach of warranty or fails to satisfy a condition (including without limitation a refusal to consummate the transaction after Buyer has satisfied all conditions to Seller's obligation to close and Buyer has demonstrated its willingness and ability to close on the terms set forth in this Agreement and Buyer is not in default hereunder) with the intent of creating a situation whereby Buyer elects to terminate under SECTION 10.1(a) (ii) (A) OR (B) and Buyer does so elect to terminate, the monetary damages, if any, to which Buyer shall be entitled shall be limited to direct and actual damages and shall in no event exceed the Liquidated Damages Amount in the aggregate. If a circumstance described in the preceding sentence should arise and if Buyer establishes that the action of Seller described therein was taken intentionally in order to allow Seller to sell or enter into negotiations to sell the Station to another party, the damages to which Buyer shall be entitled shall not be limited to direct and actual damages.

10.3 TERMINATION NOTICE. Each notice given by a party pursuant to SECTION 10.1 to terminate this Agreement shall specify the Subsection (and clause or clauses thereof) of SECTION 10.1 pursuant to which such notice is given.

ARTICLE XI

CASUALTY

Upon the occurrence of any casualty loss, damage or destruction material to the operation of the Station or the Sale Assets prior to the Closing, Seller shall promptly give Buyer written notice setting forth in detail the extent of such loss, damage or destruction and the cause thereof if known. Seller shall use its reasonable efforts to promptly commence and thereafter to diligently proceed to repair or replace any such lost, damaged or destroyed property. In the event that such repair or replacement is not fully completed prior to the Closing Date, Buyer may elect at its sole option to postpone the Closing until Seller's repairs have been fully completed if such event shall occur within sixty (60) days or to consummate the transactions contemplated hereby on the Closing Date, in which event Seller shall assign to Buyer the portion of the insurance proceeds (less all reasonable costs and expenses, including without limitation attorney's fees, expenses and court costs incurred by Seller to collect such amounts), if any, not previously expended by Seller to repair or replace the damaged or destroyed property (such assignment of proceeds to take place regardless of whether the parties close on the scheduled or deferred Closing Date) and Buyer shall accept the damaged Sale Assets in their damaged condition provided that Seller has satisfied its insurance obligations in SECTION 5.1(a) hereof. In the event Seller is unable to complete the repairs within sixty (60) days, Buyer shall have the option to terminate this Agreement. In the event the loss, damage or destruction causes or will cause the Station to be off the air for more than seven (7) consecutive days or fifteen (15) total days during a one month period, whether or not consecutive, then Buyer may elect either (i) to consummate the transactions contemplated hereby on the Closing Date, in which event Seller shall

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assign to Buyer the portion of the insurance proceeds (less all reasonable costs and expenses, including without limitation attorney's fees, expenses and court costs, incurred by Seller to collect such amounts), if any, not previously expended by Seller to repair or replace the damaged or destroyed property, and Buyer shall accept the damaged Sale Assets in their damaged condition, or (ii) to terminate this Agreement.

ARTICLE XII

CONTROL OF STATION

Between the date of this Agreement and the Closing Date, Buyer shall not control, manage or supervise the operation of the Station or conduct of its business, all of which shall remain the sole responsibility and under the control of Seller, subject to Seller's compliance with this Agreement.

ARTICLE XIII

1031 EXCHANGE

Seller agrees to cooperate with Buyer as reasonably requested by Buyer to assist Buyer in consummating a tax deferred exchange under Section 1031 of the INTERNAL REVENUE CODE of 1986, and the comparable provisions of applicable state law, provided Seller shall incur no additional liabilities, expenses or costs as a result of or connected with such exchange.

ARTICLE XIV

MISCELLANEOUS

14.1 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.

14.2 ACCESS AFTER THE CLOSING DATE. After the Closing and for a period of twelve (12) months, Buyer shall provide Seller, Seller's counsel, accountants and other representatives with reasonable access during normal business hours to the books, records, property, personnel, contracts, commitments and documents of the Station pertaining to transactions occurring prior to the Closing Date, that are the responsibility and obligation of the Seller, when requested by Seller, and Buyer shall retain such books and records for the normal document retention period of Buyer. At the request and expense of Seller, Buyer shall deliver copies of any such books and records to Seller.

14.3 PAYMENT OF EXPENSES.

(a) Any fees assessed by the FCC in connection with the filings contemplated by SECTION 5.2 or consummation of the transactions contemplated hereby shall be shared equally between Seller and Buyer.

(b) All state or local sales or use, stamp or transfer, grant and other similar taxes payable in connection with consummation of the transactions contemplated hereby shall be shared equally between Seller and Buyer.

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(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.

14.4 SPECIFIC PERFORMANCE. Seller acknowledges that the Station and the Sale Assets are 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.

14.5 NOTICES. All notices, demands or other communications given hereunder shall be in writing and shall be sufficiently given if delivered by courier or sent by registered or certified mail, first class, postage prepaid, or by telex, cable, telegram, facsimile machine or similar written means of communication, addressed as follows:

(a) If to Seller, to:

(b) If to Buyer, to:

c/o SCA License Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, California 93012
Attention: Jonathan L. Block, Esq.
Vice President & General Counsel
Telephone: (805) 987-0400 ext. 106
Facsimile No.: (805) 384-4505

or such other address with respect to any party hereto as such party may from time to time notify (as provided above) to the other party hereto. Any such notice, demand or communication shall be deemed to have been given (i) if so mailed, as of the close of the third (3rd) business day following the date mailed, and (ii) if personally delivered or otherwise sent as provided above, on the date received.

14.6 ENTIRE AGREEMENT. This Agreement, the Schedules and Exhibits hereto, and the other Documents constitute the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede any prior negotiations, agreements, understandings or arrangements between the parties with respect to the subject matter hereof.

14.7 BINDING EFFECT; BENEFITS. Except as otherwise provided herein, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors or assigns. Except to the extent

specified herein, nothing in this Agreement, express or implied, shall confer on any person other than the parties hereto and their respective successors or assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

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14.8 ASSIGNMENT. This Agreement and any rights hereunder shall not be assignable by either party hereto without the prior written consent of the other party.

14.9 GOVERNING LAW. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of California, including all matters of construction, validity and performance.

14.10 BULK SALES. Buyer hereby waives compliance by Seller with the provisions of the Bulk Sales Act and similar laws of any state or jurisdiction, if applicable. Seller shall, in accordance with ARTICLE IX, indemnify and hold Buyer harmless from and against any and all claims made against Buyer by reason of such non-compliance.

14.11 AMENDMENTS AND WAIVERS. No term or provision of this Agreement may be amended, waived, discharged or terminated orally but only by an instrument in writing signed by the party against whom the enforcement of such amendment, waiver, discharge or termination is sought. Any waiver shall be effective only in accordance with its express terms and conditions.

14.12 SEVERABILITY. If any provision of this Agreement, or the application thereof to any person or entity or any circumstance, is invalid or unenforceable in any jurisdiction, (i) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the extent and purpose of such invalid and unenforceable provision, and (ii) the remainder of this Agreement and the application of such provision to other persons, entities or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

14.13 HEADINGS. Except as provided in ARTICLE I, the captions in this Agreement are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

14.14 COUNTERPARTS. This Agreement may be executed in any number of counterparts, and by either party on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Fax signatures shall be deemed the same as original signatures. This Agreement is not binding until executed by both parties hereto.

14.15 REFERENCES. All references in this Agreement to Articles and Sections are to Articles and Sections contained in this Agreement unless a different document is expressly specified.

14.16 SCHEDULES AND EXHIBITS. Unless otherwise specified herein, each Schedule and Exhibit referred to in this Agreement is attached hereto, and each such Schedule and Exhibit is hereby incorporated by reference and made a part hereof as if fully set forth herein.

14.17 ATTORNEYS' FEES. If any action at law or equity is brought, whether in a judicial proceeding or arbitration or reference, to enforce or interpret any provision of this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and expenses from the other party, which fees and expenses shall be in addition to any other relief which may be awarded.

14.18 ARBITRATION. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Any arbitration shall be conducted in Ventura County, California.

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

"SELLER"

"BUYER "

CARTER BROADCASTING, INC.

SCA LICENSE CORPORATION

By: _____

Name:
Title:

By: _____
Name:

Title:

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LIST OF SCHEDULES

SCHEDULE 2.3	List of liabilities assumed by Buyer
SCHEDULE 2.5	Agreed allocation of purchase price
SCHEDULE 3.4	Consents
SCHEDULE 3.6	List of Tangible Personal Property
SCHEDULE 3.7	Description of Real Property
SCHEDULE 3.8	List of FCC licenses, permits & authorizations
SCHEDULE 3.9	List of Station Agreements
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SCHEDULE 3.11	Employee Matters
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SCHEDULE 2.3

LIABILITIES ASSUMED BY BUYER

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SCHEDULE 2.5

AGREED ALLOCATION OF PURCHASE PRICE

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DESCRIPTION OF REAL PROPERTY

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SCHEDULE 3.10

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SCHEDULE 3.18

BROKER'S FEES

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "AGREEMENT") is made as of the 6th day of November, 2000, among Infinity Broadcasting Corporation of Illinois, a Delaware corporation, Infinity Broadcasting Corporation, a Delaware corporation (collectively, "SELLER"), and Salem Communications Corporation, a Delaware corporation (together with its permitted assignee, "BUYER").

Seller owns, operates and is the licensee of radio broadcast station WXRT(AM), 1160 kHz, Chicago, Illinois (the "STATION").

Buyer desires to acquire certain assets used in the operation of the Station.

Article 13 of this Agreement contains a glossary of defined terms.

Therefore, in consideration of the mutual promises set forth below, the parties, intending to be legally bound, agree as follows:

ARTICLE 1
ASSETS TO BE CONVEYED

1.1. CLOSING. The closing of the sale and purchase of the Station Assets (the "CLOSING") shall take place in the office of Leventhal, Senter & Lerman P.L.L.C., 2000 K Street, N.W., Suite 600, Washington, D.C., at 10:00 a.m., local time, ten business days following the date of satisfaction or waiver of the conditions set forth in SECTION 7.1(b) (Governmental Consents).

1.2. TRANSFER OF ASSETS. Subject to the terms and conditions set forth in this Agreement, at the Closing, Seller shall sell, assign, transfer and convey to Buyer, and Buyer shall purchase, all of Seller's right, title and interest in the following assets (the "STATION ASSETS"):

(a) the licenses, permits and other authorizations for the Station issued to Seller by the FCC as set forth on SCHEDULE 1.2(a) (the "FCC LICENSES") and, to the extent they are assignable, all other licenses, permits, franchises, authorizations and other similar rights issued by any other federal, state or local governmental authority that are used exclusively in the operation of the Station;

(b) the equipment and other tangible personal property set forth in SCHEDULE 1.2(b) (the "TANGIBLE PERSONAL PROPERTY");

(c) the owned real property (the "OWNED REAL PROPERTY") and leased real

property (the "REAL PROPERTY LEASE", and together with the Owned Real Property, the "REAL PROPERTY") identified on SCHEDULE 1.2(c); and

(d) the Station's public inspection and political files and other records required by the FCC to be kept by the Station, filings and correspondence with the FCC relating to the Station, and such log books, technical information, engineering data and rights under manufacturers' warranties, all as exist at Closing and as relate exclusively to the Station Assets.

The Station Assets shall be conveyed to Buyer free and clear of all Liens, except as otherwise expressly provided in this Agreement. The Station Assets shall be delivered as is, where is, without any representation or warranty by Seller except as expressly set forth in this Agreement, and Buyer acknowledges that it has not relied on or been induced to enter into this Agreement by any representation or warranty other than those expressly set forth in Article 3 hereof.

1.3. EXCLUDED ASSETS. The Station Assets shall not include any of the following:

(a) cash, cash equivalents or similar type of investments such as certificates of deposit, money market instruments, Treasury bills or other marketable securities on hand and/or in banks, or deposits or prepaid expenses of Seller;

(b) insurance policies, promissory notes, amounts due from employees, bonds, letters of credit or other similar items, or any cash surrender value in regard thereto;

(c) pension, profit sharing or cash or deferred (Section 401(k)) plans or trusts or assets thereof or other employee benefit plans or arrangements or the assets thereof of Seller;

(d) duplicate copies of such records as necessary to enable Seller to prepare and file tax returns and reports, original financial

statements or supporting materials, books or records that Seller is required by law to retain, or records of Seller relating to the sale of the Station Assets, the corporate organization, existence or capitalization of Seller, or related solely to internal corporate matters of Seller;

(e) interest in and to refunds of Taxes for periods prior to the Closing Date;

(f) accounts receivable relating to or arising out of the operation of the Station prior to the Effective Time;

(g) tangible and intangible personal property disposed of or consumed between the date of this Agreement and the Closing Date, as permitted under this Agreement;

(h) the call sign WXRT(AM);

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(i) the studios and office facilities of the Station, all equipment and furniture located therein, and all contracts relating to such office or studio space or equipment located therein, unless such equipment, furniture or contract is identified on SCHEDULE 1.2(b);

(j) personnel records of employees of the Station;

(k) all items of personal property owned by personnel at the Station;

(l) the items identified on SCHEDULE 1.3(1);

(m) rights under any contract other than the Real Property Lease;

(n) rights to any program or programming material;

(o) any trademark, trade name, service mark, franchise, copyright, jingle, logo and slogan or other intellectual property right or interest; or

(p) the goodwill and value of the Station as a going concern.

1.4. ASSUMPTION OF OBLIGATIONS. At the Closing, Buyer shall assume and undertake to pay, satisfy or discharge (a) the liabilities, obligations and commitments arising or accruing on and after the Effective Time under the Real Property Lease, and (b) the liabilities, obligations and commitments arising from or relating to the ownership of the Station on and after the Effective Time (collectively, the "ASSUMED OBLIGATIONS").

1.5 NO OTHER OBLIGATIONS ASSUMED. Except as provided in SECTION 1.4, Buyer does not assume or agree to discharge or perform and will not be deemed by reason of the execution and delivery of this Agreement or any agreement, instrument or document delivered pursuant to or in connection with this Agreement or otherwise by reason of the consummation of the transactions contemplated hereby to have assumed or to have agreed to discharge or perform any liabilities, obligations or commitments of Seller of any nature whatsoever whether accrued, absolute, contingent or otherwise.

1.6. SECTION 1031 ASSET EXCHANGE.

(a) Seller may desire to effect the transfer and conveyance of the Station Assets as part of a deferred like-kind exchange under Section 1031 of the Code for other like-kind assets to be identified and acquired with the Purchase Price. In order to effect the deferred like-kind exchange, Seller may give written notice to Buyer of its intention to effect the deferred like-kind exchange. Seller may at any time at or prior to the Closing assign its right to receive the Purchase Price, or any part thereof, under this Agreement to a "qualified intermediary" as defined in Treas. Reg. Sec. 1.1031(k)-1(g)(4), subject to all of Buyer's rights and obligations hereunder, and shall promptly provide written notice of such assignment to all parties hereto. Buyer shall cooperate with all reasonable requests of Seller and Seller's qualified intermediary in arranging and effecting the deferred like-kind exchange as one which qualifies under Section 1031 of the Code; provided, however, that

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Buyer shall not incur any tax disadvantage as a result of its cooperation and the Closing shall not be delayed. Buyer shall in no event be responsible for Seller's failure to obtain Section 1031 treatment with respect to the disposition of the Station Assets. Without limiting the generality of the foregoing, at the Closing Buyer shall, at Seller's request, deliver to Seller an Assignment, Acceptance and Notice and a Reassignment and Assumption Agreement

substantially in the form of Exhibit B and C (together, the "QUALIFIED INTERMEDIARY DOCUMENTS").

(b) Buyer may desire to effect the acquisition of the Station Assets as part of a deferred like-kind exchange under Section 1031 of the Code in lieu of buying such assets hereunder. In order to effect the deferred like-kind exchange, Buyer may give written notice to Seller of its intention to effect the deferred like-kind exchange. Buyer may at any time at or prior to the Closing assign its rights to purchase the Station Assets to a "qualified intermediary" as defined in Treas. Reg. Sec. 1.1031(k)-1(g)(4), subject to all of Seller's rights and obligations hereunder, and shall promptly provide written notice of such assignment to all parties hereto. Seller shall cooperate with all reasonable requests of Buyer and Buyer's qualified intermediary in arranging and effecting the deferred like-kind exchange as one which qualifies under Section 1031 of the Code; provided, however, that Seller shall not incur any tax disadvantage as a result of its cooperation and the Closing shall not be delayed. Seller shall in no event be responsible for Buyer's failure to obtain Section 1031 treatment with respect to the acquisition of the Station Assets. Without limiting the generality of the foregoing, at the Closing Seller shall, at Buyer's request, accept payment of the Purchase Price from Buyer's qualified intermediary rather than from Buyer, which payment shall discharge the obligation of Buyer to pay the Purchase Price.

1.7. STUDIOS EXCLUDED. The Station's studio is currently shared with commonly owned Station WVRT(FM), Chicago, Illinois, at 4949 West Belmont Avenue, Chicago, in a building owned by an affiliate of Seller. The current studio space will not, therefore, be available for use by Buyer, and Buyer will obtain a new studio for the Station. To accomplish the relocation of the Station's studio, the parties agree that (a) at the Effective Time, the Station will cease operation; (b) as soon thereafter as Buyer desires, but no later than three business days after the Closing, Buyer will remove from the Station's current studio location any Tangible Personal Property that is located there; provided that Seller may supervise such removal for the purpose of protecting the personal property that will remain at the current studio location; (c) Buyer will be responsible for relocating and reinstalling such Tangible Personal Property, as it sees fit, and for resuming operation of the Station; and (d) Seller shall reasonably cooperate with Buyer but shall not be liable for any difficulties encountered in such removal, relocation or reinstallation of the Tangible Personal Property or resumption of Station operation.

ARTICLE 2 PURCHASE PRICE

2.1. PURCHASE PRICE.

As consideration for the sale of the Station Assets, Buyer shall (i) in addition

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to assuming the Assumed Obligations, pay Seller \$29,000,000 (the "PURCHASE PRICE") by wire transfer (initiated prior to 2:00 p.m., New York City time, on the Closing Date) of immediately available funds in accordance with wire transfer instructions that Seller shall deliver to Buyer prior to the Closing and (ii) cause its affiliate to execute and deliver and perform under that certain relocation agreement which the parties thereto are entering into simultaneous with the execution of this Agreement. The Purchase Price shall be subject to adjustment pursuant to SECTION 2.4.

2.2. [INTENTIONALLY OMITTED.]

2.3. ALLOCATION OF PURCHASE PRICE. The Purchase Price shall be allocated among the Station Assets in a manner as mutually agreed between the parties based upon an appraisal prepared by Bond & Pecaro, BIA or such other appraisal firm as the parties may mutually agree, and such appraisal and allocation shall be completed prior to Closing unless otherwise agreed to by the parties. Seller and Buyer agree to use the allocations determined pursuant to this SECTION 2.3 for all tax purposes, including without limitation, those matters subject to Section 1060 of the Internal Revenue Code of 1986, as amended (the "CODE"). The cost of such appraisal shall be shared equally by Buyer and Seller.

2.4. ADJUSTMENTS TO PURCHASE PRICE; PRORATIONS.

(a) All income and expenses arising from the conduct of the business or operation of the Station shall be prorated between Buyer and Seller as of 12:01 a.m. local Chicago time, on the Closing Date (the "EFFECTIVE TIME") in accordance with generally accepted accounting principles consistently applied. Such prorations shall be based upon the principles that Seller shall be entitled to all income earned and shall be responsible for all liabilities and obligations accruing in connection with the operation of the Station until the Effective Time, and Buyer shall be entitled to such income earned and be responsible for such liabilities and obligations accruing in connection with the operation of the Station thereafter. Such prorations shall include all AD

VALOREM and other property taxes (but excluding taxes arising by reason of the transfer of the Station Assets as contemplated hereby, which shall be paid as set forth in SECTION 12.1), deposits, utility expenses, liabilities and obligations under the Real Property Lease, rents and similar prepaid and deferred items and all other expenses attributable to the ownership and operation of the Station. To the extent not known, real estate and personal property taxes shall be apportioned on the basis of taxes assessed for the preceding year, with a reapportionment as soon as the new tax rate and valuation can be ascertained.

(b) Buyer and Seller shall use reasonable efforts to complete the proration process within 60 days after Closing. If the parties are unable to resolve a dispute regarding prorations within 60 days following Closing, the dispute shall be submitted within 10 days to an independent certified public accountant mutually agreed upon by Buyer and Seller (the "REFEREE") for resolution of the dispute, such resolution to be made within 30 days after submission to the Referee and to be final, conclusive and binding on Seller and Buyer. Buyer and Seller agree to share equally the cost and expense of the Referee, but each party shall bear its own legal and other expenses, if any. Payment by Buyer or Seller, as the case may be, for the proration amounts determined pursuant to this SECTION 2.4 shall in no event

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be made later than fifteen days after the notice to Seller and Buyer of the resolution of the disputed amount by the Referee. All proration payments shall be treated as an adjustment to the Purchase Price.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer as follows:

3.1. ORGANIZATION; GOOD STANDING. Each Seller (a) is a corporation duly incorporated, validity existing and in good standing under the laws of the jurisdiction of its incorporation; (b) is qualified to do business as a foreign corporation and is in good standing in such jurisdictions in which the failure to so qualify would have a material adverse effect on its abilities to perform its obligations hereunder; and (c) has all requisite corporate power and authority to lease, own and operate the Station Assets that it is conveying hereunder, to carry on its business as now being conducted, to enter into this Agreement and to perform its obligations hereunder.

3.2. AUTHORIZATION AND BINDING OBLIGATION. Seller has all necessary corporate power and authority to enter into and perform its obligations under this Agreement and the documents contemplated hereby and to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by Seller and constitutes its legal, valid and binding obligation enforceable against Seller in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or the availability of equitable remedies.

3.3. ABSENCE OF CONFLICTING AGREEMENTS OR REQUIRED CONSENTS. Except as set forth in ARTICLE 5 (Governmental Consents), the execution, delivery and performance of this Agreement by Seller: (a) do not and will not violate any provisions of Seller's organizational documents; (b) do not and will not require the consent or approval of or any filing with any third party or governmental authority; (c) do not and will not violate any applicable law, judgment, order, injunction, decree, rule, regulation or ruling of any governmental authority; and (d) do not and will not, either alone or with the giving of notice or the passage of time, or both, conflict with, constitute grounds for termination or acceleration of or result in a breach of the terms, conditions or provisions of, or constitute a default under any agreement, lease, instrument, license or permit to be included in the Station Assets.

3.4. LITIGATION. There is no claim, litigation, arbitration or proceeding pending or, to the knowledge of Seller, threatened before or by any court, governmental authority or arbitrator that seeks to enjoin or prohibit, that questions the validity of, or that might materially hinder or impair Seller's performance of its obligations under this Agreement.

3.5. FCC LICENSES.

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(a) SCHEDULE 1.2(a) lists the material FCC Licenses used exclusively in the operation of the Station. Buyer acknowledges that Seller may hold certain broadcast auxiliary and other ancillary FCC licenses, permits and authorizations which the Station shares with other radio stations being retained by Seller and that such licenses, permits or authorizations are not included in the FCC Licenses. The FCC Licenses are valid and in full force and effect. All required FCC regulatory fees with respect to the FCC Licenses have been paid. Seller has filed or made all material applications, reports, and other

disclosures required by the FCC to be filed or made by Seller with respect to the Station. The FCC Licenses have been issued for the full terms, expiring on December 1, 2004, and the FCC Licenses are not subject to any condition except for conditions shown on the face of the FCC Licenses, applicable to radio broadcast licenses generally or as otherwise disclosed in SCHEDULE 1.2(a).

(b) Except as set forth in SCHEDULE 1.2(a), to Seller's knowledge, there are no applications, petitions, complaints, proceedings or other actions pending or threatened before the FCC relating to the Station, other than proceedings affecting the radio broadcasting industry generally.

(c) Except as set forth in SCHEDULE 1.2(a), Seller has no reason to believe that the FCC Application might be challenged or might not be granted by the FCC in the ordinary course.

(d) The Station is being operated at full authorized power in material compliance with the terms and conditions of the FCC Licenses applicable to it and the rules and regulations of the FCC.

(e) Seller has maintained the Station's public inspection file in substantial and material compliance with Section 73.3526 of the FCC's rules.

3.6. TANGIBLE PERSONAL PROPERTY. Except as disclosed on SCHEDULE 1.2(b), Seller has good title to the Tangible Personal Property free and clear of all Liens. Except for Tangible Personal Property that is obsolete or no longer used in the operation of the Station, and except as set forth in SCHEDULE 1.2(b), the Tangible Personal Property in existence on the date of this Agreement is in normal working condition, consistent with industry practices, subject to ordinary wear and tear. To Seller's knowledge, there is no defect in the condition or operation of any item of Tangible Personal Property which is reasonably likely to have a material adverse effect on the operation of the Station.

3.7. REAL PROPERTY INTERESTS.

(a) The Real Property constitutes in all material respects all real property interests, including all leases, used to any extent in the operation of the Station's transmitter site in the manner in which it is now operated. Seller does not owe any money to any architect, contractor, subcontractor or materialman for labor or materials performed, rendered or supplied to or in connection with the Real Property within the past four months which shall not be paid in full on or before the Closing Date. To Seller's knowledge, Seller's present use of the Real Property is in compliance with all applicable zoning codes in

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effect as of the date hereof, and Seller has not received any notices of uncorrected violations of the applicable housing, building, safety or fire ordinances. The Real Property is served by electricity and water in capacities adequate for the present use of the Real Property and improvements thereon. Seller has not made any other agreement for the sale or lease of, or given any other person an option to purchase or lease or a right of first refusal to purchase or lease, all or any part of the Real Property, and Seller has not subjected the Real Property to any Liens not of record. Seller has, or at the Closing will have, title to the Owned Real Property free and clear of all Liens.

(b) Seller has delivered to Buyer a true and complete copy of the Real Property Lease. The Real Property Lease is legally valid, binding and enforceable by Seller in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or the availability of equitable remedies. Seller has complied in all material respects with the Real Property Lease. Neither Seller nor, to Seller's knowledge, any other party is in material default under the Real Property Lease as of the date hereof. Seller has full legal power and authority to assign its rights under the Real Property Lease to Buyer in accordance with this Agreement, and such assignment does not require the consent of any third party or affect the validity, enforceability and continuity of the Real Property Lease. Seller holds a valid leasehold interest under the Real Property Lease, free and clear of all Liens, excluding Liens not created by Seller which affect the underlying fee interest of the leased real property under the Real Property Lease and Liens not objected to by Buyer pursuant to Section 6.7(c) of this Agreement. For so long as Seller fulfills its obligations under the Real Property Lease, Seller has enforceable rights to quiet enjoyment under such Real Property Lease.

3.8. ENVIRONMENTAL MATTERS.

(a) Seller has obtained all material, environmental, health and safety permits necessary or required for either the operation of the Station as currently operated or the ownership of the Station Assets and all such permits are in full force and effect and Seller is in compliance with all material terms and conditions of such permits.

(b) To Seller's knowledge, there is no proceeding pending or threatened which may result in the reversal, rescission, termination, modification or suspension of any environmental or health or safety permits necessary for the operation of the Station as currently conducted or the ownership of the Station Assets.

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

(d) Seller has not, and to Seller's knowledge, no other person or entity has caused or permitted materials to be generated, released, stored, treated, recycled, disposed of on, under or at such parcels, which materials, if known to be present, would require clean up, removal or other remedial or responsive action under Environmental Laws (other than normal office, cleaning and maintenance supplies in reasonable quantities used and /or stored appropriately in the buildings or improvements on the Real Property). Seller has not caused the migration of any materials from the Station Assets onto or under any property,

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which materials, if known to be present, would require cleanup, removal or other remedial or responsive action under Environmental Laws. To the best of Seller's knowledge, there are no underground storage tanks and no PCBs or friable asbestos in or on the Station Assets or Real Property.

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

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

(g) No portion of the Station Assets have ever been used by Seller, nor, to the best of Seller's knowledge, by any previous owner of the Station Assets, or any of them, in material violation of Environmental Laws or as a landfill, dump site or any other use which involves the disposal or storage of Hazardous Materials on-site or in any manner which may materially adversely affect the value of the Real Property or the Station Assets.

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

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

(j) To Seller's best knowledge, Seller is in material compliance with all OSHA Laws applicable to the Station Assets.

3.9. COMPLIANCE WITH LAWS. Seller has complied in all material respects with, and as of the date hereof is not in any material respect in violation of, any federal, state or local laws, statutes, rules, regulations or orders relating to the operation of the Station.

3.10. TAXES. All material Taxes in connection with Seller's ownership of the Station Assets which are due and payable or disputed in good faith have been properly paid or accrued, or are being contested in good faith by appropriate proceedings. There are no

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Liens for Taxes on the Station Assets. No Seller is a "foreign person" within the meaning of Section 1445(b)(2) of the Code.

3.11. BROKER'S FEES. Neither Seller nor any person or entity acting on Seller's behalf has agreed to pay a commission, finder's fee or similar payment in connection with this Agreement or any matter related hereto to any person or entity, and no person or entity is entitled to any such payment from Seller in connection with the transactions contemplated by this Agreement.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

4.1. ORGANIZATION AND STANDING. Buyer (a) is a corporation duly formed, validly existing and in good standing under the laws of the State of Delaware; (b) is qualified, or by the Closing Date will be qualified, to do business as a foreign corporation and is in good standing in the State of Illinois; and (c) has, or by the Closing Date will have, all necessary corporate power and authority to own, lease and operate the Station Assets and to carry on the businesses of the Station from and after the Closing Date.

4.2. AUTHORIZATION AND BINDING OBLIGATION. Buyer has all necessary corporate power and authority to enter into and perform its obligations under this Agreement and the documents contemplated hereby and to consummate the transactions contemplated hereby and thereby. This Agreement has been duly executed and delivered by Buyer and constitutes its legal, valid and binding obligation enforceable against Buyer in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or the availability of equitable remedies.

4.3. ABSENCE OF CONFLICTING AGREEMENTS OR REQUIRED CONSENTS. Except as set forth in ARTICLE 5, the execution, delivery and performance of this Agreement by Buyer and the documents contemplated hereby (with or without the giving of notice, the lapse of time or both) by Buyer: (a) do not and will not violate any provision of Buyer's organizational documents; (b) do not and will not require the consent or approval of or any filing with any third party or governmental authority; (c) do not and will not conflict with, result in a breach of, constitute a default under, or violate any applicable law, judgment, order, ordinance, injunction, decree, rule, regulation or ruling of any court or governmental authority; and (d) do not and will not conflict with, constitute grounds for termination of, result in a breach of, constitute a default under, or accelerate or permit the acceleration of any performance required by the terms of any agreement, lease, instrument, license or permit to which Buyer is now a party or by which Buyer may be bound legally.

4.4. LITIGATION. There is no claim, litigation, arbitration or proceeding pending or, to the knowledge of Buyer, threatened before or by any court, governmental authority or arbitrator that seeks to enjoin or prohibit, that questions the validity of, or that might materially hinder or impair Buyer's performance of its obligations under this Agreement.

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4.5. FCC QUALIFICATIONS. Buyer is qualified under the Communications Act of 1934, as amended, and the rules and regulations of the FCC to be the assignee of the FCC Licenses. There are no facts known to Buyer that would delay the consummation of the transactions contemplated by this Agreement. Buyer has no reason to believe that the FCC assignment contemplated herein might be challenged or might not be granted by the FCC in the ordinary course because of its qualifications.

4.6. BROKER'S FEES. Neither Buyer nor any person or entity acting on Buyer's behalf has agreed to pay a commission, finder's fee or similar payment in connection with this Agreement or any matter related hereto to any person or entity, and no person or entity is entitled to any such payment from Buyer in connection with the transactions contemplated by this Agreement.

ARTICLE 5
GOVERNMENTAL CONSENTS

5.1. FCC APPLICATION.

(a) The assignment of the FCC Licenses as contemplated by this Agreement is subject to the prior consent and approval of the FCC. Between the date of this Agreement and the Closing, Buyer shall not directly or indirectly control the operation of the Station.

(b) No later than November 6, 2000, Buyer and Seller shall each prepare and jointly file the FCC Application. Buyer and Seller shall share equally the cost of any FCC filing fees for the FCC Application. Seller and Buyer shall prosecute the FCC Application in good faith and with all reasonable diligence and otherwise use their commercially reasonable best efforts to obtain the grant of the FCC Application as expeditiously as practicable. If the FCC Consent imposes any condition on any party hereto, such party shall use its commercially reasonable best efforts to comply with such condition. If reconsideration or judicial review is sought with respect to the FCC Consent,

the party or parties affected shall vigorously oppose such efforts for reconsideration or judicial review.

5.2. HSR FILING. No later than fifteen business days after the date of this Agreement, Seller and Buyer shall each make any and all required governmental filings pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR ACT"), with respect to the transaction contemplated herein. Buyer and Seller shall each pay one-half of the HSR Act filing fee. The parties shall cooperate and take all steps necessary or proper to comply with the applicable requirements under the HSR Act, including (a) furnishing all information and filing all documents required thereunder as promptly as practicable, and (b) furnishing to each other all such necessary information, non-confidential correspondence and reasonable assistance as such other party may request in connection with all preparation, filing and compliance matters pursuant to the HSR Act.

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ARTICLE 6
COVENANTS

6.1. CONDUCT OF BUSINESS.

(a) AFFIRMATIVE COVENANTS. Between the date of this Agreement and the Closing Date, except as expressly permitted by this Agreement or with the prior written consent of Buyer, which consent shall not be unreasonably withheld, Seller shall:

(i) comply in all material respects with all laws applicable to Seller's use of the Station Assets, and operate and maintain the Station in all material respects in conformity with the FCC Licenses and all applicable laws, ordinances, regulations, rules and orders;

(ii) maintain the Station Assets consistent with Seller's past practices and repair or replace (subject to SECTION 6.4) any Station Assets that may be damaged or destroyed with items of equal or greater value or utility unless Seller determines in good faith that such a repair or replacement is not necessary or useful for the continued operation of the Station consistent with past operation;

(iii) timely make or provide all payments, services or other consideration due under the Real Property Lease so that all payments required to be made as of the Closing Date will have been paid, except for any amounts being contested by Seller in good faith;

(iv) maintain in full force and effect the FCC Licenses, and take any action necessary before the FCC, including the preparation and prosecution of applications for renewal of the FCC Licenses, if necessary, to preserve such licenses without material adverse change;

(v) use reasonable commercial efforts to maintain insurance upon all of the tangible Station Assets and the Station in commercially reasonable amounts and types, with insurers of a Moody rating of "A" or better;

(vi) promptly notify Buyer of any material default by, or claim of default against, any party under the Real Property Lease and any event or condition which, with notice or lapse of time or both, would constitute an event of default under the Real Property Lease; and

(vii) notify Buyer of any material litigation pending or threatened against the Station Assets or any material damage to or destruction of any assets included or to be included in the Station Assets.

(b) NEGATIVE COVENANTS. Between the date of this Agreement and the Closing Date, except as expressly permitted by this Agreement or with the prior written consent of Buyer, which consent shall not be unreasonably withheld, Seller shall not:

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(i) take, or fail to take, any action which will cause a breach of, or default under, or termination of the Real Property Lease;

(ii) create, assume or permit to exist any Lien on any of the Station Assets;

(iii) sell, assign, lease or otherwise transfer or dispose of any of the material Station Assets, except for assets consumed or disposed of in the ordinary course of business; or

(iv) make any material changes in the broadcast hours of the Station.

6.2. ACCESS; PUBLICITY.

(a) Between the date hereof and the Closing Date, upon prior reasonable notice, Seller shall give Buyer and its representatives reasonable access to the Station Assets. Buyer, at its sole expense, shall be entitled to make such engineering and other inspections of the Station Assets as Buyer may desire, so long as such inspections do not unreasonably interfere with the operations of the Station.

(b) Neither party shall make any news release or other public announcement pertaining to the transactions contemplated by this Agreement prior to November 8, 2000, other than to file the FCC Application. Thereafter, no news release or other public announcement pertaining to the transactions contemplated by this Agreement will be made by or on behalf of any party hereto without the prior written approval of the other party (such consent not to be unreasonably withheld or delayed) unless otherwise required by law or any regulation or rule of any stock exchange binding upon such party. Where any announcement, communication or circular concerning the transactions contemplated by this Agreement is required by law or any regulation or rule of any stock exchange, it shall be made by the relevant party after consultation, where reasonably practicable, with the other party and taking into account the reasonable requirements (as to timing, contents and manner of making or dispatch of the announcement, communication or circular) of the other party.

6.3. NO INCONSISTENT ACTION. Between the date of this Agreement and the Closing, neither party shall take any action which is materially inconsistent with its obligations under this Agreement or that would materially hinder or delay the consummation of the transactions contemplated by this Agreement. In particular, neither party shall take any action that would result in its disqualification to hold the FCC Licenses or in any way delay grant of the FCC Application. Should either party become aware of any such fact or circumstance, such party shall promptly inform the other.

6.4. RISK OF LOSS. Seller shall bear the risk of any casualty loss or damage to any of the Station Assets prior to the Effective Time. Seller shall be responsible for repairing or replacing (as appropriate under the circumstances) any lost or damaged Station Asset (the

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"DAMAGED ASSET") unless such Damaged Asset was obsolete and unnecessary for the continued operation of the Station consistent with Seller's past practice. If Seller is unable to repair or replace a Damaged Asset by the date on which the Closing would otherwise occur under this Agreement, Seller shall reimburse all reasonable costs incurred by Buyer in repairing or replacing the Damaged Asset after Closing or turn over insurance proceeds plus the amount of any deductible, provided that Seller's insurance coverage is in the amount customary for the radio broadcasting industry.

6.5. TRANSMITTER BUILDING SPACE LEASE. The transmitter building that houses the Station's transmitters is also used by Seller to store spare parts, etc. for other stations. For one year following the Closing, Buyer will permit Seller to utilize the entire basement portion of the transmitter building for storage and will permit reasonable access to such storage space. There shall be no separate consideration, other than this Agreement, for such arrangement.

6.6. ENVIRONMENTAL AUDIT. Within 45 days of the date of this Agreement, Buyer may at its sole expense obtain a Phase I environmental audit report (the "PHASE I REPORT") for the Real Property. Buyer shall provide copies of any Phase I Report to Seller promptly after it is completed. If the Phase I Report contains a recommendation that Buyer obtain a Phase II environmental audit report ("PHASE II REPORT"), Buyer may at its sole expense obtain a Phase II Report within 60 days of the date of this Agreement (and promptly thereafter provide it to Seller). Notwithstanding anything in this Agreement to the contrary, Seller shall have no liability to Buyer under this Agreement as to any matter arising under the Environmental Laws actually disclosed by such Phase I or Phase II Reports (if obtained) except as provided in this SECTION 6.6. In the event that a Phase I Report and/or a Phase II Report discloses an environmental condition or matter that is a violation of or requires remediation under an Environmental Law and that materially and adversely affects Buyer's continued use of the Real Property in the manner currently used by Seller or that could reasonably be expected to expose Buyer to any material liability, Buyer shall notify Seller in writing of such matter at the time Seller delivers the Phase I or Phase II Report, as the case may be, and Seller shall have 45 days from Seller's receipt of such notice to remediate or eliminate such condition or

matter, PROVIDED, that such matters and conditions can be remediated or eliminated by Seller's expenditure of \$300,000 or less, in the aggregate. If the environmental conditions or matters cannot be remediated or eliminated by Seller's expense of \$300,000 or less, in the aggregate, Seller shall notify Buyer within 10 days after the end of the 45-day period. Buyer may elect, by providing Seller with notice thereof within 10 days after Buyer's receipt of Seller's notification either (a) to terminate this Agreement, or (b) notwithstanding anything herein to the contrary, to waive all non-compliant environmental conditions and matters and any claims it may have against Seller with respect to any such non-remediated or non-compliant condition or matter actually disclosed in the Phase I Report or Phase II Report, in which case the Closing will proceed as contemplated by this Agreement (subject to its terms and conditions) and Buyer shall receive a \$300,000 credit against the Purchase Price otherwise payable pursuant to SECTION 2.1 hereof.

6.7. REAL PROPERTY SURVEY AND TITLE COMMITMENTS.

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(a) Within 45 days after the date of this Agreement, Buyer may obtain at its sole expense a current survey of the Real Property, prepared by a licensed surveyor and conforming to current ALTA Minimum Detail Requirements for Land Title Surveys, disclosing the location of all improvements (including guy wire and anchors), easements, party walls, sidewalks, roadmaps, utility lines and other matters customarily shown on such surveys, and showing access affirmatively to public streets and roads (the "SURVEY").

(b) Within 45 days after the date of this Agreement, Buyer may at its sole expense obtain for the Real Property (either owned or leased) standard ALTA Form B commitments for owner's or lessor's title insurance the Real Property (the "TITLE COMMITMENTS").

(c) Buyer shall provide Seller with a copy of the Survey and the Title Commitments within 15 business days of receipt by Buyer, but in no event later than 60 days after the date of this Agreement. Buyer shall give Seller notice of any exception or defect to title in the Title Commitments or any matter revealed by the Survey that materially and adversely affects the use of the Real Property as currently used by Seller (the "OBJECTIONABLE EXCEPTIONS") (i) with respect to the Title Commitments, at the time that Buyer provides Seller with a copy of the Title Commitments, and (ii) with respect to the Survey, within 15 business days of Buyer's receipt of the Survey, but in no event later than 60 days after the date of this Agreement. If Buyer fails to give such notice in a timely manner, Buyer shall be deemed to have accepted all title exceptions or defects in title reported or that would be reported in the Title Commitments or matters revealed or that would be revealed by the Survey other than the Objectionable Exceptions expressly set forth in the notice.

(d) Seller shall cure or remove any Objectionable Exception within 45 days from the date of Buyer's notice; provided, however, that if Seller reasonably determines that the cost of removing such Objectionable Exception would exceed \$300,000, in the aggregate, or that Seller will be unable to cure or remove an Objectionable Exception within such 45-day period, Seller shall provide Buyer with written notice of such determination within 15 days after the end of such 45-day period. Buyer may then elect, by providing Seller with notice thereof within 10 days after Buyer's receipt of Seller's determination, to either: (a) terminate this Agreement without further obligation or liability hereunder, or (b) notwithstanding anything herein to the contrary, waive all Objectionable Exceptions and any claims it may have against Seller with respect to any such Objectionable Exception and accept the real property covered by such Title Commitment or Survey subject to such Objectionable Exception, in which case the Closing will proceed as contemplated by this Agreement (subject to its terms and conditions) and Buyer shall receive a \$300,000 credit against the Purchase Price otherwise payable pursuant to SECTION 2.1.

(e) Notwithstanding the foregoing, none of the following shall constitute an Objectionable Exception: (i) the preprinted or standard exceptions on the current ALTA owner's or lessee's form; and (ii) Permitted Liens; provided, however, that any Lien securing a monetary obligation of Seller (other than any Lien arising under the Real Property Lease assumed by Buyer pursuant to SECTION 1.4), including any Lien for Taxes, shall be deemed an Objectionable Exception whether or not Buyer gives written notice of such, and shall be

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removed by Seller at or before the Closing.

6.8. ESTOPPEL CERTIFICATE. Between the date of this Agreement and the Closing Date, Seller shall use commercially reasonable efforts to obtain an estoppel certificate from the landlord with respect to the Real Property Lease.

ARTICLE 7
CONDITIONS PRECEDENT

7.1. TO BUYER'S OBLIGATIONS. The obligations of Buyer hereunder are, at its option, subject to satisfaction or waiver by Buyer, at or prior to the Closing Date, of each of the following conditions:

(a) REPRESENTATIONS, WARRANTIES AND COVENANTS. All representations and warranties made by Seller in this Agreement shall be true and correct in all material respects on and as of the Closing Date as if made on and as of that date (except to the extent they expressly relate to an earlier time, in which case they shall have been true and correct only as of such earlier time), except to the extent changes are permitted under SECTION 6.1 of this Agreement. All of the terms, covenants and conditions to be complied with or performed by Seller under this Agreement on or prior to the Closing Date shall have been complied with or performed by Seller in all material respects.

(b) GOVERNMENTAL CONSENTS. The FCC shall have granted the FCC Consent, and the FCC Consent shall have become a Final Order. All applicable waiting periods under the HSR Act with respect to the transaction contemplated by this Agreement (including any extensions thereof) shall have expired or been terminated and no actions shall have been instituted which are pending on the Closing Date by the Federal Trade Commission or the Department of Justice challenging or seeking to enjoin the consummation of the transactions contemplated by this Agreement.

(c) NO INJUNCTION. No order of any court or administrative agency shall be in effect which restrains or prohibits the transactions contemplated by this Agreement in accordance with its terms.

(d) DELIVERIES. Seller shall have made or stand willing to make all deliveries required under SECTION 8.1.

7.2. TO SELLER'S OBLIGATIONS. The obligations of Seller hereunder are, at its option, subject to satisfaction or waiver by Seller, at or prior to the Closing Date, of each of the following conditions:

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(a) REPRESENTATIONS, WARRANTIES AND COVENANTS. All representations and warranties made by Buyer in this Agreement shall be true and correct in all material respects on and as of the Closing Date as if made on and as of that date (except to the extent they expressly relate to an earlier time, in which case they shall have been true and correct only as of such earlier time). All of the terms, covenants and conditions to be complied with or performed by Buyer under this Agreement on or prior to the Closing Date shall have been complied with or performed by Buyer in all material respects.

(b) GOVERNMENTAL CONSENTS. The FCC shall have granted the FCC Consent. All applicable waiting periods under the HSR Act with respect to the transaction contemplated by this Agreement (including any extensions thereof) shall have expired or been terminated and no actions shall have been instituted which are pending on the Closing Date by the Federal Trade Commission or the Department of Justice challenging or seeking to enjoin the consummation of the transactions contemplated by this Agreement.

(c) NO INJUNCTION. No order of any court or administrative agency shall be in effect which restrains or prohibits the transactions contemplated by this Agreement in accordance with its terms.

(d) DELIVERIES. Buyer shall have made or stand willing to make all deliveries required under SECTION 8.2 and shall have paid or stand willing to pay the Purchase Price as provided in ARTICLE 2.

ARTICLE 8
DOCUMENTS TO BE DELIVERED AT THE CLOSING

8.1. DOCUMENTS TO BE DELIVERED BY SELLER. At the Closing, Seller shall deliver to Buyer the following:

(a) a certificate, dated as of the Closing Date, executed by an officer of Seller, certifying that the closing conditions specified in SECTION 7.1(a) have been satisfied;

(b) a certificate of good standing for Seller and certified copies of any required resolutions of the board of directors or shareholder of Seller, as applicable;

(c) instruments of conveyance and transfer, in form and substance reasonably satisfactory to Buyer's counsel, effecting the sale, transfer, assignment and conveyance of the Station Assets to Buyer, including the following:

(i) an assignment of the FCC Licenses;

- (ii) a bill of sale for the Tangible Personal Property;
- (iii) a warranty deed in the form customarily used in commercial real property transactions in the State of Illinois; and

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- (iv) an assignment of Seller's rights under the Real Property Lease;

(d) a properly executed statement from each Seller pursuant to Treasury Regulation Section 1.1445-2(b)(2) for purposes of satisfying Buyer's obligations under Section 1445 of the Internal Revenue Code of 1986 and the regulations thereunder; and

(e) such other documents as may reasonably be requested by Buyer.

8.2. DOCUMENTS TO BE DELIVERED BY BUYER. At the Closing, Buyer shall deliver to Seller the following:

(a) a certificate, dated as of the Closing Date, executed by an officer of Buyer, certifying that the closing conditions specified in SECTION 7.2(a) have been satisfied;

(b) a certificate of good standing for Buyer and certified copies of any required resolutions of the board of directors or shareholder of Buyer, as applicable;

(c) an assumption agreement, in form and substance reasonably satisfactory to Seller's counsel pursuant to which Buyer shall assume and undertake to perform Seller's obligations under the Real Property Lease;

(d) the Purchase Price in immediately available wire transferred federal funds as provided in ARTICLE 2;

(e) the Qualified Intermediary Documents; and

(f) such other documents as may reasonably be requested by Seller.

ARTICLE 9 INDEMNIFICATION, SURVIVAL

9.1. SELLER'S INDEMNITIES. From and after the Closing, Seller shall indemnify, defend and hold harmless Buyer, its affiliates and their respective directors, officers, employees and representatives, and the successors and assigns of any of them, from and against, and reimburse them for, all claims, damages, liabilities, losses, costs and expenses, including interest, penalties, court costs and reasonable attorneys' fees and expenses ("CLAIMS"), resulting from:

(a) any liabilities of Seller not assumed by Buyer hereunder; or

(b) any untrue representation, breach of warranty or nonfulfillment of any covenant by Seller contained herein or in any instrument delivered by Seller to Buyer hereunder.

9.2. BUYER'S INDEMNITIES. From and after the Closing, Buyer shall indemnify,

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defend and hold harmless Seller, its affiliates and their respective directors, officers, employees and representatives, and the successors and assigns of any of them, from and against, and reimburse them for, all Claims, resulting from:

(a) the Assumed Obligations; or

(b) any untrue representation, breach of warranty or nonfulfillment of any covenant by Buyer contained herein or in any instrument delivered by Buyer to Seller hereunder.

9.3. PROCEDURE FOR INDEMNIFICATION. The procedure for indemnification shall be as follows:

(a) The party seeking indemnification under this ARTICLE 9 (the "CLAIMANT") shall give notice to the party from whom indemnification is

sought (the "INDEMNITOR") of any claim, whether solely between the parties or brought by a third party, reasonably specifying (i) the factual basis for the claim, and (ii) the amount of the claim if then known. If the claim relates to an action, suit or proceeding filed by a third party against Claimant, notice shall be given by Claimant within fifteen (15) days after written notice of the action, suit or proceeding was given to Claimant. In all other circumstances, notice shall be given by Claimant within thirty (30) days after Claimant becomes, or should have become, aware of the facts giving rise to the claim. Notwithstanding the foregoing, Claimant's failure to give Indemnitor timely notice shall not preclude Claimant from seeking indemnification from Indemnitor if Claimant's failure has not materially prejudiced Indemnitor's ability to defend the claim or litigation.

(b) With respect to claims between the parties, following receipt of notice from the Claimant of a claim, the Indemnitor shall have thirty (30) days to make any investigation of the claim that the Indemnitor deems necessary or desirable. For the purposes of this investigation, the Claimant agrees to make available to the Indemnitor and/or its authorized representatives the information relied upon by the Claimant to substantiate the claim. If the Claimant and the Indemnitor cannot agree as to the validity and amount of the claim within the 30-day period (or any mutually agreed upon extension thereof), the Claimant may seek appropriate legal remedy.

(c) With respect to any claim by a third party as to which the Claimant is entitled to indemnification hereunder, the Indemnitor shall have the right at its own expense to participate in or assume control of the defense of the claim with counsel reasonably acceptable to Claimant, and the Claimant shall cooperate fully with the Indemnitor, subject to reimbursement for reasonable expenses incurred by the Claimant as the result of a request by the Indemnitor. If the Indemnitor elects to assume control of the defense of any third-party claim, the Claimant shall have the right to participate in the defense of the claim at its own expense. If the Indemnitor does not elect to assume control or otherwise participate in the defense of any third party claim, Claimant may, but shall have no obligation to, defend or settle such claim or litigation in such a manner as it deems appropriate, and in any event Indemnitor shall be bound by the results obtained by the Claimant with respect to the claim (by default or otherwise) and shall promptly reimburse Claimant for the amount of all

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expenses (including the amount of any judgment rendered), legal or otherwise, incurred in connection with such claim or litigation. The Indemnitor shall be subrogated to all rights of the Claimant against any third party with respect to any claim for which indemnity was paid.

9.4. LIMITATIONS.

(a) Neither Seller nor Buyer shall have any obligation to the other party for any matter described in SECTION 9.1 or SECTION 9.2, as the case may be, except upon compliance by the other party with the provisions of this ARTICLE 9, particularly SECTION 9.3.

(b) Neither party shall be required to indemnify the other party under this ARTICLE 9 unless (i) written notice of a claim under this ARTICLE 9 was received by the party within the pertinent survival period specified in SECTION 9.5 and (ii) unless and until the aggregate amount of claims (other than indemnification obligations pursuant to SECTION 9.1(b) OR 9.2(b) for which there shall be no "basket") against the party to which the other party (as a Claimant) is entitled to be indemnified under this Agreement exceeds \$25,000, and then only for the excess over \$25,000. Neither party shall have any liability to the other party under any circumstances for special, consequential, punitive or exemplary damages, and in no event shall Seller's total liability to Buyer under this Agreement exceed \$5,000,000.

9.5. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS. The representations, warranties, covenants, indemnities and other agreements contained in this Agreement or in any certificate, document or instrument delivered pursuant to this Agreement are and will be deemed and construed to be continuing representations, warranties, covenants, indemnities and agreements and shall survive the Closing for a period of twelve months after the Closing Date (the "SURVIVAL PERIOD"). No claim may be brought under this Agreement unless written notice describing in reasonable detail the nature and basis of such claim is given on or prior to the last day of the Survival Period. In the event such notice is given, the right to indemnification with respect thereto shall survive the Survival Period until such claim is finally resolved and any obligations thereto are fully satisfied. Any investigation by or on behalf of any party hereto shall not constitute a waiver as to enforcement of any representation, warranty, covenant or agreement contained herein.

9.6. SOLE REMEDY. After the Closing, the right to indemnification under this ARTICLE 9 shall be the exclusive remedy of any party in connection with any breach or default by another party under this Agreement.

ARTICLE 10
TERMINATION RIGHTS

10.1. TERMINATION.

(a) This Agreement may be terminated by either Buyer or Seller, if the party seeking to terminate is not in material default or breach of this Agreement, upon written notice to the other upon the occurrence of any of the following:

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- (i) if the other party is in material breach of this Agreement and such breach has not been waived by the party giving such termination notice;
- (ii) if there shall be in effect any final judgment, decree or order that would prevent or make unlawful the Closing or if the FCC denies the FCC Application or designates that application for a trial-type hearing; or
- (iii) if the Closing has not occurred by the date that is twelve months after the date on which the FCC Application was accepted for filing by the FCC (the "UPSET DATE").

(b) This Agreement may be terminated by mutual written consent of Buyer and Seller.

(c) If either party believes the other to be in breach or default of this Agreement, the non-defaulting party shall, prior to exercising its right to terminate under SECTION 10.1(a) (i), provide the defaulting party with notice specifying in reasonable detail the nature of such breach or default. Except for a failure to pay the Purchase Price, the defaulting party shall have twenty days from receipt of such notice to cure such default; provided, however, that if the breach or default is due to no fault of the defaulting party and is incapable of cure within such 20-day period, the cure period shall be extended as long as the defaulting party is diligently and in good faith attempting to effectuate a cure. Nothing in this SECTION 10.1(c) shall be interpreted to extend the Upset Date.

10.2. EFFECT OF TERMINATION. In the event of termination of this Agreement pursuant to SECTION 10.1, this Agreement (other than SECTION 6.2(b), which shall remain in full force and effect) shall forthwith become null and void, and no party hereto (nor any of their respective affiliates, directors, officers or employees) shall have any liability or further obligation, except as provided in this ARTICLE 10 and in ARTICLE 11.

ARTICLE 11
REMEDIES UPON DEFAULT; SPECIFIC PERFORMANCE

11.1. DEFAULT BY SELLER; SPECIFIC PERFORMANCE. If Seller breaches or defaults in its obligations under this Agreement, Buyer may pursue any legal or equitable remedies available to it and shall be entitled to obtain from Seller court costs and reasonable attorneys' fees and expenses incurred by it in enforcing its rights hereunder. Seller recognizes that, in the event Seller defaults in the performance of its obligations under this Agreement, monetary damages alone will not be adequate. In such event, Buyer shall be entitled to obtain specific performance of the terms of this Agreement. As a condition to seeking specific performance, Buyer shall not be required (i) to post bond, prove actual damages or furnish other security or (ii) to have tendered the Purchase Price specified in ARTICLE 2 of this Agreement, but shall be ready, willing and able to do so.

11.2. DEFAULT BY BUYER. If this Agreement is terminated by Seller pursuant to

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SECTION 10.1(a) (i), and if Buyer shall be in material breach or default of any of its obligations set forth in this Agreement, then Buyer shall pay Seller \$3,000,000 as liquidated damages, in full settlement of any damages of any kind or nature that Seller may suffer as a result thereof, it being understood and agreed that the amount of liquidated damages represents the reasonable estimate of the parties of actual damages and does not constitute a penalty. In addition, Seller shall be entitled to obtain from Buyer court costs and reasonable legal fees and expenses incurred by it in enforcing its rights hereunder.

ARTICLE 12

OTHER PROVISIONS

12.1. TRANSFER TAXES AND EXPENSES. All recordation, transfer, documentary, excise, sales or use taxes or fees imposed on this transaction shall be paid by the party so responsible under applicable law. Except as otherwise provided in this Agreement, each party shall be solely responsible for and shall pay all other costs and expenses incurred by it in connection with the negotiation, preparation and performance of and compliance with the terms of this Agreement.

12.2. BENEFIT AND ASSIGNMENT. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Buyer may not assign its rights under this Agreement without Seller's prior written consent, which consent may be withheld in Seller's sole discretion, other than to a wholly subsidiary of Buyer, provided that such assignment does not delay the Closing and will not relieve Buyer of its obligations hereunder.

12.3. ENTIRE AGREEMENT; SCHEDULES; AMENDMENT; WAIVER. This Agreement, and the exhibits and schedules hereto and thereto, embody the entire agreement and understanding of the parties hereto and supersede any and all prior agreements and understandings relating to the matters provided for herein. Any matter that is disclosed in a schedule hereto in such a way as to make its relevance to the information called for by another schedule readily apparent shall be deemed to have been included in such other schedule, notwithstanding the omission of an appropriate cross-reference. No amendment, waiver of compliance with any provision or condition hereof, or consent pursuant to this Agreement shall be effective unless evidenced by an instrument in writing signed by the party against whom enforcement of any waiver, amendment, change, extension or discharge is sought. No failure or delay on the part of Buyer or Seller in exercising any right or power under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

12.4. HEADINGS. The headings set forth in this Agreement are for convenience only and shall not control or affect the meaning or construction of the provisions of this Agreement.

12.5. COMPUTATION OF TIME. If after making computations of time provided for in

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this Agreement, a time for action or notice falls on Saturday, Sunday or a federal holiday, then such time shall be extended to the next business day.

12.6. GOVERNING LAW; WAIVER OF JURY TRIAL. The construction and performance of this Agreement shall be governed by the law of the State of New York without regard to its principles of conflict of law, and the exclusive forum for the resolution of any disputes arising hereunder shall be the federal or state courts located in the State of New York. BUYER AND SELLER HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING IN ANY WAY TO THIS AGREEMENT, INCLUDING ANY COUNTERCLAIM MADE IN SUCH ACTION OR PROCEEDING, AND AGREE THAT ANY SUCH ACTION OR PROCEEDING SHALL BE DECIDED SOLELY BY A JUDGE. Buyer and Seller hereby acknowledge that they have each been represented by counsel in the negotiation, execution and delivery of this Agreement and that their lawyers have fully explained the meaning of the Agreement, including in particular the jury-trial waiver. Any question of doubtful interpretation shall not be resolved by any rule providing for interpretation against the party who causes the uncertainty to exist or against the drafter of this Agreement.

12.7. ATTORNEY FEES. In the event of any dispute between the parties to this Agreement, Seller or Buyer, as the case may be, shall reimburse the prevailing party for its reasonable attorneys' fees and expenses incurred in enforcing its rights or exercising its remedies under this Agreement. Such right of reimbursement shall be in addition to any other right or remedy that the prevailing party may have under this Agreement.

12.8. SEVERABILITY. If any term or provision of this Agreement, or the application thereof to any person or circumstance shall, to any extent be held invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

12.9. NOTICES. Any notice, demand or request required or permitted to be given under the provisions of this Agreement shall be in writing, addressed to the following addresses, or to such other address as any party may request:

If to Seller:

Infinity Broadcasting Corporation
40 West 57th Street, 14th Floor
New York, NY 10019
Attention: Mr. Farid Suleman
Facsimile: 212-314-9336

With a copy (which shall not constitute notice) to:

Leventhal, Senter & Lerman P.L.L.C.
2000 K Street, N.W., Suite 600

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Washington, D.C. 20006-1809
Attention: Steven A. Lerman, Esq.
Facsimile: 202-293-7783

If to Buyer:

Salem Communications Corporation
4880 Santa Rosa Road, Suite 300
Camarillo, CA 93012
Attention: Jonathan L. Block, Esq.
Facsimile: 805-384-4505

Any such notice, demand or request shall be deemed to have been duly delivered and received (a) on the date of personal delivery, or (b) on the date of transmission, if sent by facsimile (but only if a hard copy is also sent by overnight courier), or (c) on the date of receipt, if mailed by registered or certified mail, postage prepaid and return receipt requested, or (d) on the date of a signed receipt, if sent by an overnight delivery service, but only if sent in the same manner to all persons entitled to receive notice or a copy.

12.10. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument. Faxed copies of the Agreement and faxed signature pages shall be binding and effective as to all parties and may be used in lieu of the original Agreement, and, in particular, in lieu of original signatures, for any purpose whatsoever.

ARTICLE 13
DEFINITIONS

13.1. DEFINED TERMS. Unless otherwise stated in this Agreement, the following terms when used herein shall have the meanings assigned to them below (such meanings to be equally applicable to both the singular and plural forms of the terms defined).

"AGREEMENT" shall have the meaning set forth in the preamble to this Agreement.

"ASSUMED OBLIGATIONS" shall have the meaning set forth in SECTION 1.4.

"BUYER" shall have the meaning set forth in the preamble to this Agreement.

"CLAIMANT" shall have the meaning set forth in SECTION 9.3.

"CLAIMS" shall have the meaning set forth in SECTION 9.1.

"CLOSING" shall have the meaning set forth in SECTION 1.1.

"CLOSING DATE" shall mean the date on which the Closing is completed.

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"CODE" shall mean the Internal Revenue Code of 1986, as amended.

"DAMAGED ASSET" shall have the meaning set forth in SECTION 6.4.

"EFFECTIVE TIME" shall have the meaning set forth in SECTION 2.4.

"ENVIRONMENTAL LAWS" shall mean all applicable local, state and federal statutes and regulations relating to the protection of human health or the environment including the FCC's regulations concerning radio frequency radiation.

"FCC" shall mean the Federal Communications Commission.

"FCC APPLICATION" shall mean the application or applications that

Seller and Buyer must file with the FCC requesting its consent to the assignment of the FCC Licenses from Seller to Buyer.

"FCC CONSENT" shall mean the action by the FCC granting the FCC Application.

"FCC LICENSES" shall have the meaning set forth in SECTION 1.2.

"FINAL ORDER" shall mean an action by the FCC (i) which has not yet been vacated, reversed, stayed or suspended; (ii) with respect to which no timely appeal, request for stay or petition for rehearing, reconsideration or review by any party or by the FCC on its own motion, is pending; and (iii) as to which the time for filing any such appeal, request, petition, or similar document or for the reconsideration or review by the FCC on its own motion under Communications Act and the rules and regulations of the FCC, has expired.

"HAZARDOUS MATERIALS" shall mean all hazardous or toxic substance, material or waste which, because of its quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. "Hazardous Materials" shall not include ordinary quantities of consumer or commercial products used in the normal course of broadcast station operations, including grounds and building operation and maintenance.

"HSR ACT" shall have the meaning set forth in SECTION 5.2.

"INDEMNITOR" shall have the meaning set forth in SECTION 9.3.

"LIENS" shall mean mortgages, deeds of trust, liens, security interests, pledges, collateral assignments, conditional sales agreements, leases, encumbrances, claims or other defects of title, but shall not include (i) liens for current Taxes not yet due and payable; (ii) other inchoate liens imposed by law (such as landlord's, materialman's, mechanic's, carrier's, worker's and repairman's liens) arising in the ordinary course of business (provided that such liens do not interfere in any material respect with the use of the Station Assets as currently used and that Seller remains liable for paying such liens); (iii) income-

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producing leases or subleases to third parties; and (iv) defects in title or other matters that do not materially adversely affect the continued use of the property as currently used by Seller (the exceptions set forth in clauses (i) through (iv) being collectively referred to herein as "Permitted Liens").

"OBJECTIONABLE EXCEPTIONS" shall have the meaning set forth in SECTION 6.7.

"OWNED REAL PROPERTY" shall have the meaning set forth in SECTION 1.2.

"PHASE I REPORT" shall have the meaning set forth in SECTION 6.6.

"PHASE II REPORT" shall have the meaning set forth in SECTION 6.6.

"PURCHASE PRICE" shall have the meaning set forth in SECTION 2.1.

"QUALIFIED INTERMEDIARY DOCUMENTS" shall have the meaning set forth in SECTION 1.6.

"REAL PROPERTY" shall have the meaning set forth in SECTION 1.2.

"REAL PROPERTY LEASE" shall have the meaning set forth in SECTION 1.2.

"REFEREE" shall have the meaning set forth in SECTION 2.4.

"SELLER" shall have the meaning set forth in the preamble to this Agreement.

"STATION" shall have the meaning set forth in the preamble to this Agreement.

"STATION ASSETS" shall have the meaning set forth in SECTION 1.2.

"SURVEY" shall have the meaning set forth in SECTION 6.7.

"SURVIVAL PERIOD" shall have the meaning set forth in SECTION 9.5.

"TANGIBLE PERSONAL PROPERTY" shall have the meaning set forth in SECTION 1.2.

"TAXES" means any and all federal, state, local and foreign taxes, assessments and other governmental charges, duties, impositions, levies and liabilities, including, without limitation, taxes based upon or measured by

gross receipts, income, profits, sales, use and occupation, and value added, ad valorem, transfer, gains, franchise, withholding, payroll, recapture, employment, excise, unemployment, insurance, social security, business license, occupation, business organization, stamp, environmental and property taxes, together with all interest, penalties and additions imposed with respect to such amounts.

"TITLE COMMITMENTS" shall have the meaning set forth in SECTION 6.7.

"TO BUYER'S KNOWLEDGE" or words of similar import, shall mean to the actual knowledge of the president or chief financial officer of Buyer.

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"TO SELLER'S KNOWLEDGE" or words of similar import, shall mean to the actual knowledge of the president or chief financial officer of Seller or the general manager of the Station.

"UPSET DATE" shall have the meaning set forth in SECTION 10.1.

13.2. MISCELLANEOUS TERMS. The term "OR" is disjunctive; the term "AND" is conjunctive. The term "SHALL" is mandatory; the term "MAY" is permissive. Masculine terms apply to females; feminine terms apply to males. The term "INCLUDES" or "INCLUDING" is by way of example and not limitation.

[Signatures follow this page]

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IN WITNESS WHEREOF, the parties hereto have caused this Asset Purchase Agreement to be duly executed as of the date first written above.

SELLER:

INFINITY BROADCASTING
CORPORATION OF ILLINOIS

By:

Name: -----
Title: -----

INFINITY BROADCASTING
CORPORATION

By:

Name: -----
Title: -----

BUYER:

SALEM COMMUNICATIONS
CORPORATION

By:

Name: -----
Title: -----

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EXHIBIT A

FORM OF ASSIGNMENT, ACCEPTANCE AND NOTICE

FORM OF REASSIGNMENT AND ASSUMPTION AGREEMENT

ASSET PURCHASE AGREEMENT

among

INFINITY BROADCASTING CORPORATION
OF ILLINOIS,
INFINITY BROADCASTING CORPORATION

and

SALEM COMMUNICATIONS CORPORATION

Dated as of November 6, 2000

EXHIBITS

- A Form of Assignment, Acceptance and Notice
- B Form of Reassignment and Assumption Agreement

SCHEDULES

- 1.2 (a) FCC Licenses
- 1.2 (b) Tangible Personal Property
- 1.2 (c) Real Property
- 1.3 (l) Excluded Assets

DISCLOSURE SCHEDULES
TO
ASSET PURCHASE AGREEMENT
AMONG
INFINITY BROADCASTING CORPORATION
OF ILLINOIS,
INFINITY BROADCASTING CORPORATION,
AND
SALEM COMMUNICATIONS CORPORATION
FOR
WXRT (AM), CHICAGO, IL

DATED AS OF NOVEMBER 6, 2000

Reference is made to the Asset Purchase Agreement (the "AGREEMENT"), dated as of November 6, 2000, among Infinity Broadcasting Corporation of Illinois, Infinity Broadcasting Corporation and Salem Communications Corporation. These Schedules are the "Schedules" referred to in the Agreement. Capitalized terms used in these Schedules and not otherwise defined herein are used as defined in the Agreement.

These Schedules are qualified in their entirety by reference to specific provisions of the Agreement and are not intended to constitute, and shall not be construed as constituting, any representation or warranty of Seller except as and to the extent expressly provided in the Agreement. The fact that any item of information is contained herein shall not be construed to mean that such information is required to be disclosed in or by the Agreement. Such information shall not be used as a basis for interpreting the term "material", "materially" or "materiality" in the Agreement. Any matter disclosed in one section or subsection hereof shall be deemed to be

disclosed in all sections or subsections hereof and for all purposes of these Schedules and the Agreement. The headings in these Schedules are for convenience of reference only and shall not be deemed to alter or affect the express description of the sections of these Schedules as set forth in the Agreement.

SCHEDULE 1.2(a) - FCC LICENSES

WXRT(AM), CHICAGO, ILLINOIS

Main Station License BR-19960731ZZ Exp. December 1, 2004
 BL-19930420AC

Tower Registrations: FCC numbers 1009053, 1009054, 1009055 and 1009056.

Note: As set forth in SCHEDULE 1.3(1), call sign WXRT(AM) is an Excluded Asset.

SCHEDULE 1.2(b) - TANGIBLE PERSONAL PROPERTY

5 towers (four are registered - - FCC registration numbers 1009053, 1009054, 1009055 and 1009056 - - one is not required to be registered) and associated directional phasing equipment

Transmitter building that houses the WXRT(AM) transmitters (note: building is in disrepair)

See also attached list

SCHEDULE 1.2(c) - REAL PROPERTY

OWNED REAL PROPERTY

Parcels (Permanent Real Estate Index Numbers 09-16-402-041-0000, 09-16-402-042-0000 and 09-16-402-043-0000) located in Des Plaines, Illinois, and identified in deed from Plough Broadcasting Company, Inc. to Infinity Broadcasting Corporation of Illinois filed on July 20, 1984

LEASED REAL PROPERTY

Lease dated March 23, 1965, by and between LaSalle National Bank and Plough Broadcasting Company, Inc. (consent to assignment not required)

BUILDING

Transmitter building that houses the WXRT(AM) transmitters (note: building is in disrepair)

Notes:

1. Prior to Closing, Seller will advise Buyer, based on the Survey, whether the towers and transmitter building are located on the Owned Real Property or the Leased Real Property.
2. Seller has been unable to locate any title insurance policies or commitments, surveys or environmental assessments for the Real Property.

SCHEDULE 1.3(1) - EXCLUDED ASSETS

All time sales agreements

All trade agreements

All programming agreements and other intellectual property associated with the Station

PRINCIPAL AMOUNT: \$48,300,000
INTEREST RATE: 15.8% (COMPOUNDED QUARTERLY)

LOAN DATE: NOVEMBER 7, 2000
MATURITY DATE: UPON DEMAND NOT
TO EXCEED 7 YEARS FROM THE LOAN
DATE

PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned, SALEM COMMUNICATIONS CORPORATION ("Maker") agrees as follows:

1. Maker promises to pay to SALEM COMMUNICATIONS HOLDING CORPORATION ("Payee") at 4880 Santa Rosa Road, Suite 300, Camarillo, California, or at such other place as Payee shall direct, FORTY EIGHT MILLION THREE HUNDRED THOUSAND DOLLARS (\$48,300,000) or such amount as may then be outstanding, together with interest thereon, upon the written demand of Payee. Any unpaid interest hereunder shall be treated as additional principal and interest thereon shall be compounded quarterly.

(a) The rate of interest ("Interest Rate") on the principal amounts owed pursuant to this Promissory Note ("Note") shall be 15.8% which is to accrue in the first three years as paid-in-kind in the form of additional principal and thereafter in the form of cash pay; provided, under no circumstances will the interest rate on this Note be greater than the maximum amount of interest allowed by applicable law.

(b) Subject to the terms and conditions of the Credit Agreement, Maker will pay this loan upon demand. The inclusion of specific default provisions or rights of Payee shall not preclude Payee's right to declare payment of all principal and interest under this Note due upon Payee's demand.

2. The unpaid principal amount of this Note, together with all interest accrued thereon shall, at the option of Payee, become immediately due and payable in case any one of the following events occur (an "Event of Default"):

2.1 Maker shall commence any case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, composition, arrangement, readjustment of debt, dissolution, liquidation of relief or debtors.

2.2 Maker shall commence any case, proceeding or other action seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets; or (ii) Maker shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Maker any case, proceeding or other action of a nature referred to in clause (i), above, which (A) results in an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unhandled for a period of sixty (60) days; or (iv) there shall be commenced against Maker any case, proceeding or other action seeking issuance of a warrant of attachment, execution or similar process against all or any

substantial part of its assets which results in the entry of an order or any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (b) Maker shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), (iii) or (iv) above; or (vi) Maker shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or (vii) Maker shall conceal, remove, or permit to be concealed or removed, any part of its property, with intent to hinder, delay or defraud its creditors or any of them, or make or suffer a transfer of any of its property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law, or shall make any transfer of its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid, or shall suffer or permit, while insolvent, any creditor to obtain a lien upon any of its property through legal proceedings which is not vacated within sixty (60) days from the date thereof.

3. No delay or omission on the part of Payee in exercising any right or option herein given to it shall impair such right or option or be considered as a waiver thereof or acquiescence in any default hereunder.

4. Maker waives presentment, demand, notice of dishonor and protest and consents to any and all extensions and renewals hereof without notice.

5. This instrument shall be construed in accordance with the laws of the State of California.

6. This instrument may be prepaid in whole or in part at any time without penalty.

7. Maker, its directors, officers, employees, members, and agents will have no personal liability for any deficiency under this instrument.

8. In the event a suit or action is filed to enforce this Note or with respect to this Note, the prevailing party shall be reimbursed by the other party for all costs and expenses incurred in connection with the suit or action, including without limitation reasonable attorneys' fees at the trial level and on appeal.

IN WITNESS WHEREOF, the Maker has executed this instrument as of this 7th day of November, 2000.

PAYEE:

SALEM COMMUNICATIONS CORPORATION

Jonathan L. Block
Vice President

[QuickLinks](#) -- Click here to rapidly navigate through this document

EXHIBIT 21.01

**SUBSIDIARIES OF SALEM COMMUNICATIONS CORPORATION,
A DELAWARE CORPORATION**

Salem Communications Holding Corporation

Salem Communications Acquisition Corporation

SCA License Corporation

ATEP Radio, Inc.

Bison Media, Inc.

Caron Broadcasting, Inc.

CCM Communications, Inc.

Common Ground Broadcasting, Inc.

Golden Gate Broadcasting Company, Inc.

Inland Radio, Inc.

Inspiration Media, Inc.

Inspiration Media of Pennsylvania, LP

Inspiration Media of Texas, LLC

Kingdom Direct, Inc.

New England Continental Media, Inc.

New Inspiration Broadcasting Company, Inc.

Oasis Radio, Inc.

OnePlace, LLC

Pennsylvania Media Associates, Inc.

Radio 1210, Inc.

Reach Satellite Network, Inc.

Salem Media of California, Inc.

Salem Media of Colorado, Inc.

Salem Media Corporation

Salem Media of Georgia, Inc.

Salem Media of Hawaii, Inc.

Salem Media of Illinois, LLC

Salem Media of Kentucky, Inc.

Salem Media of New York, LLC

Salem Media of Ohio, Inc.

Salem Media of Oregon, Inc.

Salem Media of Pennsylvania, Inc.

Salem Media of Texas, Inc.

Salem Media of Virginia, Inc.

Salem Music Network, Inc.

Salem Radio Network Incorporated

Salem Radio Operations, LLC

Salem Radio Operations—Pennsylvania, Inc.

Salem Radio Properties, Inc.

Salem Radio Representatives, Inc.

South Texas Broadcasting, Inc.

SRN News Network, Inc.

Vista Broadcasting, Inc.

QuickLinks

[EXHIBIT 21.01](#)
[SUBSIDIARIES OF SALEM COMMUNICATIONS CORPORATION, A DELAWARE CORPORATION](#)

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Exhibit 23.1

Consent of Ernst & Young LLP, Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-40494) pertaining to the 1999 Stock Incentive Plan of Salem Communications Corp. of our report dated March 5, 2001, with respect to the consolidated financial statements and schedule of Salem Communications Corp. included in the Annual Report (Form 10-K) for the year ended December 31, 2000.

/s/ Ernst & Young LLP

Woodland Hills, California
March 30, 2001

QuickLinks

[Consent of Ernst & Young LLP, Independent Auditors](#)

SALEM COMMUNICATIONS HOLDING CORPORATION
 SUPPLEMENTAL REPORT
 TO FORM 10-K FILED BY
 SALEM COMMUNICATIONS CORPORATION

This supplemental report (this "Supplemental Report") is prepared by Salem Communications Holding Corporation (the "Subsidiary" including references to Subsidiary by "we," "us" and "our"), a wholly-owned subsidiary of Salem Communications Corporation ("Salem"), and is presented as an exhibit to Salem's report filed with the Securities and Exchange Commission (the "Commission") and will be provided to the holders of the Company's senior subordinated notes due 2007 in accordance with the terms of that certain Indenture dated as of September 25, 1997, by and among Salem, the guarantors named therein and The Bank of New York, as Trustee, as such Indenture has been supplemented from time to time (the "Indenture"). The information contained in this Supplemental Report is intended to be read in conjunction with the annual report on Form 10-K filed with the Commission by Salem, in which annual report this supplemental report is included as an exhibit. References in this Supplemental Report to the "Report" are references to such annual report on Form 10-K filed by Salem.

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PART I

ITEM 1. BUSINESS.

The Subsidiary has substantially the same business operations as is reported for Salem in the Report, however, Salem's unrestricted subsidiaries Salem Communications Acquisition Corporation ("AcquisitionCo") and AcquisitionCo's subsidiary SCA License Corporation ("SCA") own and operate several radio stations, the results of which are excluded from the results of operations of the Company. In August 2000, AcquisitionCo acquired the operational assets of radio station KALC-FM (Denver, CO) and SCA acquired the broadcasting license for that station. The separate assets and liabilities of Salem, excluding those of the Subsidiary and its subsidiaries, as well as the assets and liabilities of AcquisitionCo and SCA, and the results of operations for radio KALC-FM station beginning August 2000 are included in information presented for Salem in the Report, but are excluded from the information included in this Supplemental Report.

The sections "--Program Revenue," "--Advertising Revenue" and "--Employees" are restated in this Supplemental Report to replace those sections contained in the Report.

1

PROGRAM REVENUE. For the year ended December 31, 2000, we derived 29.7% and 16.2% of our gross revenue, or \$34.9 million and \$19.0 million, respectively, from the sale of nationally syndicated and local block program time. We derive nationally syndicated program revenue from a programming customer base consisting primarily of geographically diverse, well-established non-profit religious and educational organizations that purchase time on stations in a large number of markets in the United States. Nationally syndicated program producers typically purchase 13, 26 or 52 minute blocks on a Monday through Friday basis and may offer supplemental programming for weekend release. We obtain local program revenue from community organizations and churches that typically purchase time primarily for weekend release and from local speakers who purchase daily releases. We have been successful in assisting quality local programs to expand into national syndication.

ADVERTISING REVENUE. For the year ended December 31, 2000, we derived 33.9% of our gross revenue, or \$39.8 million from the sale of local spot advertising and 6.0% of our gross revenue, or \$7.1 million from the sale of national spot advertising.

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EMPLOYEES

At March 1, 2001, the Subsidiary employed 827 full-time and 400 part-time employees. AcquisitionCo and SCA together have 4 full-time and 1 part-time employees which have been excluded from the number of employees reported for the Subsidiary in the preceding sentence. None of the Subsidiary's employees are covered by collective bargaining agreements, and we consider our relations with our employees to be good.

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PART II

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

Not applicable.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL INFORMATION.

The Subsidiary's selected historical statement of operations and balance sheet data presented below as of and for the years ended December 31, 1996, 1997, 1998, 1999 and 2000 are derived from the audited consolidated financial statements of the Subsidiary. The consolidated financial statements as of December 31, 1999 and 2000 and for each of the years in the three-year period ended December 31, 2000, and the independent auditors' report thereon, are included elsewhere in this Supplemental Report. The Subsidiary'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 Supplemental Report.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, (DOLLARS IN THOUSANDS) (EXCEPT PER SHARE DATA AND RATIOS)				
	1996	1997	1998	1999	2000
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:					
Net broadcasting revenue	\$ 59,010	\$ 67,912	\$ 77,891	\$ 87,122	\$ 107,786
Other media revenue	--	--	--	6,424	7,916
Total revenue	59,010	67,912	77,891	93,546	115,702

Operating expenses:					
Broadcasting operating expenses	33,463	39,626	42,526	46,291	60,121
Other media operating expenses	--	--	--	9,985	14,863
Corporate expenses	4,663	6,210	7,395	8,507	10,457
Stock and related cash grant	--	--	--	2,550	--
Tax reimbursements to S corporation shareholders(1)	2,038	1,780	--	--	--
Depreciation and amortization	8,394	12,803	14,058	18,233	23,243
	-----	-----	-----	-----	-----
Total operating expenses	48,558	60,419	63,979	85,566	108,684
	-----	-----	-----	-----	-----
Net operating income	10,452	7,493	13,912	7,980	7,018
Other income (expense):					
Interest income	523	230	291	1,005	1,753
Gain (loss) on disposal of assets	16,064	4,285	236	(219)	29,567
Interest expense	(7,361)	(12,706)	(15,941)	(14,219)	(16,821)
Other expense	(270)	(389)	(422)	(633)	(857)
	-----	-----	-----	-----	-----
Total other income (expense)	8,956	(8,580)	(15,836)	(14,066)	13,642
Income (loss) before income taxes and extraordinary item	19,408	(1,087)	(1,924)	(6,086)	20,660

</TABLE>

4

<TABLE>					
<S>					
Provision (benefit) for income taxes	6,655	106	(343)	(1,611)	8,249
	-----	-----	-----	-----	-----
Income (loss) before extraordinary item .	12,753	(1,193)	(1,581)	(4,475)	12,411
Extraordinary loss(2)	--	(1,185)	--	(3,570)	--
	-----	-----	-----	-----	-----
Net income (loss)	\$ 12,753	\$ (2,378)	\$ (1,581)	\$ (8,045)	\$ 12,411
	=====	=====	=====	=====	=====
Pro forma net income (loss)(1)	\$ 12,838	\$ (770)			
	=====	=====			
Other Data:					
Broadcast cash flow(4)	\$ 25,547	\$ 28,286	\$ 35,365	\$ 40,831	\$ 47,665
Broadcast cash flow margin(5)	43.3%	41.7%	45.4%	46.9%	44.2%
EBITDA(4)	\$ 20,884	\$ 22,076	\$ 27,970	\$ 28,763	\$ 30,261
After-tax cash flow(4)	\$ 11,594	\$ 10,647	\$ 12,335	\$ 15,809	\$ 17,914
Cash flows related to:					
Operating activities	\$ 10,495	\$ 7,314	\$ 11,015	\$ 8,204	\$ 12,107
Investing activities	\$ (18,923)	\$ (26,326)	\$ (31,762)	\$ (35,159)	\$ (174,358)
Financing activities	\$ 9,383	\$ 18,695	\$ 21,019	\$ 59,162	\$ 131,739

<CAPTION>

DECEMBER 31,					

	1996	1997	1998	1999	2000
	-----	-----	-----	-----	-----
<S>					
<C>					
Balance Sheet Data:					
Cash and cash equivalents	\$ 1,962	\$ 1,645	\$ 1,917	\$ 34,124	\$ 3,612
Total assets	159,185	184,813	207,750	264,364	426,571
Long-term debt, less current portion	121,790	154,500	178,610	100,087	286,050
Stockholders' equity	20,354	10,682	9,101	142,839	124,700

</TABLE>

(1) Tax reimbursements to S corporation shareholders represent the income tax liabilities of Salem's principal stockholders created by the income of New Inspiration and Golden Gate, which were both S corporations prior to Salem's 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 Salem's computation of the income tax provision included in our consolidated statements of operations. 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>

1996 1997

	<C>	<C>
Pro Forma Information:		
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)

</TABLE>

- (2) The extraordinary loss in each of 1997, 1999 and 2000 relates to the write-off of deferred financing costs and termination fees related to the repayment of debt. See note 5 to our consolidated financial statements.
- (3) See note 1 to our consolidated financial statements.
- (4) We define broadcast cash flow as net operating income, excluding other media revenue and other media operating expenses, before depreciation and amortization and corporate expenses. We define EBITDA as net operating income before depreciation and amortization. We define after-tax cash flow

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as income (loss) before extraordinary item minus gain (loss) on disposal of assets (net of income tax) plus depreciation and amortization. EBITDA and after-tax cash flow for the year ended December 31, 1999 excludes a \$2.6 million charge (\$1.9 million, net of income tax) for a one-time stock grant concurrent with Salem's initial public offering. For periods prior to 1998, broadcast cash flow and EBITDA are calculated using net operating income before tax reimbursements to S corporation shareholders. For periods prior to 1998, after-tax cash flow excludes reimbursements to S corporation shareholders and includes a pro forma tax provision at an estimated combined federal and state income tax rate of 40% as if the reorganization had occurred at the beginning of each period presented.

Although broadcast cash flow, EBITDA and after-tax cash flow are not measures of performance calculated in accordance with generally accepted accounting principles, we believe that they are useful because they are measures widely used in the radio broadcast industry to evaluate a radio company's operating performance. However, you should not consider broadcast cash flow, EBITDA and after-tax cash flow in isolation or as substitutes for net income, cash flows from operating activities and other statement of operations or cash flows data prepared in accordance with generally accepted accounting principles as a measure of liquidity or profitability. These measures are not necessarily comparable to similarly titled measures employed by other companies.

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

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

GENERAL

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Salem's Report to which this Supplemental Report is attached as an exhibit, as well as our consolidated financial statements and related notes included elsewhere in this Supplemental Report. Our consolidated financial statements are not directly comparable from period to period because of our acquisition and disposition of radio stations and our acquisition of other media businesses. See note 2 to our consolidated financial statements.

The following table shows gross broadcasting revenue, the percentage of gross broadcasting revenue for each broadcasting revenue source and net broadcasting revenue and restates the table included at this section in the Salem Report.

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,		
1998	1999	2000

	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Block program time:						
National	\$ 29,506	34.5%	\$ 31,317	32.9%	\$ 34,877	29.7%
Local	13,389	15.7	15,816	16.6	19,044	16.2
	-----	-----	-----	-----	-----	-----
	42,895	50.2	47,133	49.5	53,931	45.9
Advertising:						
National	4,458	5.2	5,855	6.1	7,095	6.0
Local	26,106	30.6	29,686	31.2	39,825	33.9
	-----	-----	-----	-----	-----	-----
	30,564	35.8	35,541	37.3	46,920	39.9
Infomercials	4,121	4.8	3,764	4.0	5,228	4.4
Salem Radio Network	6,053	7.1	6,983	7.3	9,174	7.8
Other	1,778	2.1	1,856	1.9	2,334	2.0
	-----	-----	-----	-----	-----	-----
Gross broadcasting revenue .	85,411	100.0%	95,277	100.0%	117,587	100.0%
		=====		=====		=====
Less agency commissions	7,520		8,155		9,801	
	-----		-----		-----	
Net broadcasting revenue ...	\$ 77,891		\$ 87,122		\$107,786	
	=====		=====		=====	

</TABLE>

The performance of a radio broadcasting company, such as Salem or the Subsidiary, is customarily measured by the ability of its stations to generate broadcast cash flow and EBITDA. We define broadcast cash flow as net operating income, excluding other media revenue and other media operating expenses, before depreciation and amortization and corporate expenses. We define EBITDA as net operating income before depreciation and amortization. We define after-tax cash flow as income (loss) before extraordinary item minus gain (loss) on disposal of assets (net of income tax) plus depreciation and amortization. EBITDA and after-tax cash flow for the year ended December 31, 1999 excludes a \$2.6 million charge (\$1.9 million, net of income tax) for a one-time stock grant concurrent with our initial public offering on June 30, 1999.

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The sections "--Results of Operations--Year Ended December 31, 2000 Compared to Year Ended December 31, 1999" and "-- Liquidity and Capital Resources" are restated in this Supplemental Report to replace those sections contained in the Report.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

NET BROADCASTING REVENUE. Net broadcasting revenue increased \$20.7 million or 23.8% to \$107.8 million in 2000 from \$87.1 million in 1999. The growth is attributable to the increase in same station revenue and the acquisitions of radio stations and a network during 1999 and 2000, partially offset by the sales of radio stations during 2000. On a same station basis net revenue improved \$8.1 million or 12.5% to \$72.7 million in 2000 from \$64.6 million in 1999. The improvement was primarily due to an increase in network revenue due to increased network affiliations and quality programming, an increase in net revenue at radio stations we acquired in 1997 and 1998 that previously operated with formats other than their current format, an increase in program rates and increases in advertising time and improved selling efforts at both the national and local level. Revenue from advertising as a percentage of our gross revenue increased to 39.9% in 2000 from 37.3% in 1999. Revenue from block program time as a percentage of our gross revenue decreased to 45.9% in 2000 from 49.5% in 1999. This change in our revenue mix is primarily due to our continued efforts to develop more local advertising sales in all of our markets, as well as the acquisition and launch of a number of news/talk and contemporary Christian music formatted stations that do not carry block programming.

OTHER MEDIA REVENUE. Other media revenue increased \$1.5 million or 23.4% to \$7.9 million in 2000 from \$6.4 million in 1999. The increase is due primarily to our increased revenue from banner advertising and streaming services and the inclusion of revenues from the acquisition of the Involved Christian Radio Network, which we acquired in November 1999, offset by the loss of revenues from the sale of certain assets which generated revenue from the sale of advertising in print and online catalogs.

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BROADCASTING OPERATING EXPENSES. Broadcasting operating expenses increased

\$13.8 million or 29.8% to \$60.1 million in 2000 from \$46.3 million in 1999. The increase is attributable to operating expenses associated with the acquisitions of radio stations and a network in 2000, promotional expenses associated with the launch of the contemporary Christian music format in several markets, and an increase in bad debt expense and an increase in music license fees, partially offset by the operating expenses associated with three radio stations sold during 2000. On a same station basis, broadcasting operating expenses increased \$3.5 million or 10.1% to \$38.3 million in 2000 from \$34.8 million in 1999. The increase is 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 increased \$4.9 million or 49.8% to \$14.9 million in 2000 from \$10.0 million in 1999. The increase is due primarily to product fulfillment costs associated with e-commerce which closed down in 2000, additional streaming and related expenses to produce the increased revenue in 2000, the inclusion of operating expenses from the acquisition of the involved Christian Radio Network, which we acquired in November 1999, offset by the reduction of operating expenses incurred due to the sale of certain software products, assets and contracts.

BROADCAST CASH FLOW. Broadcast cash flow increased \$6.9 million or 16.9% to \$47.7 million in 2000 from \$40.8 million in 1999. As a percentage of net broadcasting revenue, broadcast cash flow decreased to 44.2% in 2000 from 46.8% in 1999. The decrease is primarily attributable to the effect of stations acquired during 1999 and 2000 that previously operated with formats other than their current format and the effect of the launch of the contemporary Christian music format in several markets. Acquired and reformatted radio stations typically produce low margins during the first few years following conversion. Broadcast cash flow margins improve as we implement scheduled program rate increases and increase advertising revenue on our stations. On a same station basis, broadcast cash flow improved \$4.6 million or 15.4% to \$34.4 million in 2000 from \$29.8 million in 1999.

CORPORATE EXPENSES. Corporate expenses increased \$2.0 million or 23.5% to \$10.5 million in 2000 from \$8.5 million in 1999, primarily due to additional overhead costs associated with radio station and other media acquisitions in 1999 and 2000 and increased public reporting and related costs, offset by a reduction of expenses of \$400,000 in 2000 due to the termination of a deferred corporation agreement.

EBITDA. EBITDA increased \$1.5 million or 5.2% to \$30.3 million in 2000 from \$28.8 million in 1999. As a percentage of total revenue, EBITDA decreased to 26.2% in 2000 from 30.8% in 1999. EBITDA was negatively impacted by the results of operations of our other media businesses acquired during 1999, which generated a net loss before depreciation and amortization of \$7.0 million in 2000 as compared to a net loss of \$3.6 million in 1999. EBITDA excluding the other media businesses increased \$5.0 million or 15.5% to \$37.3 million in 2000 from \$32.3 million in 1999. As a percentage of net broadcasting revenue, EBITDA excluding the other media businesses decreased to 34.6% in 2000 from 37.1% in 1999. The decrease is primarily attributable to the effect of stations acquired during 1999 and 2000 that previously operated with formats other than their current format and the effect of the launch of the contemporary Christian music format in several markets.

DEPRECIATION AND AMORTIZATION. Depreciation expense increased \$0.5 million or 7.6% to \$7.1 million in 2000 from \$6.6 million in 1999. Amortization expense increased \$4.6 million or 39.7% to \$16.2 million in 2000 from \$11.6 million in 1999. The increases are due to radio station and other media acquisitions consummated during 2000 and 1999.

OTHER INCOME (EXPENSE). Interest income increased \$800,000 to \$1.8 million in 2000 from \$1.0 million in 1999. The increase is primarily due to interest earned on a \$48.3 million note from AcquisitionCo. Gain on disposal of assets of \$29.6 million in 2000 is primarily due to gains recognized on the sale of radio stations KPRZ-FM, Colorado Springs, CO and KLTX-AM, Los Angeles, CA, partially offset by the loss on sale of certain assets of our other media businesses. Interest expense increased \$2.6 million or 18.3% to \$16.8 million in 2000 from \$14.2 million in 1999. The increase is due to interest expense associated with borrowings on our credit facility to fund acquisitions in 2000. Other expense increased \$224,000 to \$857,000 in 2000 from \$633,000 in 1998 primarily due to increased bank commitment fees.

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 39.6% for 2000 and (26.5%) for 1999. The effective tax rate in 2000 and 1999 differs from the federal statutory income tax rate of 34.0% primarily due to the effect of state income taxes and certain expenses that are not deductible for tax purposes.

NET INCOME (LOSS). We recognized net income of \$12.4 million in 2000, compared to a net loss of \$8.0 million in 1999. Included in the net income for 2000 is a gain in the disposal of assets of \$29.6 million.

AFTER-TAX CASH FLOW. After-tax cash flow increased \$2.1 million or 13.3%

to \$17.9 million in 2000 from \$15.8 million in 1999. This increase was offset by

negative after-tax cash flow of our other media businesses. After-tax cash flow excluding other media losses (net of income tax) increased \$4.2 million or 23.5% to \$22.1 million in 2000 from \$17.9 million in 1999. The increase is primarily due to an increase in broadcast cash flow, offset by an increase in interest expense.

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LIQUIDITY AND CAPITAL RESOURCES

We have historically financed acquisitions of radio stations through borrowings, including borrowings under bank credit facilities and, to a lesser extent, from operating cash flow and selected asset dispositions. We received net proceeds of \$140.1 million from our initial public offering in July 1999, which was used to pay a portion of our senior subordinated notes and amounts outstanding under our credit facility. We have historically funded, and will continue to fund, expenditures for operations, administrative expenses, capital expenditures and debt service required by our credit facility and senior subordinated notes from operating cash flow. At December 31, 2000 we had \$3.6 million of cash and cash equivalents and positive working capital of \$18.4 million.

We will fund future acquisitions from cash on hand, borrowings under our amended credit facility, sales of existing radio stations and operating cash flow. We believe that cash on hand, cash flow from operations, borrowings under our amended credit facility, and proceeds from the sale of some of our existing radio stations will be sufficient to permit us to meet our financial obligations, fund our pending acquisitions and fund operations for at least the next twelve months.

In August 2000, we amended our credit facility principally to finance the acquisition of eight radio stations on August 24, 2000. To finance the acquisitions we borrowed \$109.1 million under the amended credit facility.

In August, 2000, the Subsidiary assumed the indenture of Salem for the senior subordinated notes of Salem, in connection with the assignment of substantially all of the assets and liabilities of Salem to the Subsidiary, including the obligations as successor issuer under the indenture.

At December 31, 2000, we had \$186.1 million outstanding under our credit facility. Our amended credit facility increased our borrowing capacity from \$150 million to \$225 million, lowered the borrowing rates and modified current financial ratio tests to provide us with additional borrowing flexibility. The amended credit facility matures on June 30, 2007. Aggregate commitments under the amended credit facility begin to decrease commencing March 31, 2002.

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Amounts outstanding under our credit facility bear interest at a base rate, at our option, of the bank's prime rate or LIBOR, plus a spread. For purposes of determining the interest rate under our credit facility, the prime rate spread ranges from 0% to 1.5%, and the LIBOR spread ranges from 0.875% to 2.75%.

The maximum amount that we may borrow under our credit facility is limited by a ratio of our existing adjusted debt to pro forma twelve-month cash flow (the "Adjusted Debt to Cash Flow Ratio"). Our credit facility will allow us to adjust our total debt as used in such calculation by the lesser of 50% of the aggregate purchase price of acquisitions of newly acquired non-religious formatted radio stations that we reformat to a religious talk, conservative talk or religious music format or \$30.0 million and the cash flow from such stations will not be considered in the calculation of the ratio. The maximum Adjusted Debt to Cash Flow Ratio allowed under our credit facility is 6.50 to 1 through December 30, 2001. Thereafter, the maximum ratio will decline periodically until December 31, 2005, at which point it will remain at 4.00 to 1 through June 2007. The Adjusted Debt to Cash Flow Ratio at December 31, 2000 was 5.45 to 1, resulting in a borrowing availability of approximately \$39.0 million.

Our credit facility contains additional restrictive covenants customary for credit facilities of the size, type and purpose contemplated which, with specified exceptions, limits our ability to enter into affiliate transactions, pay dividends, consolidate, merge or effect certain asset sales, make specified investments, acquisitions and loans and change the nature of our business. The credit facility also requires us to satisfy specified financial covenants, which covenants require the maintenance of specified financial ratios and compliance with certain financial tests, including ratios for maximum leverage as described, minimum interest coverage (not less than 1.75 to 1), minimum debt service coverage (a static ratio of

not less than 1.1 to 1) and minimum fixed charge coverage (a static ratio of not less than 1.1 to 1). The credit facility is guaranteed by all of Salem's subsidiaries, except the Subsidiary, and is secured by pledges of all of Salem's and Salem's subsidiaries', except the Subsidiary, assets and all of the capital stock of Salem's subsidiaries.

In September 1997, Salem issued \$150 million principal amount of 9 1/2% senior subordinated notes due 2007. In July 1999, Salem repurchased \$50 million in principal amount of the senior subordinated notes with a portion of the net proceeds of Salem's initial public offering. After giving effect to this repurchase, the issuer is required to pay \$9.5 million per year in interest on the senior subordinated notes. The Subsidiary is the issuer of the notes pursuant to the supplemental indenture entered into in August 2000. The indenture for the senior subordinated notes contains restrictive covenants that, among others, limit the incurrence of debt by us and our subsidiaries, the payment of dividends, the use of proceeds of specified asset sales and transactions with affiliates. The senior subordinated notes are guaranteed by all of our subsidiaries.

As a result of the repurchase of senior subordinated notes in July 1999, a non-cash charge of \$1.5 million for the write-off of unamortized bond issue costs. This was in addition to the \$3.9 million premium paid in connection with this repurchase.

Net cash provided by operating activities increased to \$12.6 million for the year ended December 31, 2000, compared to \$8.2 million in 1999, primarily due to an increase in broadcast cash flow and an increase in accounts payable and accrued expenses, partially offset by an increase in accounts receivable and interest expense.

Net cash used in investing activities increased to \$173.5 million for the year ended December 31, 2000, compared to \$35.2 million in 1999 primarily due to acquisitions (cash used of \$188.5 million to purchase 25 radio stations and one network in 2000 compared to cash used of \$23.9 million to purchase three radio stations and other media businesses in 1999).

Net cash provided by financing activities increased to \$130.4 million for the year ended December 31, 2000 compared to \$59.2 million in 1999. The increase was primarily due to borrowings under our credit facility.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Financial statements and supplementary data for the Subsidiary are set forth at the end of this Supplemental beginning on page F-1.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE SUBSIDIARY.

The directors of the Subsidiary are Edward G. Atsinger III and Jonathan L. Block. See Item 10, Part III of the Report and the information regarding such individuals incorporated therein by reference to the sections entitled "DIRECTORS AND EXECUTIVE OFFICERS - Directors" and "-- Executive Officers" and "SECTION 16 (a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" contained in Salem's Proxy Statement for its 2001 Annual Meeting of Stockholders ("Salem's 2001 Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION.

The executive officers of the Subsidiary are as follows:

<TABLE> <CAPTION>		
Name of Officer -----	Age ---	Position Held with the Company -----
<S>	<C>	<C>
Stuart W. Epperson	64	Chairman of the Board
Edward G. Atsinger III	61	President, Chief Executive Officer and Director
David A. R. Evans	38	Senior Vice President and Chief Financial Officer
Jonathan L. Block	34	Vice President, General Counsel
Eileen Hill	37	Vice President, Finance and Accounting

For additional information including biographical information, see Item 11, Part III of the Report and the information incorporated therein by reference to the sections entitled "COMPENSATION AND OTHER INFORMATION" and "COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION" contained in Salem's 2001 Proxy Statement.

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

Salem owns 100% of the outstanding capital stock of the Subsidiary. For additional information concerning the security ownership of certain beneficial owners and management of Salem, see Item 12, Part III of the Report and the information incorporated therein by reference to the sections entitled "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS" and "SECURITY OWNERSHIP OF MANAGEMENT" contained in Salem's 2001 Proxy Statement.

PART IV

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

(a) 1. Financial Statements

The financial statements for the Subsidiary are set forth at the end of this Supplemental Report beginning on page F-1.

2. Exhibits

Not applicable.

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SIGNATURES

Pursuant to the terms of the Indenture, as supplemented, the Subsidiary has duly caused this Supplemental Report to be signed on its behalf by the undersigned, thereunto duly authorized.

SALEM COMMUNICATIONS HOLDING CORPORATION

March 30, 2001

By: /s/ Edward G. Atsinger III

Edward G. Atsinger III
President, Chief Executive Officer and
Director

March 30, 2001

By: /s/ David A. R. Evans

David A. R. Evans
Senior Vice President and Chief Financial
Officer
(Principal Financial Officer)

March 30, 2001

By: /s/ Jonathan L. Block

Jonathan L. Block
Director

March 30, 2001

By: /s/ Eileen E. Hill

Eileen E. Hill
Vice President, Finance and Accounting
(Principal Accounting Officer)

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Report of Ernst & Young LLP, Independent Auditors	F-1
Consolidated Balance Sheets as of December 31, 1999 and 2000	F-2
Consolidated Statements of Operations for the years ended December 31, 1998, 1999 and 2000	F-3
Consolidated Statements of Stockholders' Equity for the years ended December 31, 1998, 1999 and 2000	F-4
Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1999 and 2000	F-5
Notes to Consolidated Financial Statements	F-6

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholder

We have audited the accompanying consolidated balance sheets of Salem Communications Holding Corporation (the "Company") as of December 31, 1999 and 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. 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 auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Salem Communications Holding Corporation at December 31, 1999 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Woodland Hills, California
March 5, 2001

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SALEM COMMUNICATIONS HOLDING CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

<TABLE>
<CAPTION>

	December 31,	
	1999	2000

ASSETS		

<S>	<C>	<C>
Current assets:		
Cash and cash equivalents.....	\$ 34,124	\$ 3,612
Accounts receivable (less allowance for doubtful accounts of \$1,753 in 1999 and \$3,123 in 2000).....	17,481	23,804
Other receivables.....	645	1,204
Prepaid expenses.....	1,628	1,519
Due from stockholders.....	905	450
Deferred income taxes.....	732	490
	-----	-----
Total current assets.....	55,515	31,079
Property, plant, equipment and software, net.....	50,665	68,192
Intangible assets:		
Broadcast licenses.....	177,487	299,676
Noncompetition agreements.....	14,625	12,618
Customer lists and contracts.....	4,097	3,301
Favorable and assigned leases.....	1,800	1,800
Goodwill.....	15,177	15,718
Other intangible assets.....	4,799	4,899
	-----	-----
Less accumulated amortization.....	217,985	338,012
	67,465	75,803
	-----	-----
Intangible assets, net.....	150,520	262,209
Bond issue costs.....	2,750	2,396
Due from related parties.....	--	50,888
Deferred income taxes.....	--	5,564
Other assets.....	4,914	6,243
	-----	-----
Total assets.....	\$264,364	\$426,571
	-----	-----

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:
Accounts payable..... \$ 2,600 \$ 4,739

Accrued expenses.....	825	1,231
Accrued compensation and related.....	2,478	3,353
Accrued interest.....	2,546	3,299
Deferred subscription revenue.....	1,670	1,509
Income taxes.....	148	100
Current portion of long-term debt and capital lease obligations.....	3,248	93
	-----	-----
Total current liabilities.....	13,515	14,324
Long-term debt, less current portion.....	100,087	286,050
Deferred income taxes.....	7,232	--
Other liabilities.....	691	1,497
Stockholders' equity:		
Common stock, \$.01; authorized, issued and outstanding 1,000 shares.....	--	--
Additional paid-in capital.....	147,615	115,815
Retained earnings (deficit).....	(4,776)	8,885
	-----	-----
Total stockholders' equity.....	142,839	124,700
	-----	-----
Total liabilities and stockholders' equity.....	\$264,364	\$426,571
	-----	-----

</TABLE>

See accompanying notes.

F-2

SALEM COMMUNICATIONS HOLDING CORPORATION

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

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1998	1999	2000
	-----	-----	-----
<S>	<C>	<C>	<C>
Gross broadcasting revenue.....	\$ 85,411	\$ 95,277	\$ 117,587
Less agency commissions.....	7,520	8,155	9,801
	-----	-----	-----
Net broadcasting revenue.....	77,891	87,122	107,786
Other media revenue.....	--	6,424	7,916
	-----	-----	-----
Total revenue.....	77,891	93,546	115,702
Operating expenses:			
Broadcasting operating expenses.....	42,526	46,291	60,121
Other media operating expenses.....	--	9,985	14,863
Corporate expenses.....	7,395	8,507	10,457
Stock and related cash grant.....	--	2,550	--
Depreciation (including \$1,817 in 1999 and \$1,344 in 2000 for other media businesses).....	4,305	6,599	7,060
Amortization (including \$420 in 1999 and \$1,146 in 2000 for other media businesses)....	9,753	11,634	16,183
	-----	-----	-----
Total operating expenses.....	63,979	85,566	108,684
	-----	-----	-----
Net operating income.....	13,912	7,980	7,018
Other income (expense):			
Interest income.....	291	1,005	504
Interest income from related party.....	--	--	1,249
Gain (loss) on sale of assets.....	236	(219)	773
Gain on sale of assets to related party	--	--	28,794
Interest expense.....	(15,941)	(14,219)	(15,572)
Other expense.....	(422)	(633)	(856)
	-----	-----	-----
Income (loss) before income taxes and extraordinary item.....	(1,924)	(6,086)	21,910
Provision (benefit) for income taxes.....	(343)	(1,611)	8,249
	-----	-----	-----
Income (loss) before extraordinary item.....	(1,581)	(4,475)	13,661
Extraordinary loss on early extinguishment of debt (net of income tax benefit of \$1,986 in 1999).....	--	(3,570)	--
	-----	-----	-----
Net income (loss).....	\$ (1,581)	\$ (8,045)	\$ 13,661
	-----	-----	-----

</TABLE>

See accompanying notes.

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SALEM COMMUNICATIONS HOLDING CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

<TABLE>
<CAPTION>

	Common Stock		Additional Paid-In Capital	Retained Earnings/ (Deficit)	Total
	Shares	Amount			
<S>	<C>	<C>	<C>	<C>	<C>
Stockholders' equity, January 1, 1998.....	1,000	\$ --	\$147,615	\$ 4,850	\$ 152,465
Net loss.....	--	--	--	(1,581)	(1,581)
Stockholders' equity, December 31, 1998.....	1,000	--	147,615	3,269	150,884
Net loss.....	--	--	--	(8,045)	(8,045)
Stockholders' equity, December 31, 1999.....	1,000	--	147,615	(4,776)	142,839
Basis adjustment for reporting purposes, net of tax effect.....	--	--	(31,800)	--	(31,800)
Net income.....	--	--	--	13,661	13,661
Stockholders' equity, December 31, 2000.....	1,000	\$ --	\$115,815	\$ 8,885	\$124,700

</TABLE>

See accompanying notes.

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

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1998	1999	2000
<S>	<C>	<C>	<C>
Operating Activities			
Net income (loss)	\$ (1,581)	\$ (8,045)	\$ 13,661
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	14,058	18,233	23,243
Amortization of bank loan fees	42	87	192
Amortization of bond issue costs	531	443	354
Deferred income taxes	(730)	(4,106)	7,803
(Gain) loss on sale of assets	(236)	219	(29,567)
Loss on early extinguishment of debt, before taxes	--	5,556	--
Noncash stock grant	--	1,688	--
Changes in operating assets and liabilities:			
Accounts receivable	(2,048)	(2,573)	(7,282)
Prepaid expenses and other current assets	(18)	(1,747)	461
Accounts payable and accrued expenses	1,035	(1,555)	4,156
Deferred subscription revenue	--	384	(161)
Other liabilities	166	(439)	(286)
Income taxes	(204)	59	54
Net cash provided by operating activities	11,015	8,204	12,628
Investing Activities			
Purchases of property, plant, equipment and software	(6,865)	(9,142)	(14,804)
Deposits on radio station acquisitions	4,907	(1,325)	(512)
Purchases of radio stations	(33,682)	(11,837)	(188,532)
Purchases of other media businesses	--	(12,049)	--
Proceeds from sale of property, plant and equipment and intangible assets	4,226	73	30,080

Expenditures for tower construction project held for sale	(495)	(410)	--
Proceeds from sale of tower construction project	--	914	--
Other assets	147	(1,383)	241

Net cash used in investing activities	(31,762)	(35,159)	(173,527)
Financing Activities			
Proceeds from issuance of long-term debt and notes payable to stockholders	40,500	18,750	262,050
Net proceeds from issuance of common stock	--	140,095	--
Payments of long-term debt and notes payable to stockholders	(19,200)	(94,860)	(78,810)
Payments on capital lease obligations	--	(239)	(250)
Payment of premium on senior subordinated notes	--	(3,875)	--
Payments of costs related to bank credit facility	--	(709)	(1,715)
Repayments of related party notes receivable and interest			(50,888)
Payments of bond issue costs	(281)	--	--

Net cash provided by financing activities	21,019	59,162	130,387

Net (decrease) increase in cash and cash equivalents	272	32,207	(30,512)
Cash and cash equivalents at beginning of year	1,645	1,917	34,124

Cash and cash equivalents at end of year	\$ 1,917	\$ 34,124	\$ 3,612

Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 14,965	\$ 15,048	\$ 14,437
Income taxes	591	450	390
Non-cash investing activities			
Fair value of assets exchanged involving boot, excluding amount paid in cash	--	--	\$ 5,500
No other exchange transactions had an impact on the carrying amount of the assets			

</TABLE>

See accompanying notes.

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SALEM COMMUNICATIONS HOLDING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Reorganization

The accompanying consolidated financial statements of Salem Communications Holding Corporation ("Salem" or the "Company") include the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

The Company is a holding company with substantially no assets, operations or cash flows other than its investments in subsidiaries. All of the Company's subsidiaries are Guarantors of the 9 1/2% Senior Subordinated Notes due 2007 (the "Notes") discussed in Note 5. The Guarantors (i) are wholly owned subsidiaries of the Company, (ii) comprise all the Company's direct and indirect subsidiaries and (iii) have fully and unconditionally guaranteed on a joint and several basis, the Notes. The Company has not presented separate financial statements and other disclosures concerning the Guarantors because management has determined that such information is not material to investors.

In May 2000, the Company was formed as the result of a transaction (the "Transaction") whereby Salem Communications Corporation ("SCC", or "Parent") created the Company, a Delaware corporation, as a wholly-owned subsidiary. The Transaction was effectuated by Parent's assignment of substantially all assets and liabilities of Parent to the Company in exchange for all of the common stock of the Company. Concurrent to the Transaction, SCC formed an additional wholly-owned subsidiary, Salem Communications Acquisition Corporation ("AcquisitionCo"), a Delaware corporation. In July 2000, SCC formed another wholly-owned subsidiary, SCA License Corporation ("SCA"), a Delaware corporation. The Transaction was accounted for as an exchange of assets among entities under common control and accordingly, the assets exchanged have been recorded at their historical cost in a manner similar to the pooling of interest method of accounting. The financial statements of the Company have been presented as if the transaction had occurred on January 1, 1998. The Company and AcquisitionCo are direct subsidiaries of Parent; SCA is a wholly-owned subsidiary of AcquisitionCo. AcquisitionCo and SCA are not

guarantors of the 9 1/2% Senior Subordinated Notes due 2007.

Description of Business

Salem is a domestic U.S. radio broadcast company which has traditionally provided talk and music programming targeted at audiences interested in religious and family issues. Salem operated 70 and 54 radio stations across the United States at December 31, 2000 and 1999, respectively. The Company also owns and operates Salem Radio Network ("SRN"), SRN News Network ("SNN"), Salem Music Network ("SMN") and Reach Satellite Network ("RSN") Salem Radio Representatives ("SRR"). SRN, SNN, SMN and RSN are radio networks which produce and distribute talk, news and music programming to radio stations in the U.S., including some of Salem's stations. SRR sells commercial air time to national advertisers for Salem's radio stations and networks, and for independent radio station affiliates.

Salem also owns and operates OnePlace, LLC ("OnePlace") and CCM Communications, Inc. ("CCM"). OnePlace provides on-demand audio streaming and related services. CCM publishes magazines that follow the Christian music industry. The revenue and related operating expenses of these businesses are reported as "other media" on the consolidated statements of operations.

Segments

The Company has adopted the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company identifies its operating segments based on business activities. The Company's chief operating decision maker reviews financial information to manage the business consistent with the manner presented in the consolidated financial statements. As the Company acquires and integrates new businesses it evaluates, based on the nature, size and integration and management strategies, whether it has separate reportable segments. During the three years ended December 31, 2000, the Company had one reportable segment.

Revenue Recognition

Revenues are recognized when pervasive evidence of an arrangement exists, delivery has occurred or the service has been rendered, the price to the customer is fixed or determinable and collection of the arrangement fee is reasonably assured.

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

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

Advertising by the radio stations exchanged for goods and services is recorded as the advertising is broadcast and is valued at the estimated value of goods or services received or to be received. The value of the goods and services received in such barter transactions is charged to expense when used. The estimated fair value of the barter advertising provided for the years ended December 31, 1998, 1999 and 2000, was approximately \$2,510,000, \$2,936,000 and \$3,050,000, respectively. Barter expenses were approximately the same. Barter advertising provided and barter expenses incurred are included net in broadcasting operating expenses.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that all derivatives be recorded in the balance sheet as either an asset or liability measured at fair value and that changes in fair value be recognized currently in earnings, unless specific hedge accounting criteria are met. Certain provisions of SFAS No. 133, including its required implementation date, were subsequently amended. The Company will adopt SFAS No. 133, as amended, in the first quarter of 2001 and its adoption will not have a material effect on the Company's results of operations or financial position.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements. The Company adopted SAB No. 101 in the fourth quarter of 2000 and its adoption has not had a material effect on the Company's results of operations or financial position.

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, Equipment and Software

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

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

</TABLE>

The carrying value of property, plant, equipment and software is evaluated periodically in relation to the operating performance and anticipated future cash flows of the underlying radio stations and businesses for indicators of impairment. When indicators of impairment are present and the undiscounted cash flows estimated to be generated from these assets are less than the carrying value of these assets an adjustment to reduce the carrying value to the fair market value of the assets is recorded, if necessary. No adjustments to the carrying amounts of property, plant, equipment and software have been made during the years ended December 31, 1998, 1999 and 2000.

Intangible Assets

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

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

</TABLE>

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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 to the fair market value of these assets is recorded, if necessary. No adjustments to the carrying amounts of intangible assets have been made during the year ended December 31, 1998, 1999 and 2000.

Bond Issue Costs

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

Income Taxes

The Company accounts for income taxes in accordance with the liability method of providing for deferred income taxes. Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements.

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

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

During the year ended December 31, 2000, the Company purchased the assets (principally intangibles) of the following radio stations:

<TABLE>
<CAPTION>

Acquisition Date	Station	Market Served	Allocated Purchase Price
(in thousands)			
<S>	<C>	<C>	<C>
January 4, 2000.....	WNIV-AM and WLTA-AM	Atlanta, GA	\$ 8,000
January 10, 2000.....	WABS-AM	Washington, D.C.	4,100
January 25, 2000.....	KJQI-FM	San Francisco, CA	8,000
February 15, 2000.....	KAIM-AM/FM	Honolulu, HI	1,800
February 16, 2000.....	KHNR-AM and KGU-AM	Honolulu, HI	1,700
April 4, 2000.....	WGKA-AM	Atlanta, GA	8,000
June 30, 2000.....	KSKY-AM	Dallas, TX	13,000
August 24, 2000 (1).....	KDGE-FM	Dallas, TX	33,271
August 24, 2000 (1).....	WGY-FM	Cincinnati, OH	18,109
August 24, 2000 (1).....	KEZY-AM (now KXXM-AM)	Anaheim, CA	12,449
August 24, 2000 (1).....	KXXM-FM (now KFSH-FM)	Anaheim, CA	9,069
August 24, 2000 (1).....	WKNR-AM	Cleveland, OH	7,437
August 24, 2000 (1).....	WRMR-AM	Cleveland, OH	4,738

</TABLE>

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<TABLE>
<S>

August 24, 2000 (1).....	WBOB-AM	Cincinnati, OH	527
October 2, 2000.....	KCBQ-AM	San Diego, CA	4,250
October 5, 2000.....	WGTK-AM	Louisville, KY	1,750

			\$136,200

</TABLE>

(1) These stations were acquired in one transaction, which included an additional station acquired by SCC, for \$185.6 million in aggregate, \$100.0 million of which was allocated to the station acquired by SCA. This allocation was due to reporting requirements for the Parent. The difference between the appraised value of \$47.0 million for the station acquired by SCA and \$100.0 allocated has been treated as an equity transaction on the Company's financial statements.

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

<TABLE>
<CAPTION>

	Amount
(in thousands)	
<S>	<C>
Asset	

of CCM for \$1.9 million. The purchases were financed primarily by an additional borrowing.

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

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

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

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

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

The table below summarizes the other media acquisitions during 1999:

<TABLE>
<CAPTION>

Acquisition Date	Entity	Allocated Purchase Price
(in thousands)		
January 29, 1999.....	OnePlace	\$ 6,150
January 29, 1999.....	CCM	1,886
March 11, 1999.....	Christian Research Report	300
August 25, 1999.....	AudioCentral	1,000
October 19, 1999.....	Gospel Media Network, Inc.	475
November 30, 1999.....	Involved Christian Radio Network	3,000
		\$ 12,811

</TABLE>

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

<TABLE>
<CAPTION>

	Amount
(in thousands)	
Assets	
Accounts receivable and other current assets.....	\$ 1,453
Property, plant, equipment and software.....	5,764
Subscriber base and domain names.....	2,246
Goodwill and other intangible assets.....	8,790
F-10	
Other assets.....	607
Liabilities	
Accounts payable and other current liabilities	(3,437)
Other long-term liabilities.....	(2,612)
Purchase price.....	
	\$ 12,811

</TABLE>

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	Allocated Purchase Price

<S>	<C>	<C>	(in thousands) <C>
August 21, 1998.....	KKMO-AM	Tacoma, WA	\$ 500
August 26, 1998.....	KIEV-AM (now KRLA-AM)	Los Angeles, CA	33,210
October 30, 1998.....	KYCR-AM	Minneapolis, MN	500
October 30, 1998.....	KTEK-AM	Houston, TX	2,061

			\$ 36,271

</TABLE>

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

<TABLE>
<CAPTION>

	Amount
	(in thousands)
<S>	<C>
Assets	
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.

3. DUE FROM STOCKHOLDERS

The amounts due from stockholders represent short-term advances made to stockholders of the Company.

4. PROPERTY, PLANT, EQUIPMENT AND SOFTWARE

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

<TABLE>
<CAPTION>

	December 31,	
(in thousands)	1999	2000
<S>	<C>	<C>
Land	\$ 1,974	\$ 4,341
Buildings	1,742	3,335
Office furnishings and equipment	12,952	15,954
Antennae, towers and transmitting equipment	32,672	37,684
Studio and production equipment	18,613	19,736
Computer software	4,427	2,528
Record and tape libraries	527	430
Automobiles	166	279
Leasehold improvements	4,877	6,182
Construction-in-progress	4,658	14,357
	-----	-----
	82,608	104,826
Less accumulated depreciation	31,943	36,634
	-----	-----
	\$ 50,665	\$ 68,192
	-----	-----

</TABLE>

5. LONG-TERM DEBT

Long-term debt consisted of the following at:

<TABLE>
<CAPTION>

	December 31,	
(in thousands)	1999	2000
<S>	<C>	<C>
Revolving line of credit with banks	\$ --	\$186,050
9 1/2% Senior Subordinated Notes due 2007	100,000	100,000
Obligation to acquire KRLA-AM property	2,810	--

Capital leases acquired through OnePlace	344	93
Seller financed note to acquire GospelMedia	181	--
	-----	-----
	103,335	286,143
Less current portion	3,248	93
	-----	-----
	\$100,087	\$286,050
	-----	-----

</TABLE>

Since the revolving line of credit with banks carries a floating interest rate, the carrying amount approximates its fair market value. The Notes were issued in September 1997 at par. At December 31, 2000, the fair market value of the Notes was approximately \$95.0 million.

Revolving Line of Credit with Banks

The Company, a wholly-owned subsidiary of SCC, has a credit agreement with a syndicate of lending institutions (the "Credit Agreement") to provide for borrowing capacity of up to \$225 million under a revolving line of credit. The maximum amount that the Company may borrow under the Credit Agreement is limited a ratio of the Company's existing adjusted debt to pro forma twelve-month cash flow, as defined in the Credit Agreement (the Adjusted Debt to Cash Flow Ratio). At December 31, 2000, the maximum Adjusted Debt to Cash Flow Ratio allowed under the Credit Agreement was 6.50 to 1.00. At December 31, 2000, the Adjusted Debt to Cash Flow Ratio was 5.45 to 1.00, resulting in total borrowing availability of approximately \$29.6 million. The maximum Adjusted Debt to Cash Flow Ratio allowed under the Credit Agreement is 6.50 to 1 through December 30, 2001. Thereafter, the maximum ratio will decline periodically until December 31, 2005, at which point it will remain at 4.00 to 1 through June 2007.

The note underlying the revolving line of credit bears interest at a fluctuating base rate plus a spread that is determined by the Company's Adjusted Debt to Cash Flow Ratio. At the Company's option, the base rate is either a bank's prime rate or LIBOR. For purposes of determining the interest rate the prime rate spread ranges from 0% to 1%, and the LIBOR spread ranges from .875% to 2.25%. Interest is payable quarterly. Commencing March 31, 2001, and every quarter thereafter, the commitment under the Credit Agreement reduces by increasing amounts through June 30, 2007, when it expires.

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

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

9 1/2% Senior Subordinated Notes due 2007

On August 24, 2000, SCC supplemented the indenture for the senior subordinated notes in connection with the assignment of substantially all of the assets and liabilities of SCC to the Company, including the obligations as successor issuer under the indenture.

The Notes bear interest at 9 1/2% per annum, with interest payment dates on April 1 and October 1, commencing April 1, 1998. Principal is due on the maturity date, October 1, 2007. The Notes are redeemable at the option of the Company, in whole or in part, at any time on or after October 1, 2002, at the redemption prices specified in the indenture. The Notes are fully and unconditionally guaranteed, jointly and severally, on a senior subordinated basis by the Guarantors (the Company's subsidiaries). The Notes are general unsecured obligations of the Company, subordinated in right of payment to all existing and future senior indebtedness, including the Company's obligations under the Credit Agreement. The indenture limits the incurrence of additional indebtedness by the Company, the payment of dividends, the use of proceeds of certain asset sales, and contains certain other restrictive covenants affecting the Company.

Other Debt

In August 1998, in connection with the Company's acquisition of KRLA-AM, the Company agreed to lease the real property on which the station's towers and

transmitter are located for \$10,000 per month. The Company also agreed to purchase the property for \$3 million in February 2000. The Company recorded this transaction in a manner similar to a capital lease. The amount recorded as a long-term obligation at December 31, 1998, represents the present value of the future commitments under the lease and purchase contract, discounted at 8.5%. The obligation is classified as current at December 31, 1999 and was paid in February 2000.

In connection with the acquisition of OnePlace in January 1999, the Company acquired several capital leases related to various data processing equipment. The obligation recorded at December 31, 1999 and 2000 represents the present value of future commitments under the lease agreements.

In connection with the acquisition of Gospel Media Network, Inc. ("Gospel Media"), the Company incurred an obligation to make future payments to the seller. The Company sold Gospel Media on August 14, 2000. As part of the sale agreement, these future commitments were forgiven.

Maturities of Long-Term Debt

Principal repayment requirements under all long-term debt agreements outstanding at December 31, 2000, for each of the next five years and thereafter are as follows:

<S>	<C>
2001.....	\$ 93
2002.....	--
2003.....	--
2004.....	--
2005.....	--
Thereafter.....	286,050

	\$ 286,143

</TABLE>

6. INCOME TAXES

In connection with the 1999 acquisition of CCM the Company recorded a net deferred tax liability of \$1,468,000, and in connection with the 2000 acquisition of RSN, the Company recorded a net deferred tax liability of \$739,000. In addition, a deferred tax asset of \$21,200,000 was established in connection with the Basis Adjustment for Reporting Purposes in 2000. These amounts were recorded as an increase to the deferred tax liability and is not reflected in the income tax benefit in 1999 and the income tax provision in 2000.

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

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

(in thousands)	1998	1999	2000

Current:			
Federal	\$ --	\$ --	\$ --
State	387	509	543
	-----	-----	-----
	387	509	543
Deferred:			
Federal	(467)	(3,507)	7,088
State	(263)	(599)	618
	-----	-----	-----
	(730)	(4,106)	7,706
Current tax benefit reflected in net extraordinary loss	--	(1,986)	--
	-----	-----	-----
Income tax provision (benefit)	\$ (343)	\$ (1,611)	\$ 8,249
	-----	-----	-----

</TABLE>

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

<S>	<C>	<C>

(in thousands)	1999	2000

Deferred tax assets:		
Financial statement accruals not currently		

deductible	\$ 1,140	\$ 2,216
Excess of tax basis of intangible assets over net book value for financial reporting purposes.....	--	1,327
Net operating loss, AMT credit and other carryforwards	5,413	8,496
State taxes	176	185
Other	537	462
	-----	-----
Total deferred tax assets	7,266	12,686
Valuation allowance for deferred tax assets	(860)	(2,035)
	-----	-----
Net deferred tax assets	6,406	10,651

Deferred tax liabilities:

Excess of net book value of property, plant, equipment and software for financial reporting purposes over tax

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basis.....	4,291	3,802
Excess of net book value of intangible assets for financial reporting purposes over tax basis.....	7,842	--
Other.....	772	795
	-----	-----
Total deferred tax liabilities.....	12,906	4,597
	-----	-----
Net deferred tax liabilities (assets).....	\$ 6,500	\$ (6,054)
	-----	-----

</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,		
	1998	1999	2000
	-----	-----	-----
<S>	<C>	<C>	<C>
Statutory federal income tax rate.....	(34) %	(34) %	35 %
State income taxes, net.....	4	1	4
Nondeductible expenses.....	7	7	1
Exclusion of income taxes of S corporations and the Partnership.....	--	--	--
Change in taxable entity (S corporation to C corporation).....	--	--	--
Other, net.....	5	--	(2)
	-----	-----	-----
	(18) %	(26) %	38 %
	-----	-----	-----

</TABLE>

At December 31, 2000, the Company has net operating loss carryforwards for federal income tax purposes of approximately \$17,900,000 which expire in years 2010 through 2020 and for state income tax purposes of approximately \$50,400,000 which expire in years 2002 through 2020. The Company has federal alternative minimum tax credit carryforwards of approximately \$147,000. For financial reporting purposes, at December 31, 2000 the Company has a valuation allowance of \$2,035,000 to offset a portion of the deferred tax assets related to the state net operating loss carryforwards.

7. COMMITMENTS AND CONTINGENCIES

As a result of the Transaction, Salem assumed the obligations under SCC lease agreements. Salem leases various land, offices, studios and other equipment under operating leases that expire over the next 10 years. The majority of these leases are subject to escalation clauses and may be renewed for successive periods ranging from one to five years on terms similar to current agreements and except for specified increases in lease payments. Rental expense included in operating expense under all lease agreements was \$4,800,000, \$6,000,000 and \$7,348,000 in 1998, 1999, and 2000, 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, 2000, are as follows:

<TABLE>

<CAPTION>

	Related Parties	Other	Total
	-----	-----	-----
	(in thousands)		

<S>	<C>	<C>	<C>
2001	\$ 1,148	\$ 5,201	\$ 6,349
2002	1,002	4,428	5,430
2003	919	4,154	5,073
2004	739	3,934	4,673
2005	667	3,039	3,706
Thereafter	1,445	13,631	15,076
	-----	-----	-----
	\$ 5,920	\$34,387	\$40,307
	-----	-----	-----

</TABLE>

The Company had a deferred compensation agreement with one of its officers, which would have provided for retirement payments to the officer for a period of ten consecutive years, if he remained employed by the Company until age 60. The retirement payments were based on a formula defined in the agreement. The estimated obligation under the deferred compensation agreement was being provided for over the service period. At December 31, 1998 and 1999, a liability of approximately \$432,000 and \$494,000 respectively, is included in other liabilities in the accompanying balance sheet for the amounts earned under this agreement. The officer terminated his employment with the Company in 2000 and therefore there is no liability recorded as of December 31, 2000. Corporate expenses were reduced by \$404,000 in 2000 due to the termination of this agreement.

The Company and its subsidiaries, incident to its business activities, are parties to a number of legal proceedings, lawsuits, arbitration and other claims, including the Gospel Communications International, Inc. ("GCI") matter described in more detail below. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Also, the Company maintains insurance which any provide coverage for such matters. Consequently, the Company is unable to ascertain the ultimate aggregate amount of monetary liability or the financial impact with respect to those matters as of December 31, 2000. However, the Company believes, at this time, that the final resolution of these matters, individually and in the aggregate, will not have a material adverse effect upon the Company's annual consolidated financial position, results of operations or cash flows.

On December 6, 2000, GCI made a demand for arbitration upon Salem. The demand, pending before an arbitration panel of the American Arbitration Association, alleges Salem and its subsidiary OnePlace, Ltd. failed to provide certain e-commerce software to GCI pursuant to a written contract between GCI and OnePlace, for which GCI seeks \$5.0 million in damages. The Company has filed an answer to the demand, denying the factual basis for certain elements of GCI's claims and has asserted counterclaims against GCI for breach of contract. By consent of the parties, the matter has been submitted to nonbinding mediation. Although there can be no assurance that the GCI matter will be resolved in favor of the Company, Salem will vigorously defend the action and pursue its counterclaims against GCI.

8. STOCK OPTION PLAN

The 1999 Stock Incentive Plan (the "Plan") allows the Company to grant stock options of SCC to employees, directors, officers and advisors of the Company. A maximum of 1,000,000 shares were authorized under the Plan. Options generally vest over five years and have a maximum term of 10 years. The Plan provides that vesting may be accelerated in certain corporate transactions of the Company. The Plan provides that the Board of Directors, or a committee appointed by the Board, has discretion, subject to certain limits, to modify the terms of outstanding options. At December 31, 2000, the Company had 644,500 shares available for future grants under its Plan.

A summary of stock option activity is as follows:

<TABLE>
<CAPTION>

	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	EXERCISABLE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>
Outstanding at December 31, 1998	--	--	--	--
Granted	304,500	\$ 22.65		
Outstanding at December 31, 1999	304,500	\$ 22.65	--	--
Granted	110,000	\$ 16.32		
Cancelled	102,800	\$ 22.86		
Outstanding at December 31, 2000	311,700	\$ 20.35	51,020	\$ 22.53

</TABLE>

Additional information regarding options outstanding as of December 31, 2000, is as follows.

<TABLE>

<CAPTION>

RANGE OF EXERCISE PRICES	OPTIONS	WEIGHTED AVERAGE CONTRACTUAL LIFE REMAINING (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	EXERCISABLE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
\$10.00-\$13.00	66,000	9.6	\$ 12.21	--	--
\$22.50-\$27.07	245,700	8.6	\$ 22.54	51,020	\$ 22.53
\$10.00-\$27.07	311,700	8.8	\$ 20.35	51,020	\$ 22.53

</TABLE>

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized in the results of operations for the stock operation grants. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date, amortized over the vesting period, for awards in 1999 and 2000 consistent with the provisions of SFAS No. 123, the Company's net income would have been reduced to the pro forma amounts as follows:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
<S>	<C>	<C>	<C>
Net income (loss).....	\$ (1,581)	\$ (8,045)	13,661
Pro forma net income (loss).....	(1,581)	(8,845)	12,814

</TABLE>

Using the Black-Scholes valuation model, the per share weighted-average fair value of stock options granted during the years ended December 31, 1999 and 2000 was \$11.36 and \$9.36, respectively. The pro forma effect on the Company's net loss and basic and diluted loss per share for 1999 and 2000 is not representative of the pro forma effect in future years. The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants made in 1999: dividend yield of 0%; expected volatility of 58.0%; risk-free interest rate of 5.8%; expected life of 4 years. The following assumptions were made for grants made in 2000: dividend yield of 0%; expected volatility of 96%, risk-free interest rate of 5.8%; expected life of 4 years. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options. The assumptions used in option valuation models are highly subjective, particularly the expected stock price volatility of the underlying stock. Because changes in these subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not provide a reliable single measure of the fair value of its employee stock options.

9. RELATED PARTY TRANSACTIONS

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On November 7, 2000, the Company loaned SCC \$48.3 million. The Company has a promissory note from SCC for this amount. The note carries a stated interest rate of 15.8%. The total due from related parties of \$50.9 million in the accompanying balance sheet includes accrued interest on the note of \$1.1 million and other miscellaneous amounts due from SCC and AcquisitionCo of \$1.5 million.

In December 1998, the Company borrowed \$1.8 million from a stockholder of the Parent pursuant to a promissory note with a revolving principal amount of up to \$2.5 million. The outstanding balance on the note as of December 31, 1998 was \$1.8 million (see Note 5). The note was repaid in full and cancelled in April 1999.

A stockholder of the Parent has a trust which owns real estate on which certain assets of two radio stations are located. One of the stations, KAVC-FM, was sold during 1998. Salem, in the ordinary course of its business, entered into two separate lease agreements with this trust. Rental expense included in operating expense for 1998, 1999 and 2000 amounted to \$60,000, \$48,000 and \$49,000, respectively.

Land and buildings occupied by various Salem radio stations are leased from the stockholders of the Parent. Rental expense under these leases included in operating expense for 1998, 1999 and 2000 amounted to \$1.0 million, \$1.4 million and \$1.5 million, respectively.

In June 1997, the Company entered into a local marketing agreement ("LMA") with a corporation, Sonsinger, Inc. ("Sonsinger"), owned by two of the Parent's stockholders for radio station KKOL-AM. The stockholders and the

Company are parties to an Option to Purchase Agreement whereunder the Company had been granted an option to purchase KKOL-AM from the stockholders at any time on or before December 31, 1999 at a price equal to the lower of the cost of the station to the stockholders, \$1.4 million, and its fair market value as determined by an independent appraisal. The Company acquired KKOL-AM from Sonsinger on April 30, 1999 for \$1.4 million and associated real estate for \$400,000. Under the LMA, Salem programmed KKOL-AM and sold all the airtime. Salem retained all of the revenue and incurred all of the expenses related to the operation of KKOL-AM and incurred approximately \$164,000 and \$43,000 in 1998 and 1999, respectively, in LMA fees to Sonsinger.

On August 22, 2000, the Company sold the assets of radio station KLTX-AM, Los Angeles, CA for \$29.5 million to a corporation owned by one of its Board members, resulting in a gain of \$28.8 million.

On October 5, 2000, the Company acquired the assets of radio station WGTK-AM, Louisville, KY for \$1.8 million from a corporation owned by a relative of one of its Board members.

From time to time, the Company rents an airplane and a helicopter from a company which is owned by one of the principal stockholders of the Parent. 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 1998, 1999 and 2000 amounted to approximately \$69,000, \$156,000 and \$149,000, respectively.

10. DEFINED CONTRIBUTION PLAN

In 1993, the Company established a 401(k) defined contribution plan (the "Plan"), which covers all eligible employees (as defined in the Plan). Participants are allowed to make nonforfeitable contributions up to 15% of their annual salary, but may not exceed the annual maximum contribution limitations established by the Internal Revenue Service. The Company currently matches 25% of the amounts contributed by each participant but does not match participants' contributions in excess of 6% of their compensation per pay period. Prior to January 1, 1999, the Company matched 10% of the amounts contributed by each participant but did not match participants' contributions in excess of 10% of their compensation per pay period. The Company contributed and expensed \$87,000, \$237,000 and \$320,000 to the Plan in 1998, 1999 and 2000, respectively.

11. STOCKHOLDERS' EQUITY

In connection with the Transaction, the Company issued 1,000 shares of Common Stock to SCC. These shares have been reflected as outstanding from January 1, 1998. The Company has no other authorized or outstanding shares.

The basis adjustment for reporting purposes represents a reallocation of a \$53 million (i.e. \$31.8 million net of tax effect) of the purchase price of certain stations acquired, as a group of stations in a single transaction, to the station owned by AcquisitionCo and sold shortly after the acquisition, as required by Emerging Issues Task Force Issue No. 87-11 "Allocation of Purchase Price to Assets to Be Sold."

CAPITAL STRUCTURE OF SALEM COMMUNICATIONS CORPORATION

On March 31, 1999, SCC changed its domicile from California to Delaware (the "Reincorporation"). In conjunction with the Reincorporation, SCC'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, SCC 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, SCC's board of directors approved a 67-for-one stock dividend on the Company's Class A and Class B common stock.

Holder 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.

On May 26, 1999, SCC awarded 75,000 shares of Class A common stock to an officer of the Company. SCC also agreed to pay the individual federal and state

income tax liabilities associated with the stock award. The Class A common stock award was valued based on the initial public offering price and along with the compensation resulting from the payment of the individual federal and state income taxes associated with the award was recognized as compensation expense of \$2.6 million during the year ended December 31, 1999.

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

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