

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 000-26497

SALEM 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
CAMARILLO, CALIFORNIA
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

93012
(ZIP CODE)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES NO

As of October 30, 2003, there were 17,941,017 shares of Class A common stock and 5,553,696 shares of Class B common stock of Salem Communications Corporation outstanding.

**SALEM COMMUNICATIONS CORPORATION
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SPECIAL CAUTIONARY NOTICE REGARDING 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 including, but not limited to, Salem’s ability to close and integrate announced transactions, competition in the radio broadcast, publishing and Internet industries and from new technologies, market acceptance of recently launched music formats and adverse economic conditions. These risks as well as other risks and uncertainties are detailed from time to time in Salem’s reports on Forms 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission (the “SEC”). 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 (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

PART I - FINANCIAL INFORMATION

SALEM COMMUNICATIONS CORPORATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

**SALEM COMMUNICATIONS CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)**

	December 31, 2002	September 30, 2003
		(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,325	\$ 5,476
Restricted cash	107,661	—
Accounts receivable (less allowance for doubtful accounts of \$7,803 in 2002 and \$8,680 in 2003)	30,696	31,170
Other receivables	1,990	1,798
Prepaid expenses	1,647	2,121
Due from stockholders	223	125
Deferred income taxes	2,281	4,083
Total current assets	170,823	44,773
Property, plant and equipment, net	99,194	97,272
Broadcast licenses	363,203	371,421
Goodwill	11,129	11,129
Amortizable intangible assets, net of accumulated amortization of \$19,757 in 2002 and \$4,366 in 2003	6,176	4,643
Bond issue costs	7,854	5,819
Fair value of interest rate swap	7,790	6,762
Due from stockholders	82	—
Other assets	5,958	7,875
Total assets	\$ 672,209	\$ 549,694
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,107	\$ 277
Accrued expenses	3,492	5,682
Accrued compensation and related expenses	4,718	5,055
Accrued interest	10,103	5,703
Deferred revenue	1,317	1,161
Income taxes payable	612	—
Current portion of long-term debt and capital lease obligations	100,029	19
Total current liabilities	121,378	17,897
Long-term debt and capital lease obligations, less current portion	343,118	325,054
Fair value in excess of book value of debt hedged with interest rate swap	7,790	6,439
Deferred income taxes	26,447	26,693
Deferred revenue	738	3,471
Fair value of interest rate swap	—	323
Other liabilities	810	595
Stockholders' equity:		
Class A common stock, \$0.01 par value; authorized 80,000,000 shares; issued and outstanding 17,930,417 and 17,936,017 shares at December 31, 2002 and September 30, 2003, respectively	179	179
Class B common stock, \$0.01 par value; authorized 20,000,000 shares; issued and outstanding 5,553,696 shares	56	56
Additional paid-in capital	147,968	148,052

Retained earnings	23,725	20,935
Total stockholders' equity	171,928	169,222
Total liabilities and stockholders' equity	\$ 672,209	\$ 549,694

See accompanying notes

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SALEM COMMUNICATIONS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Gross broadcasting revenue	\$ 43,420	\$ 46,542	\$ 126,008	\$ 135,977
Less agency commissions	3,574	3,967	10,376	11,268
Net broadcasting revenue	39,846	42,575	115,632	124,709
Other media revenue	2,035	1,887	5,586	6,042
Total revenue	41,881	44,462	121,218	130,751
Operating expenses:				
Broadcasting operating expenses, exclusive of depreciation and amortization shown below (including \$297 and \$372 for the quarters ended September 30, 2002 and 2003, respectively, and \$797 and \$903 for the nine months ended September 30, 2002 and 2003, respectively, paid to related parties)	25,864	27,183	77,437	81,026
Costs of denied tower site and license upgrade	—	—	—	2,202
Other media operating expenses, exclusive of depreciation and amortization shown below	1,878	1,964	5,613	5,940
Legal settlement	—	—	2,300	—
Corporate expenses, exclusive of depreciation and amortization shown below (including \$71 and \$27 for the quarters ended September 30, 2002 and 2003, respectively, and \$182 and \$208 for the nine months ended September 30, 2002 and 2003, respectively, paid to related parties)	3,882	3,992	11,300	12,063
Cost of terminated offering	—	651	—	651
Depreciation and amortization (including \$167 and \$288 for the quarters ended September 30, 2002 and 2003, respectively, and \$508 and \$869 for the nine months ended September 30, 2002 and 2003, respectively, for other media businesses)	2,843	3,084	8,600	9,179
Total operating expenses	34,467	36,874	105,250	111,061
Operating income	7,414	7,588	15,968	19,690
Other income (expense):				
Interest income	52	24	114	195
Interest expense	(6,868)	(5,470)	(20,293)	(17,706)
Loss on early redemption of long-term debt	—	—	—	(6,440)
Gain (loss) on sale of assets	(97)	263	(548)	263
Other expense, net	(122)	(129)	(398)	(290)
Income (loss) before income taxes and discontinued operations	379	2,276	(5,157)	(4,288)
Provision (benefit) for income taxes	131	820	(1,965)	(1,498)
Income (loss) before discontinued operations	248	1,456	(3,192)	(2,790)
Income from discontinued operations, net of tax (including gain on sale of \$17,848 net taxes of \$10,040 for the quarter and nine months ended September 30, 2002)	17,858	—	17,871	—
Net income (loss)	\$ 18,106	\$ 1,456	\$ 14,679	\$ (2,790)
Basic earnings (loss) per share before discontinued operations	\$ 0.01	\$ 0.06	\$ (0.14)	\$ (0.12)
Income from discontinued operations per share	0.76	—	0.77	—
Basic earnings (loss) per share	0.77	0.06	0.63	(0.12)
Diluted earnings (loss) per share before discontinued operations	\$ 0.01	\$ 0.06	\$ (0.14)	\$ (0.12)
Income from discontinued operations per share	0.76	—	0.77	—
Diluted earnings (loss) per share	0.77	0.06	0.62	(0.12)
Basic weighted average shares outstanding	23,483,663	23,488,463	23,470,477	23,486,033
Diluted weighted average shares outstanding	23,564,626	23,583,244	23,573,149	23,486,033

SALEM COMMUNICATIONS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Nine Months Ended September 30,	
	2002	2003
OPERATING ACTIVITIES		
Net income (loss)	\$ 14,679	\$ (2,790)
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on early retirement of debt	—	6,440
Costs of denied tower site and license upgrade	—	2,202
Cost of terminated offering	—	651
Gain on sale of discontinued operations, net of tax	(17,848)	—
Depreciation and amortization	8,600	9,179
Amortization of bond issue costs and bank loan fees	1,197	1,158
Provision for bad debts	3,623	4,065
Deferred income taxes	(1,995)	(1,556)
Gain on sale of assets	548	(262)
Changes in operating assets and liabilities:		
Accounts receivable	(6,259)	(4,539)
Prepaid expenses and other current assets	(267)	(183)
Accounts payable and accrued expenses	3,235	(470)
Deferred revenue	(46)	2,577
Other liabilities	69	(214)
Income taxes payable	90	(612)
Net cash provided by operating activities	5,626	15,646
INVESTING ACTIVITIES		
Capital expenditures	(11,192)	(6,429)
Deposits on radio station acquisitions	(700)	(1,275)
Purchases of radio stations	(45,751)	(8,741)
Proceeds from sale of property, plant and equipment and intangible assets	44,420	400
Other assets	(298)	(602)
Net cash used in investing activities	(13,521)	(16,647)
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt and notes payable	40,550	15,400
Payments of long-term debt and notes payable	(4,000)	(33,450)
Proceeds from exercise of stock options	544	83
Payments on capital lease obligations	(35)	(24)
Payments of costs related to bank credit facility and debt refinancing	(751)	(1,493)
Payments of bond issue costs	(186)	(364)
Net cash provided by (used in) financing activities	36,122	(19,848)
Net increase (decrease) in cash and cash equivalents	28,227	(20,849)
Cash and cash equivalents at beginning of period	23,921	26,325
Cash and cash equivalents at end of period	\$ 52,148	\$ 5,476
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 20,994	\$ 23,420
Income taxes	200	463

See accompanying notes

SALEM COMMUNICATIONS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. BASIS OF PRESENTATION

Information with respect to the three months and nine months ended September 30, 2003 and 2002 is unaudited. The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the unaudited interim financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position, results of operations and cash flows of the company, for the periods presented. The results of operations for the interim periods are not necessarily indicative of the results of operations for the

full year. For further information, refer to the consolidated financial statements and footnotes thereto included in our annual report on Form 10-K for the year ended December 31, 2002.

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

NOTE 2. STOCK-BASED COMPENSATION

The company accounts for its employee stock plan under the intrinsic value method prescribed by Accounting Principles Board Opinion (“APB”) No. 25, “Accounting for Stock Issued to Employees,” and related interpretations, and has adopted the disclosure-only provisions of SFAS No. 123, “Accounting for Stock-Based Compensation,” as amended by SFAS No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure, an amendment of FASB Statement No. 123.”

SFAS No. 123, as amended by SFAS No. 148, permits companies to recognize, as expense over the vesting period, the fair value of all stock-based awards on the date of grant. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. Because the company’s stock-based compensation plans have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, management believes that the existing option valuation models do not necessarily provide a reliable single measure of the fair value of awards from the plan. Therefore, as permitted, the company applies the existing accounting rules under APB No. 25 and provides pro forma net income (loss) and pro forma income (loss) per share disclosures for stock-based awards made during the year as if the fair value method defined in SFAS No. 123, as amended, had been applied. Net income (loss) and net income (loss) per share for each of the three and nine months ended September 30, 2003 and 2002 would have changed to the following pro forma amounts:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
	<i>(Dollars in thousands, except per share data)</i>			
Net income (loss), as reported	\$ 18,106	\$ 1,456	\$ 14,679	\$ (2,790)
Add: Stock-based compensation, as reported	—	—	—	—
Deduct: Total stock-based compensation determined under fair value based method for all awards, net of tax	(253)	(292)	(1,154)	(1,075)
Pro forma net income (loss)	\$ 17,853	\$ 1,164	\$ 13,525	\$ (3,865)
Income (loss) per share:				
Basic income (loss) per share - as reported	\$ 0.77	\$ 0.06	\$ 0.63	\$ (0.12)
Basic income (loss) per share - pro forma	0.76	0.05	0.58	(0.16)
Diluted income (loss) per share - as reported	\$ 0.77	\$ 0.06	\$ 0.62	\$ (0.12)
Diluted income (loss) per share - pro forma	0.76	0.05	0.57	(0.16)

NOTE 3. RECLASSIFICATIONS

We have reclassified our statements of operations data for all periods presented to reflect increases to revenues and expenses as appropriate for barter transactions, eliminating the practice of reporting these transactions net in our statements of operations. In addition, we have reclassified our statements of operations data for all periods presented to reflect our sale on September 30, 2002 of the assets of radio station WYGY-FM, Cincinnati, Ohio, which has been accounted for as a discontinued operation.

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NOTE 4. ACQUISITIONS AND OTHER SIGNIFICANT TRANSACTIONS

We purchased the assets (principally intangibles) of the following radio stations during the nine months ended September 30, 2003:

Acquisition Date	Station(s)	Market Served	Allocated Purchase Price	Format Changed
August 1, 2003	WBGB-FM, WZAZ-AM, WJGR-AM, WZNZ-AM	Jacksonville, FL	\$ 8,693	No
			\$ 8,693	

NOTE 5. RECENT ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 145

In April 2002, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.” This statement rescinds SFAS No. 4, “Reporting Gains and Losses from Extinguishment of Debt,” and an amendment of that statement, SFAS Statement No. 64, “Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements.” In addition, SFAS No. 145 amends FASB Statement No. 13, “Accounting for Leases.” Salem adopted this statement on January 1, 2003 and its adoption resulted in the classification of any loss on early retirement of debt in other income and expense rather than as an extraordinary item under the prior rules.

Statement of Financial Accounting Standards No. 148

In December 2002, the FASB issued SFAS No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure, an amendment of SFAS No. 123.” This statement amends SFAS No. 123, “Accounting for Stock-Based Compensation,” to provide alternative methods of transition for a voluntary change to the fair value based method of

accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirement of SFAS No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Salem adopted this statement and its adoption did not have a material impact on Salem's financial position, results of operations or cash flows. As permitted under the statement, Salem continues to measure any expense related to stock options under the intrinsic value method and provides the required disclosures under the fair value method in Note 2.

Financial Interpretation No. 46

In January 2003, the FASB issued Financial Interpretation No. ("FIN") 46, "Consolidation of Variable Interest Entities." FIN 46 requires an investor with a majority of the variable interests (primary beneficiary) in a variable interest entity ("VIE") to consolidate the entity and also requires majority and significant variable interest investors to provide certain disclosures. A VIE is an entity in which the voting equity investors do not have a controlling interest, or the equity investment at risk is insufficient to finance the entity's activities without receiving additional subordinated financial support from other parties. In October 2003, the FASB announced that it has deferred the effective date of FIN 46 until the fourth quarter of 2003. Salem is currently performing a review of its investments and arrangements to determine the impact of this pronouncement.

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NOTE 6. COSTS OF DENIED TOWER SITE AND LICENSE UPGRADE

In April 2003, the San Diego County Board of Supervisors denied Salem's motion to relocate its radio towers for radio station KCBQ-AM, San Diego, California. As a result of the denial, the company recorded a write-off of approximately \$1.3 million in capitalized costs related to the project. Additionally, in May 2003, the Federal Communications Commission ("FCC") denied Salem's motion to increase the night-time coverage of radio station WGKA-AM, Atlanta, Georgia. As a result of the denial, the company recorded a write-off of approximately \$0.9 million in capitalized costs related to the project. These write-offs were recorded in the quarter ended March 31, 2003 in Salem's Statement of Operations as "Costs of denied tower site and license upgrade."

NOTE 7. TERMINATED OFFERING COSTS

Salem recorded a charge of \$0.7 million during the third quarter of 2003 related to the costs incurred with respect to a contemplated debt offering that was terminated during the third quarter of 2003. The charge is reported in Salem's Statement of Operations as "Cost of terminated offering."

NOTE 8. REDEMPTION OF \$100.0 MILLION 9½% SENIOR SUBORDINATED NOTES DUE 2007

On January 22, 2003, Salem redeemed its \$100.0 million 9½% senior subordinated notes due 2007 ("9½% Notes"), representing all such notes then outstanding. The redemption resulted in a loss on early retirement of long-term debt of \$6.4 million. Salem used the proceeds of its \$100.0 million 7¾% senior subordinated notes due 2010 ("7¾% Notes") issued in December 2002, and additional borrowings under Salem's credit facility to redeem the 9½% Notes. The proceeds of the issuance of the 7¾% Notes were recorded on Salem's balance sheet as "Restricted cash" at December 31, 2002.

NOTE 9. AMORTIZABLE INTANGIBLE ASSETS

The following tables provide details, by major category, of the significant classes of amortizable intangible assets:

As of December 31, 2002			
	Cost	Accumulated Amortization	Net
<i>(Dollars in thousands)</i>			
Noncompetition agreements	\$ 12,618	\$ (12,223)	\$ 395
Customer lists and contracts	7,278	(4,405)	2,873
Favorable and assigned leases	1,800	(1,201)	599
Other amortizable intangible assets	4,237	(1,928)	2,309
	\$ 25,933	\$ (19,757)	\$ 6,176

As of September 30, 2003			
	Cost	Accumulated Amortization	Net
<i>(Dollars in thousands)</i>			
Customer lists and contracts	\$ 4,249	\$ (2,028)	\$ 2,221
Favorable and assigned leases	1,459	(907)	552
Other amortizable intangible assets	3,302	(1,432)	1,870
	\$ 9,010	\$ (4,367)	\$ 4,643

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Based on the amortizable intangible assets as of September 30, 2003, we estimate amortization expense for the next five years to be as follows:

Year Ending December 31,	Amortization Expense
<i>(Dollars in thousands)</i>	
2004	\$ 1,528
2005	1,276
2006	728

NOTE 10. BASIC AND DILUTED NET EARNINGS PER SHARE

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

Options to purchase 566,460 and 763,165 shares of Class A common stock were outstanding at September 30, 2002 and 2003, respectively. Diluted weighted average shares outstanding excludes outstanding stock options whose exercise price is in excess of the average price of the company's stock price. These options are excluded due to their antidilutive effect. For periods in which the company has a net loss, all options are excluded due to their antidilutive effect.

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NOTE 11. DERIVATIVE INSTRUMENTS

We are exposed to fluctuations in interest rates. We actively monitor these fluctuations and use derivative instruments from time to time to manage the related risk. In accordance with our risk management strategy, we use derivative instruments only for the purpose of managing risk associated with an asset, liability, committed transaction, or probable forecasted transaction that is identified by management. Our use of derivative instruments may result in short-term gains or losses and may increase volatility in our earnings.

We had two interest rate swap agreements outstanding as of September 30, 2003, which are used to manage our exposure to changes in the fair value of a recognized asset or liability that may result due to changes in interest rates. The counter party to these interest rate swap agreements are major financial institutions. Although we are exposed to credit loss in the event of nonperformance by the counter party, we do not anticipate nonperformance by the counter party nor would we expect any such loss to be material.

At September 30, 2003, an interest rate swap agreement with a notional principal amount of \$66.0 million was outstanding. This agreement relates to our \$150.0 million 9% senior subordinated notes due 2011 ("9% Notes"). This agreement expires in 2011 when the 9% Notes mature, and effectively swaps the 9% fixed interest rate on \$66.0 million of the 9% Notes for a floating rate equal to the LIBOR rate plus 3.09%. The estimated fair value of this swap agreement and the excess of fair value over the book value of the debt hedged by the swap, based on current market rates, were each \$6.8 million at September 30, 2003. Changes in the fair value of the swap and the changes in the fair value of debt being hedged are recorded as part of interest expense. The fair value of the swap agreement is included with long-term assets, and the fair value of the debt hedged by the swap is recorded in long-term debt consistent with the maturity date of the swap. Because this fair value hedge is effective (that is, the change in the fair value of the hedge instrument is designed to be equal to the change in the fair value of the item being hedged), there was no income statement effect relative to the change in the fair value of the swap agreement. Interest expense for the nine months ended September 30, 2003 was reduced by \$2.3 million as a result of the difference between the 9.0% fixed interest rate on our debt and the floating interest rate under the swap agreement, which was 4.47% for the six months ended June 30, 2003 and is 4.21% for the six month period ended December 31, 2003.

On July 27, 2003, we entered into a second interest rate swap agreement with a notional principal amount of \$24.0 million. This agreement also relates to our 9% Notes. This agreement expires in 2011 when the 9% Notes mature, and effectively swaps the 9% fixed interest rate on \$24.0 million of the 9% Notes for a floating rate equal to the LIBOR rate plus 4.86%. The estimated negative fair value of this swap agreement and the excess of book value over the change in fair value of the debt hedged by the swap, based on current market rates, were each \$0.3 million at September 30, 2003. Changes in the fair value of the swap and the changes in the fair value of debt being hedged are recorded as part of interest expense. The fair value of the swap agreement is included with long-term liabilities, and the fair value of the debt hedged by the swap is recorded in long-term debt consistent with the maturity date of the swap. Because this fair value hedge is effective (that is, the change in the fair value of the hedge instrument is designed to be equal to the change in the fair value of the item being hedged), there was no income statement effect relative to the change in the fair value of the swap agreement. Interest expense for the nine months ended September 30, 2003 was reduced by \$0.2 million as a result of the difference between the 9.0% fixed interest rate on our debt and the floating interest rate under the swap agreement, which is 5.98% for the six month period ended December 31, 2003.

NOTE 12. CONTINGENCIES

Incident to our business activities, we are party to a number of legal proceedings, lawsuits and other claims. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Also, we maintain 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. 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 our financial position, results of operations or cash flows.

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NOTE 13. SEGMENT DATA

SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," requires companies to provide certain information about their operating segments. The company has one reportable operating segment—radio broadcasting—which includes our talk and music formats and our various radio networks. The remaining non-reportable segments consist of the Salem Web Network (our Internet division) and Salem Publishing, Inc., our publishing business, which do not meet the reportable segment quantitative thresholds and accordingly are aggregated below as "other media." Revenue and expenses earned and charged between segments are recorded at fair value.

Management uses operating income before depreciation, amortization and unusual charges as its measure of profitability for purposes of assessing performance and allocating resources.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
	<i>(Dollars in thousands)</i>			
Net revenue				
Radio broadcasting	\$ 39,846	\$ 42,575	\$ 115,632	\$ 124,709
Other media	2,035	1,887	5,586	6,042
Consolidated net revenue	\$ 41,881	\$ 44,462	\$ 121,218	\$ 130,751

Operating expenses (excluding depreciation, amortization, legal settlement, costs of denied tower site and license upgrade and cost of terminated offering)

Radio broadcasting	\$ 25,864	\$ 27,183	\$ 77,437	\$ 81,026
Other media	1,878	1,964	5,613	5,940
Corporate	3,882	3,992	11,300	12,063

Consolidated operating expenses (excluding depreciation, amortization, legal settlement, costs of denied tower site and license upgrade and cost of terminated offering)	\$ 31,624	\$ 33,139	\$ 94,350	\$ 99,029
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Operating income before depreciation, amortization, legal settlement, costs of denied tower site and license upgrade and cost of terminated offering

Radio broadcasting	\$ 13,982	\$ 15,392	\$ 38,195	\$ 43,683
Other media	157	(77)	(27)	102
Corporate	(3,882)	(3,992)	(11,300)	(12,063)

Consolidated operating income before depreciation, amortization, legal settlement, costs of denied tower site and license upgrade and cost of terminated offering	\$ 10,257	\$ 11,323	\$ 26,868	\$ 31,722
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Depreciation expense

Radio broadcasting	\$ 2,128	\$ 2,380	\$ 6,365	\$ 7,075
Other media	105	128	319	386
Corporate	149	187	380	519

Consolidated depreciation expense	\$ 2,382	\$ 2,695	\$ 7,064	\$ 7,980
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Amortization expense

Radio broadcasting	\$ 398	\$ 226	\$ 1,345	\$ 709
Other media	62	160	189	483
Corporate	1	3	2	7

Consolidated amortization expense	\$ 461	\$ 389	\$ 1,536	\$ 1,199
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Operating income before costs of denied tower site and license upgrade and cost of terminated offering

Radio broadcasting	\$ 11,456	\$ 12,786	\$ 30,485	\$ 35,899
Other media	(10)	(365)	(535)	(767)
Corporate	(4,032)	(4,182)	(11,682)	(12,589)

Consolidated operating income before costs of denied tower site and license upgrade and cost of terminated offering	\$ 7,414	\$ 8,239	\$ 18,268	\$ 22,543
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December 31, 2002 September 30, 2003

(Dollars in thousands)

Total property, plant and equipment, net				
Radio broadcasting		\$ 94,594	\$ 92,914	
Other media		1,939	1,648	
Corporate		2,661	2,710	
Consolidated property, plant and equipment, net		\$ 99,194	\$ 97,272	

Reconciliation of operating income before depreciation and amortization to income before income taxes and discontinued operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
Operating income before depreciation, amortization, legal settlement, costs of denied tower site and license upgrade and cost of terminated offering	\$ 10,257	\$ 11,323	\$ 26,868	\$ 31,722
Depreciation expense	(2,382)	(2,695)	(7,064)	(7,980)
Amortization expense	(461)	(389)	(1,536)	(1,199)

Legal settlement	—	—	(2,300)	—
Costs of denied tower site and license upgrade	—	—	—	(2,202)
Cost of terminated offering	—	(651)	—	(651)
Interest income	52	24	114	195
Gain (loss) on sale of assets	(97)	263	(548)	263
Interest expense	(6,868)	(5,470)	(20,293)	(17,706)
Loss on early redemption of long-term debt	—	—	—	(6,440)
Other expense, net	(122)	(129)	(398)	(290)
Income (loss) before income taxes and discontinued operations	\$ 379	\$ 2,276	\$ (5,157)	\$ (4,288)

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NOTE 14. CONSOLIDATING FINANCIAL STATEMENTS

The following is the consolidating information of Salem Communications Corporation for purposes of presenting the financial position and operating results of our wholly-owned subsidiary, Salem Communications Holding Corporation (“HoldCo”) as the issuer of the \$150.0 million 9% Notes and \$100.0 million 7¼% Notes and its guarantor subsidiaries on a consolidated basis and the financial position and operating results of the other guarantors, which are consolidated within the company. Separate financial information of HoldCo on an unconsolidated basis is not presented because HoldCo has substantially no assets, operations or cash other than its investments in subsidiaries. On April 1, 2003, the assets of OnePlace, LLC (“OnePlace”) were transferred to SCA License Corporation, a wholly-owned subsidiary of Salem Communications Acquisition Corporation (“AcqCo”). The financial position and results of operations for OnePlace are presented with Salem Publishing in “Other Media.”

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SALEM COMMUNICATIONS CORPORATION CONSOLIDATING BALANCE SHEET (IN THOUSANDS) (UNAUDITED)

	As of September 30, 2003					
	Guarantors			Issuer and Guarantor Subsidiaries		Salem Consolidated
	Parent	AcqCo	Other Media	HoldCo	Adjustments	
Current assets:						
Cash and cash equivalents	\$ —	\$ 841	\$ 190	\$ 4,445	\$ —	\$ 5,476
Accounts receivable	—	2,017	1,276	28,039	(162)	31,170
Other receivables	—	37	123	1,638	—	1,798
Prepaid expenses	—	(19)	109	2,031	—	2,121
Due from stockholders	—	—	—	125	—	125
Deferred income taxes	—	(31)	(2,682)	6,729	67	4,083
Total current assets	—	2,845	(1,984)	43,007	(95)	44,773
Property, plant, equipment and software, net	—	4,489	1,226	91,557	—	97,272
Broadcast licenses	—	93,602	—	277,819	—	371,421
Goodwill	—	8	5,011	6,110	—	11,129
Amortizable intangible assets, net	—	—	302	4,341	—	4,643
Bond issue costs	—	—	—	5,819	—	5,819
Fair value of interest rate swap	—	—	—	6,762	—	6,762
Intercompany receivables	258,172	—	(2,046)	57,418	(313,544)	—
Other assets	—	—	3,442	7,395	(2,962)	7,875
Total assets	\$ 258,172	\$ 100,944	\$ 6,951	\$ 500,228	\$ (316,601)	\$ 549,694
Current liabilities:						
Accounts payable	\$ —	\$ 10	\$ 5	\$ 262	\$ —	\$ 277
Accrued expenses	—	351	265	5,227	(161)	5,682
Accrued compensation and related expenses	3	230	263	4,559	—	5,055
Accrued interest	—	—	—	5,703	—	5,703
Deferred revenue	—	—	1,161	—	—	1,161
Income taxes payable	—	66	(77)	2,860	(2,849)	—
Current maturities of long-term debt	—	—	—	19	—	19
Total current liabilities	3	657	1,617	18,630	(3,010)	17,897
Intercompany payables	74,021	2,011	12,511	—	(88,543)	—
Long-term debt	—	—	—	325,054	—	325,054
Fair value in excess of book value of debt hedged with interest rate swap	—	—	—	6,439	—	6,439
Deferred income taxes	(1,698)	19,503	(2,985)	29,412	(17,539)	26,693
Deferred revenue	—	—	—	3,471	—	3,471
Fair value of interest rate swap	—	—	—	323	—	323
Other liabilities	—	—	—	595	—	595
Stockholders' equity	185,846	78,773	(4,192)	116,304	(207,509)	169,222

Total liabilities and stockholders' equity	\$ 258,172	\$ 100,944	\$ 6,951	\$ 500,228	\$ (316,601)	\$ 549,694
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SALEM COMMUNICATIONS CORPORATION
CONSOLIDATING INCOME STATEMENT
(IN THOUSANDS)
(UNAUDITED)

Nine Months Ended September 30, 2003

	Guarantors			Issuer and Guarantor Subsidiaries		Salem Consolidated
	Parent	AcqCo	Other Media	HoldCo	Adjustments	
Gross broadcasting revenue	\$ —	\$ 8,876	\$ —	\$ 127,107	\$ (6)	\$ 135,977
Less agency commissions	—	(631)	—	(10,637)	—	(11,268)
Net broadcasting revenue	—	8,245	—	116,470	(6)	124,709
Other media revenue	—	—	6,234	—	(192)	6,042
Total revenue	—	8,245	6,234	116,470	(198)	130,751
Operating expenses:						
Broadcasting operating expenses	3	5,977	—	75,072	(6)	81,026
Costs of denied tower site and license upgrade	—	—	—	2,202	—	2,202
Other media operating expenses	—	—	6,510	(378)	(192)	5,940
Corporate expenses	3	—	—	12,060	—	12,063
Cost of terminated offering	—	—	—	651	—	651
Depreciation and amortization	—	330	516	8,333	—	9,179
Total operating expenses	6	6,307	7,026	97,920	(198)	111,061
Operating income (loss)	(6)	1,938	(792)	18,550	—	19,690
Other income (expense):						
Interest income	3,352	—	25	9,206	(12,388)	195
Interest expense	(8,175)	(3,403)	(810)	(17,706)	12,388	(17,706)
Loss on early redemption of long-term debt	—	—	—	(6,440)	—	(6,440)
Gain on sale of assets	—	—	200	63	—	263
Other expense, net	—	—	—	(290)	—	(290)
Income (loss) before income taxes	(4,829)	(1,465)	(1,377)	3,383	—	(4,288)
Provision (benefit) for income taxes	(1,698)	(172)	(395)	767	—	(1,498)
Net income (loss)	\$ (3,131)	\$ (1,293)	\$ (982)	\$ 2,616	\$ —	\$ (2,790)

NOTE 15. SUBSEQUENT EVENTS

On October 7, 2003, the company acquired a construction permit to build a new radio station in Sacramento, California for \$1.0 million.

On October 6, 2003, the company acquired the assets of radio station KZNT-AM (formerly KKCS-AM) in Colorado Springs, Colorado, for \$1.5 million.

On October 31, 2003, the company acquired the assets of radio station WTTT-AM (formerly WAMG-AM) in Boston, Massachusetts, for \$8.6 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the 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 certain assets of other media businesses.

We believe that 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 themes. Our core business is the ownership and operation of radio stations in large metropolitan markets. After completing our pending transactions, we will own and operate 92 radio stations, including 58 stations in 22 of the top 25 markets. We are the sixth largest operator measured by number of stations overall and the third largest operator measured by number of stations in the top 25 markets. Management believes that we are the fifteenth largest radio broadcaster measured by net broadcasting revenue for the year ended December 31, 2002. We also own Salem Radio Network®, which we believe to be a leading developer, producer and syndicator of religious and family issues oriented talk, news and music programming (but not of general broadcast programming) with approximately 1,600 affiliated radio stations. In addition, we own complementary Internet and publishing businesses.

We maintain a website at <http://www.salem.cc>. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports are available free of charge through our website as soon as reasonably practicable after those reports are electronically filed or furnished to the SEC.

Our business strategy is to expand and improve our national radio platform in order to deliver compelling content to audiences interested in religious and family issues. We

primarily program our stations with our Christian teaching and talk format which is talk programming with religious and family themes. We also feature conservative news/talk and contemporary Christian music formats. Salem Radio Network® supports our strategy by enabling us to offer a variety of program content on our radio stations.

Historically, our principal sources of 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.

Our broadcasting revenue is affected primarily by the program rates our radio stations charge and by the advertising rates our radio stations and networks 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 networks' ability to produce results for their 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. In selected markets, we subscribe to Arbitron, which develops quarterly reports to measure a radio station's audience share in the demographic groups targeted by advertisers. Each of our radio stations and our network have a general pre-determined level of time that they make available for block programs and/or advertising, which may vary at different times of the day.

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In recent years, we have placed greater emphasis on the development of local advertising in all of our markets. We encourage our 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 the 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 2002, we sold 95% 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 networks incur programming costs and lease expenses for satellite communication facilities. We also incur and expect to 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.

Salem Web Network, our Internet division, earns its revenue from sales of streaming services, sales of banner advertising and sponsorships on the Internet, and, to a lesser extent, sales of software and software support contracts. CCM, our publishing business, 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 consolidated statements of operations.

SAME STATION DEFINITION

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. With regard to fiscal quarters, 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 that quarter, as well as the corresponding quarter of the prior year. Same station results for a full year are based on the sum of the same station results for the four quarters of that year.

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RESULTS OF OPERATIONS

We have reclassified our statements of operations for all periods presented for barter transactions to reflect increases to revenues and expenses as appropriate, eliminating the practice of reporting the net contribution of these transactions in our statements of operations.

Quarter ended September 30, 2003 compared to quarter ended September 30, 2002

NET BROADCASTING REVENUE. Net broadcasting revenue increased \$2.8 million or 6.8% to \$42.6 million for the quarter ended September 30, 2003 from \$39.8 million for the same quarter of the prior year. The growth is attributable to an increase in net revenue from our music stations acquired since the middle of 2000, an increase in program rates and the acquisitions of radio stations during 2002, partially offset by a decrease in network revenue due to the loss of affiliates as a result of increased network competition. On a same station basis, net revenue improved \$2.4 million or 5.9% to \$42.2 million for the quarter ended September 30, 2003 from \$39.8 million for the same quarter of the prior year. The growth is attributable to an increase in net revenue from our music stations acquired since the middle of 2000 and an increase in program rates, partially offset by a decrease in network revenue due to the loss of affiliates. Revenue from advertising as a percentage of our gross broadcasting revenue increased to 53.2% for the quarter ended September 30, 2003 from 51.0% for the same quarter of the prior year. Revenue from block program time as a percentage of our gross broadcasting revenue decreased to 35.1% for the quarter ended September 30, 2003 from 35.8% for the same quarter of the prior year. This change in our revenue mix is primarily due to the growth of our contemporary Christian music format as well as our continued efforts to develop more advertising revenue in all of our markets.

OTHER MEDIA REVENUE. Other media revenue decreased \$0.1 million or 7.3% to \$1.9 million for the quarter ended September 30, 2003 from \$2.0 million for the same quarter of the prior year. The decrease is attributable primarily to a decline in revenues at Salem Publishing, partially offset by additional revenues generated by Crosswalk.com, which was acquired in October 2002.

BROADCASTING OPERATING EXPENSES. Broadcasting operating expenses increased \$1.3 million or 5.1% to \$27.2 million for the quarter ended September 30, 2003 from \$25.9 million for the same quarter of the prior year. On a same station basis, broadcasting operating expenses increased \$0.9 million or 3.6% to \$26.7 million for the quarter ended September 30, 2003 from \$25.8 million for the same quarter of the prior year. The increase is primarily due to incremental selling expenses incurred to produce the increased revenue in the period, partially offset by the impact of cost containment initiatives initiated during the first quarter of 2003.

OTHER MEDIA OPERATING EXPENSES. Other media operating expenses increased \$0.1 million or 4.6% to \$2.0 million for the quarter ended September 30, 2003 from \$1.9 million for the same quarter in the prior year. The increase is attributable primarily to an increase in selling and editorial costs associated with the integration of Crosswalk.com, which was acquired in October 2002, offset by a reduction in costs associated with our publishing business, reduced audio streaming costs for our Internet business and reduced overhead costs.

CORPORATE EXPENSES. Corporate expenses increased \$0.1 million or 2.8% to \$4.0 million in the quarter ended September 30, 2003 from \$3.9 million in the same quarter of the prior year, primarily due to inflation and corporate salary increases.

COST OF TERMINATED OFFERING. During the third quarter of 2003, Salem incurred a one-time charge of \$0.7 million to write-off costs associated with a contemplated debt offering that was terminated during the quarter ended September 30, 2003. This charge is found in Salem's Statement of Operations as "Cost of Terminated Offering."

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased \$0.3 million or 8.5% to \$3.1 million for the quarter ended September 30, 2003 from \$2.8 million for the same quarter of the prior year. The increase is due principally to the depreciation and amortization associated with the acquisitions of radio stations and an Internet business during 2002.

OTHER INCOME (EXPENSE). Interest income of approximately \$24,000 for the quarter ended September 30, 2003 is primarily from interest earned on excess cash. Interest expense decreased \$1.4 million or 20.4% to \$5.5 million for the quarter ended September 30, 2003 from \$6.9 million for the same quarter of the prior year. The decrease is primarily due to savings of \$1.0 million in interest related to our interest rate swap agreements entered into in April 2002 and July 2003 (see "ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK—Derivative Instruments," below), and savings due to the refinancing of our 9½% Notes. Gain on sale of assets of \$0.3 million for the quarter ended September 30, 2003 is primarily due to the recovery of bad debt related to a note acquired in the sale of certain property, plant and equipment and intangible assets, in addition to the disposition of certain other property, plant and equipment and intangible assets. Other expense, net was \$0.1 million for the quarters ended September 30, 2003 and 2002, and was related primarily to bank commitment fees associated with our credit facility.

PROVISION FOR INCOME TAXES. Provision for income taxes as a percentage of income before income taxes (that is, the effective tax rate) was 36.0% for the quarter ended September 30, 2003 and 34.6% for the same quarter of the prior year. For the quarters ended September 30, 2003 and 2002 the effective tax rates differ from the federal statutory income rate of 35.0% primarily due to the effect of state income taxes and certain expenses that are not deductible for tax purposes.

INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX. Income from discontinued operations was \$17.9 million net of income tax expense of \$10.1 million for the quarter ended September 30, 2002. Discontinued operations relate to the operations of WYGY-FM, Cincinnati, Ohio, which we discontinued operating and sold the assets of on September 30, 2002 for \$45.0 million.

NET INCOME (LOSS). We recognized net income of \$1.5 million for the quarter ended September 30, 2003 as compared to net income of \$18.1 million for the same quarter of the prior year.

Nine months ended September 30, 2003 compared to nine months ended September 30, 2002

NET BROADCASTING REVENUE. Net broadcasting revenue increased \$9.1 million or 7.8% to \$124.7 million for the nine months ended September 30, 2003 from \$115.6 million for the same period of the prior year. The growth is attributable to an increase in net revenue from our music stations acquired since the middle of 2000, an increase in program rates and the acquisitions of radio stations during 2002, partially offset by a decrease in network revenue due to the loss of affiliates. On a same station basis, net revenue improved \$8.3 million or 7.2% to \$123.9 million for the nine months ended September 30, 2003 from \$115.6 million for the same period of the prior year. The growth is attributable to an increase in net revenue from our music stations acquired since the middle of 2000 and an increase in program rates, partially offset by a decrease in network revenue due to the loss of affiliates. Revenue from advertising as a percentage of our gross broadcasting revenue increased to 51.8% for the nine months ended September 30, 2003 from 49.8% for the same period of the prior year. Revenue from block program time as a percentage of our gross broadcasting revenue decreased to 35.9% for the nine months ended September 30, 2003 from 36.3% for the same period of the prior year. This change in our revenue mix is primarily due to the growth of our contemporary Christian music format as well as our continued efforts to develop more advertising revenue in all of our markets.

OTHER MEDIA REVENUE. Other media revenue increased \$0.4 million or 8.2% to \$6.0 million for the nine months ended September 30, 2003 from \$5.6 million for the same period of the prior year. The increase is attributable primarily to additional revenues generated by Crosswalk.com, which was acquired in October 2002, partially offset by a decline in revenues at Salem Publishing.

BROADCASTING OPERATING EXPENSES. Broadcasting operating expenses increased \$3.6 million or 4.6% to \$81.0 million for the nine months ended September 30, 2003 from \$77.4 million for the same period of the prior year. On a same station basis, broadcasting operating expenses increased \$3.0 million or 3.8% to \$80.3 million for the nine months ended September 30, 2003 from \$77.3 million for the same period of the prior year. The increase is primarily due to incremental selling expenses incurred to produce the increased revenue in the period, partially offset by the impact of cost containment initiatives initiated during the first quarter of 2003.

COSTS OF DENIED TOWER SITE AND LICENSE UPGRADE. In April 2003, the San Diego County Board of Supervisors denied the company's motion to relocate its radio towers for radio station KCBQ-AM, San Diego, California. As a result of the denial, the company recorded a write-off of approximately \$1.3 million in capitalized costs related to the project. Additionally, in May 2003, the FCC denied the company's motion to increase the night-time coverage of radio station WGKA-AM, Atlanta, Georgia. As a result of the denial, the company recorded a write-off of approximately \$0.9 million in capitalized costs related to the project. These write-offs were recorded in the quarter ended March 31, 2003 in the company's Statement of Operations as "Costs of denied tower site and license upgrade."

OTHER MEDIA OPERATING EXPENSES. Other media operating expenses increased \$0.3 million or 5.8% to \$5.9 million for the nine months ended September 30, 2003 from \$5.6 million for the same period in the prior year. The increase is attributable primarily to an increase in selling and editorial costs associated with the integration of Crosswalk.com, which was acquired in October 2002, offset by a reduction in costs associated with our publishing business, reduced audio streaming costs for our Internet business and reduced overhead costs.

CORPORATE EXPENSES. Corporate expenses increased \$0.8 million or 6.8% to \$12.1 million in the nine months ended September 30, 2003 from \$11.3 million in the same period of the prior year, primarily due to an increase in overhead costs associated with the acquisitions of radio stations and an Internet business during 2002.

COST OF TERMINATED OFFERING. During the third quarter of 2003, Salem incurred a one-time charge of \$0.7 million to write-off costs associated with a contemplated debt offering that was terminated during the quarter ended September 30, 2003. This charge is found in Salem's Statement of Operations as "Cost of Terminated Offering."

LEGAL SETTLEMENT. On December 6, 2000, Gospel Communications International ("GCI") made a demand for arbitration upon us, as disclosed in our annual report on Form 10-K for the year ended December 31, 2001 and our quarterly report on Form 10-Q for the quarter ended March 31, 2002. On July 15, 2002, we reached a confidential settlement with GCI for \$2.3 million. As a result of this settlement, we recorded a one-time charge of approximately \$2.3 million in the second quarter of 2002.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased \$0.6 million or 6.7% to \$9.2 million for the nine months ended September 30, 2003 from \$8.6 million for the same period of the prior year. The increase is due principally to the depreciation and amortization associated with the acquisitions of radio stations and an Internet business during 2002.

OTHER INCOME (EXPENSE). Interest income of \$0.2 million for the nine months ended September 30, 2003 is primarily from interest earned on the cash which was held

in a trust account in January 2003 that was used to redeem all of our 9½% Notes and from interest earned on excess cash. Interest expense decreased \$2.6 million or 12.7% to \$17.7 million for the nine months ended September 30, 2003 from \$20.3 million for the same period of the prior year. The decrease is primarily due to savings of \$2.5 million in interest related to our interest rate swap agreements entered into in April 2002 and July 2003 (see "ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK—Derivative Instruments," below), and savings due to the refinancing of our 9½% Notes, offset by increased long-term debt related to our radio station acquisitions in 2002. Additionally, as part of the refinancing of our 9½% Notes, both the 9½% Notes and the 7¼% Notes, issued on December 23, 2002, were outstanding until January 22, 2003, at which time the 9½% Notes were redeemed. Loss on early redemption of long-term debt of \$6.4 million for the nine months ended September 30, 2003 is the result of our early redemption of our 9½% Notes on January 22, 2003, whereby we paid a \$4.8 million premium to redeem the 9½% Notes and wrote-off approximately \$1.7 million of unamortized bond issuance costs related to the 9½% Notes (see "ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS—LIQUIDITY AND CAPITAL RESOURCES," below). Gain on sale of assets of \$0.3 million for the nine months ended September 30, 2003 is primarily due to the recovery of bad debt related to a note acquired in the sale of certain property, plant and equipment and intangible assets, in addition to the disposition of certain other property, plant and equipment. Loss on sale of assets of \$0.5 million for the nine months ended September 30, 2002 is primarily due to disposition costs related to asset sales in prior periods. Other expense, net was \$0.3 million and \$0.4 million for the nine months ended September 30, 2003 and 2002, respectively, and was related primarily to bank commitment fees associated with our credit facility.

BENEFIT FOR INCOME TAXES. Benefit for income taxes as a percentage of income before income taxes (that is, the effective tax rate) was 34.9% for the nine months ended September 30, 2003 and 38.1% for the same period of the prior year. For the nine month periods ended September 30, 2003 and 2002 the effective tax rates differ from the federal statutory income rate of 35.0% primarily due to the effect of state income taxes and certain expenses that are not deductible for tax purposes.

INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX. Income from discontinued operations was \$17.9 million net of income tax expense of \$10.1 million for the nine months ended September 30, 2002. Discontinued operations relate to the operations of WYGY-FM, Cincinnati, Ohio, which we discontinued operating and sold the assets of on September 30, 2002 for \$45.0 million.

NET INCOME (LOSS). We recognized a net loss of \$2.8 million for the nine months ended September 30, 2003 as compared to net income of \$14.7 million for the same period of the prior year.

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NON-GAAP FINANCIAL MEASURES

The performance of a radio broadcasting company is customarily measured by the ability of its stations to generate station operating income. We define station operating income as net broadcasting revenue less broadcasting operating expenses.

Station operating income is not a measure of performance calculated in accordance with GAAP; as a result it should be viewed as a supplement to and not a substitute for our results of operations presented on the basis of GAAP. Management believes that station operating income is useful, when considered in conjunction with operating income, the most directly comparable GAAP financial measure, because it is generally recognized by the radio broadcasting industry as a tool in measuring performance and in applying valuation methodologies for companies in the media, entertainment and communications industries. This measure is used by investors and analysts who report on the radio broadcasting industry to provide comparisons between broadcasting groups. Additionally, our management uses station operating income as one of our key measures of operating efficiency and profitability. Station operating income does not purport to represent cash provided by operating activities. Our statement of cash flows presents our cash flow activity and our income statement presents our historical performance prepared in accordance with GAAP. Our station operating income is not necessarily comparable to similarly titled measures employed by other companies.

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STATION OPERATING INCOME.

Quarter ended September 30, 2003 compared to quarter ended September 30, 2002. Station operating income increased \$1.4 million or 10.1% to \$15.4 million for the quarter ended September 30, 2003 from \$14.0 million for the same quarter of the prior year. As a percentage of net broadcasting revenue, station operating income increased to 36.2% for the quarter ended September 30, 2003 from 35.1% for the same quarter of the prior year. The percentage increase is primarily attributable to the effect of radio stations acquired during 2001 and 2002 that previously operated with formats other than their current format and the effect of the growth of our contemporary Christian music format. Acquired and reformatted radio stations typically produce low margins during the first several years following acquisition or conversion. Station operating income margins improve as we implement scheduled program rate increases and increase advertising revenue on our stations. On a same station basis, station operating income improved \$1.5 million or 10.1% to \$15.5 million for the quarter ended September 30, 2003 from \$14.0 million for the same quarter of the prior year. As a percentage of same station net broadcast revenue, same station operating income increased to 36.7% for the quarter ended September 30, 2003 from 35.3% for the same quarter of the prior year.

Nine months ended September 30, 2003 compared to nine months ended September 30, 2002. Station operating income increased \$5.5 million or 14.4% to \$43.7 million for the nine months ended September 30, 2003 from \$38.2 million for the same period of the prior year. As a percentage of net broadcasting revenue, station operating income increased to 35.0% for the nine months ended September 30, 2003 from 33.0% for the same period of the prior year. The percentage increase is primarily attributable to the effect of radio stations acquired during 2001 and 2002 that previously operated with formats other than their current format and the effect of the growth of our contemporary Christian music format. Acquired and reformatted radio stations typically produce low margins during the first several years following acquisition or conversion. Station operating income margins improve as we implement scheduled program rate increases and increase advertising revenue on our stations. On a same station basis, station operating income improved \$5.3 million or 14.0% to \$43.6 million for the nine months ended September 30, 2003 from \$38.3 million for the same period of the prior year. As a percentage of same station net broadcast revenue, same station operating income increased to 35.2% for the nine months ended September 30, 2003 from 33.1% for the same period of the prior year.

The following table provides a reconciliation of station operating income (a non-GAAP financial measure) to operating income (as presented in our financial statements) for the three months and the nine months ended September 30, 2002 and 2003, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2003	2002	2003
	(Dollars in thousands)			
Station operating income	\$ 13,982	\$ 15,392	\$ 38,195	\$ 43,683
Plus other media revenue	2,035	1,887	5,586	6,042
Less cost of denied tower site and license upgrade	—	—	—	(2,202)
Less other media operating expenses	(1,878)	(1,964)	(5,613)	(5,940)
Less legal settlement	—	—	(2,300)	—
Less depreciation and amortization	(2,843)	(3,084)	(8,600)	(9,179)
Less corporate expenses	(3,882)	(3,992)	(11,300)	(12,063)
Cost of terminated offering	—	(651)	—	(651)

Operating income	\$ 7,414	\$ 7,588	\$ 15,968	\$ 19,690
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CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to allowance for doubtful accounts, acquisitions of radio station and network assets, goodwill and other intangible assets, income taxes and long-term debt and debt covenant compliance. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following accounting policies and the related judgments and estimates affect the preparation of our consolidated financial statements.

Accounting for acquisitions and upgrades of radio station and network assets

Most of our radio station acquisitions have consisted primarily of the FCC licenses to broadcast in a particular market. We often do not acquire the existing format, or we change the format upon acquisition when we find it beneficial. As a result, a substantial portion of the purchase price for the assets of a radio station is allocated to the FCC license. It is generally our policy to retain third-party appraisers to value radio stations, networks or other media businesses under consideration for acquisition. The allocations assigned to acquired FCC licenses and other assets are subjective by their nature and require our careful consideration and judgment. We believe the allocations represent appropriate estimates of the fair value of the assets acquired. As part of the valuation and appraisal process, the third-party appraisers prepare reports which assign values to the various asset categories in our financial statements. Our management reviews these reports for reasonableness. The reports form the basis to record the acquisition of the radio station, network or other media business at the close of the transaction. When we exchange assets, we consider whether the exchange is an exchange of a business or otherwise requires the assets received to be recorded at fair value with the recognition of a gain or loss on the transaction, or the exchange is an exchange of similar productive assets that should be recorded on a historical cost basis with no gain or loss recorded. In accordance with purchase accounting methodology, the operating results of the acquired assets and businesses are included in the consolidated operating results since the dates of acquisition.

From time to time we undertake projects to upgrade our radio station technical facilities and/or FCC licenses. Our policy is to capitalize costs up to the point where the project is complete, at which point we transfer the costs to the appropriate fixed asset and/or intangible asset categories. In certain cases where a project's completion is contingent upon FCC approval, we assess the probable future benefit of the asset at the time that it is recorded and monitor it through the FCC approval process. In the unlikely event the required approval is considered not probable, we write-off the capitalized costs of the project.

Allowance for bad debt

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. An analysis is performed by applying various percentages based on the age of the receivable and performing other subjective analyses. A considerable amount of judgment is required in assessing the likelihood of ultimate realization of these receivables, including the current creditworthiness of each customer. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Intangible assets

Under the FASB's new rules (SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets"), we no longer amortize goodwill and intangible assets deemed to have indefinite lives, and will perform annual impairment tests in accordance with the statements. We believe our FCC licenses have indefinite lives under the new standard and accordingly amortization expense is not recorded for our FCC licenses or our goodwill effective July 1, 2001 for assets acquired subsequent to September 30, 2001, and effective January 1, 2002 for all other assets. Other intangible assets will continue to be amortized over their useful lives.

We perform an annual test of impairment on our FCC licenses and our goodwill. These tests include comparing the recorded values to the appraised values, calculations of discounted cash flows, operating income and other analyses. As of December 31, 2002, based on our application of the impairment rules, no impairment was recorded. The assessment of the fair values of these assets and the underlying businesses are estimates which require careful consideration and judgments by our management. If conditions in the markets in which our stations and other media businesses operate or if the operating results of our stations and other media businesses change or fail to develop as anticipated, our estimates of the fair values may change in the future and result in impairment charges.

Valuation allowance (deferred taxes)

For financial reporting purposes, we have recorded a valuation allowance of \$1.4 million as of September 30, 2003 to offset a portion of the deferred tax assets related to the state net operating loss carryforwards. Management regularly reviews the company's financial forecasts in an effort to determine the realizability of the net operating loss carryforwards for tax purposes. Accordingly, the valuation allowance is adjusted periodically based on management's estimate of the benefit the company will receive from such carryforwards.

Long-term debt and debt covenant compliance

Our classification of our borrowings under our credit facility as long-term debt in our balance sheet is based on our assessment that under the borrowing restrictions and covenants in our credit facility and after considering our projected operating results and cash flows for the coming year that no principal payments will be required pursuant to the credit agreement. These projections are estimates which are inherently uncertain and dependent upon a number of factors including developments in the markets in which we are operating in and economic and political factors, among other factors; our actual results could differ from these estimates. Should our actual results differ materially from these estimates, payments may become due under our credit facility or it may become necessary to seek an amendment to our credit facility. Based on our management's current assessment, we do not anticipate principal payments becoming due under our credit facility or a further amendment of our credit facility becoming necessary.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed acquisitions through borrowings, including borrowings under credit facilities and, to a lesser extent, from operating cash flow and selected asset dispositions. We expect to fund future acquisitions from cash on hand, borrowings under the credit facility and operating cash flow. We have historically funded, and will continue to fund, expenditures for operations, administrative expenses, capital expenditures and debt service required by our credit facility and our senior subordinated notes from operating cash flow and borrowings under our credit facility. We believe that cash on hand, cash flow from operations and borrowings under the credit facility will be sufficient to permit us to meet our financial obligations, fund pending acquisitions and fund operations for at least the next twelve months.

Cash. Cash and cash equivalents was \$5.5 million at September 30, 2003. Working capital was \$26.9 million at September 30, 2003. Cash and cash equivalents was \$26.3

million at December 31, 2002. The decrease in cash and cash equivalents is due primarily to the use of \$33.5 million to repay borrowings under our credit facility, \$8.7 million for the purchase of the assets of four radio stations in Jacksonville, Florida and \$6.4 million for capital expenditures, partially offset by \$15.4 million of additional borrowings under our credit facility and cash provided by operating activities.

Net cash provided by operating activities increased to \$15.6 million for the nine months ended September 30, 2003 compared to \$5.6 million in the same period of the prior year, primarily due to an increase in operating income, lower interest expense, an increase in deferred revenue related to two long-term tower leases, improved accounts receivable collections, and a decrease in other receivables due to a payment received under our interest rate swap agreement.

Net cash used in investing activities was \$16.6 million for the nine months ended September 30, 2003 compared to \$13.5 million for the same period of the prior year. The increase is due primarily to the proceeds of \$45.0 million from the sale of the assets of WYGY-FM, Cincinnati, Ohio offset by \$45.8 million cash used to purchase the assets of four radio stations in the first nine months of 2002, compared to \$8.7 million cash used to purchase the assets of the Jacksonville, Florida radio stations in the first nine months of 2003, offset by a decrease in capital expenditures of \$4.8 million in the 2003 period as compared to the same nine month period of 2002.

Net cash used in financing activities was \$19.8 million for the nine months ended September 30, 2003 compared to net cash provided by financing activities of \$36.1 million for the same period of the prior year. The difference is primarily due to increased repayments under our credit facility of \$33.5 million for the nine months ended September 30, 2003 as compared to \$4.0 million for the same period in the prior year, partially offset by additional borrowings of \$15.4 million under the credit facility for the nine months ended September 30, 2003 as compared to \$40.6 million for the same period in the prior year.

Credit Facility. Our wholly-owned subsidiary, HoldCo, is the borrower under our credit facility. The credit facility was amended and restated as of September 25, 2003 and includes a \$75.0 million senior secured revolving credit facility ("revolving credit facility") as well as a \$75.0 million term loan facility. The description of the credit facility as set forth below reflects the terms of the amendment and restatement. As of September 30, 2003 the borrowing capacity and aggregate commitments under the credit facility was \$75.0 million under the revolving credit facility and \$75.0 million under the term loan. The amount we can borrow, however, is subject to certain restrictions as described below. At September 30, 2003, \$75.0 million was outstanding under the term loan portion of the credit facility. The revolving credit facility steps down in three 10% increments commencing June 30, 2007 and matures on March 25, 2009. The term loan facility matures on the earlier of March 25, 2010 or the date that is six months prior to the maturity of any subordinated indebtedness of Salem or HoldCo. The facilities require us to prepay borrowings under the facilities with excess cash flow and the net proceeds from the sale of assets, the issuance of equity interests and the issuance of subordinated notes. If we are required to make these prepayments, our borrowing capacity and the aggregate commitments under the facilities will be reduced, but such reduction shall not, in any event, reduce the borrowing capacity and aggregate commitments under the facilities below \$50.0 million.

Amounts outstanding under the facility bear interest at a rate based on, at HoldCo's option, the bank's prime rate or LIBOR, in each case plus a spread. For purposes of determining the interest rate under the revolving credit facility, the prime rate spread ranges from 0.25% to 1.75%, and the LIBOR spread ranges from 1.5% to 3.0%. For the term loan portion of the credit facility, the prime rate spread ranges from 1.25% to 1.75%, and the LIBOR spread ranges from 2.5% to 3.0%. In each case, the spread is based on the total leverage ratio on the date of determination. At September 30, 2003, the blended interest rate on amounts outstanding under the credit facility was 5.5%, which was reduced to 3.9375% on October 1, 2003. If an event of default occurs, the rate may increase by 2.0%.

The maximum amount that HoldCo may borrow under the credit facility is limited by a ratio of our consolidated existing total adjusted funded debt to pro forma twelve-month cash flow (the "Total Leverage Ratio"). The credit facility will allow us to adjust our total debt as used in such calculation by the lesser of (i) 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 (ii) \$45.0 million, and the cash flow from such stations will not be considered in the calculation of the ratio during the period in which such acquisition gives rise to an adjustment to total debt. The Total Leverage Ratio allowed under the credit facility was 7.25 to 1 as of September 30, 2003. Thereafter, the maximum ratio will decline periodically until December 31, 2006, at which point it will remain at 5.5 to 1 through March 2009. The Total Leverage Ratio under the credit facility at September 30, 2003, on a pro forma basis, was 6.69 to 1, resulting in a borrowing availability of approximately \$24.8 million.

The credit facility contains additional restrictive covenants customary for a credit facility of the size, type and purpose contemplated which, with specified exceptions, limits our ability to incur debt, have liens, 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 us on a consolidated basis to maintain specified financial ratios and comply with certain financial tests, including ratios for maximum leverage as described above, minimum interest coverage (not less than 1.5 to 1 through June 29, 2005 increasing in increments to 2.5 to 1 after June 30, 2008), minimum debt service coverage (a static ratio of not less than 1.25 to 1), a maximum consolidated senior leverage ratio (a static ratio of 3.0 to 1 prior to the issuance of \$50.0 million in New Subordinated Notes, after any such issuance the ratio shall not exceed 2.5 to 1), and minimum fixed charge coverage (a static ratio of not less than 1.1 to 1). We and all of our subsidiaries, except for HoldCo, are guarantors of borrowings under the credit facility. The credit facility is secured by liens on all of our and our subsidiaries' assets and pledges of all of the capital stock of our subsidiaries.

As of September 30, 2003, management believes we were in compliance with all of the covenants under the terms of the credit facility.

9½% Senior Subordinated Notes due 2007. In September 1997, we issued \$150.0 million principal amount of 9½% Notes. In July 1999, we repurchased \$50.0 million in principal amount of those notes with a portion of the net proceeds of our initial public offering.

In January 2003, we redeemed the remaining \$100.0 million in principal amount of the 9½% Notes from the proceeds of the issuance of \$100.0 million principal amount of 7¾% Notes. As a result of this redemption, we incurred a non-cash charge in the first quarter of 2003 of approximately \$1.7 million for the write-off of unamortized bond issue costs. This was in addition to the \$4.8 million premium paid in connection with this redemption.

9% Senior Subordinated Notes Due 2011. In September 2001, HoldCo issued \$150.0 million principal amount of 9% Notes. HoldCo used the net proceeds to repay approximately \$145.5 million in borrowings under the credit facility. The indenture for the 9% Notes contains restrictive covenants that, among others, limit the incurrence of debt by HoldCo and its subsidiaries, the payment of dividends, the use of proceeds of specified asset sales and transactions with affiliates. HoldCo is required to pay \$13.5 million per year in interest on the 9% Notes. We and all of our subsidiaries (other than HoldCo) are guarantors of the 9% Notes.

As of September 30, 2003, management believes we were in compliance with all of the covenants under the indenture for the 9% Notes.

7¾% Senior Subordinated Notes due 2010. In December 2002, HoldCo issued \$100.0 million principal amount of 7¾% Notes. HoldCo used the net proceeds to redeem the \$100.0 million 9½% Notes on January 22, 2003. The indenture for the 7¾% Notes contains restrictive covenants that, among others, limit the incurrence of debt by HoldCo and its subsidiaries, the payment of dividends, the use of proceeds of specified asset sales and transactions with affiliates. HoldCo is required to pay \$7.8 million per year in interest on the 7¾% Notes. We and all of our subsidiaries (other than HoldCo) are guarantors of the 7¾% Notes.

As of September 30, 2003, management believes we were in compliance with all of the covenants under the indenture for the 7¾% Notes.

Long-term debt consisted of the following at the balance sheet dates indicated:

	2002	2003
	<i>(Dollars in thousands)</i>	
Revolving line of credit with banks	\$ 93,050	\$ —
Term loan under credit facility	—	75,000
9½% senior subordinated notes due 2007	100,000	—
7¼% senior subordinated notes due 2010	100,000	100,000
9% senior subordinated notes due 2011	150,000	150,000
Fair value in excess of book value of debt hedged with interest rate swap	7,790	6,439
Capital leases and other loans	97	33
	450,937	331,472
Less current portion	100,029	19
	\$ 350,908	\$ 331,453

We are exposed to fluctuations in interest rates. We actively monitor these fluctuations and use derivative instruments from time to time to manage the related risk. In accordance with our risk management strategy, we use derivative instruments only for the purpose of managing risk associated with an asset, liability, committed transaction, or probable forecasted transaction that is identified by management. Our use of derivative instruments may result in short-term gains or losses and may increase volatility in our earnings.

We had two interest rate swap agreements outstanding as of September 30, 2003, which are used to manage our exposure to changes in the fair value of a recognized asset or liability that may result due to changes in interest rates. The counter party to these interest rate swap agreements are major financial institutions. Although we are exposed to credit loss in the event of nonperformance by the counter party, we do not anticipate nonperformance by the counter party nor would we expect any such loss to be material.

At September 30, 2003, an interest rate swap agreement with a notional principal amount of \$66.0 million was outstanding. This agreement relates to our \$150.0 million 9% senior subordinated notes due 2011 ("9% Notes"). This agreement expires in 2011 when the 9% Notes mature, and effectively swaps the 9% fixed interest rate on \$66.0 million of the 9% Notes for a floating rate equal to the LIBOR rate plus 3.09%. The estimated fair value of this swap agreement and the excess of fair value over the book value of the debt hedged by the swap, based on current market rates, were each \$6.4 million at September 30, 2003. Changes in the fair value of the swap and the changes in the fair value of debt being hedged are recorded as part of interest expense. The fair value of the swap agreement is included with long-term assets, and the fair value of the debt hedged by the swap is recorded in long-term debt consistent with the maturity date of the swap. Because this fair value hedge is effective (that is, the change in the fair value of the hedge instrument is designed to be equal to the change in the fair value of the item being hedged), there was no income statement effect relative to the change in the fair value of the swap agreement. Interest expense for the nine months ended September 30, 2003 was reduced by \$2.3 million as a result of the difference between the 9.0% fixed interest rate on our debt and the floating interest rate under the swap agreement, which was 4.47% for the nine months ended September 30, 2003 and is 4.21% for the six month period ended December 31, 2003.

On July 27, 2003, we entered into a second interest rate swap agreement with a notional principal amount of \$24.0 million. This agreement also relates to our 9% Notes. This agreement expires in 2011 when the 9% Notes mature, and effectively swaps the 9% fixed interest rate on \$24.0 million of the 9% Notes for a floating rate equal to the LIBOR rate plus 4.86%. The estimated negative fair value of this swap agreement and the excess of book value over the change in fair value of the debt hedged by the swap, based on current market rates, were each \$0.3 million at September 30, 2003. Changes in the fair value of the swap and the changes in the fair value of debt being hedged are recorded as part of interest expense. The fair value of the swap agreement is included with long-term liabilities, and the fair value of the debt hedged by the swap is recorded in long-term debt consistent with the maturity date of the swap. Because this fair value hedge is effective (that is, the change in the fair value of the hedge instrument is designed to be equal to the change in the fair value of the item being hedged), there was no income statement effect relative to the change in the fair value of the swap agreement. Interest expense for the nine months ended September 30, 2003 was reduced by \$0.2 million as a result of the difference between the 9.0% fixed interest rate on our debt and the floating interest rate under the swap agreement, which is 5.98% for the six month period ended December 31, 2003.

At September 30, 2003 and 2002, Salem did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, Salem is not materially exposed to any financing, liquidity, market or credit risk that could arise if Salem had engaged in such relationships.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

DERIVATIVE INSTRUMENTS

We are exposed to fluctuations in interest rates. We actively monitor these fluctuations and use derivative instruments from time to time to manage the related risk. In accordance with our risk management strategy, we use derivative instruments only for the purpose of managing risk associated with an asset, liability, committed transaction, or probable forecasted transaction that is identified by management. Our use of derivative instruments may result in short-term gains or losses and may increase volatility in our earnings.

At September 30, 2003, an interest rate swap agreement with a notional principal amount of \$66.0 million was outstanding. The interest rate swap agreement is used to manage our exposure to changes in the fair value of a recognized asset or liability that may result due to changes in interest rates. This agreement expires in 2011 when the 9% Notes mature, and effectively swaps the 9.0% fixed interest rate on \$66.0 million of our debt for a floating rate equal to the LIBOR rate plus 3.09%. The estimated fair value of this swap agreement and the change in fair value of the debt hedged by the swap, based on current market rates, were each \$7.3 million at September 30, 2003. The fair value of the swap agreement is included with long-term assets, and the fair value of the debt hedged by the swap is recorded in long-term debt consistent with the maturity date of the swap. Changes in the fair value of the swap and the changes in the fair value of the debt being hedged are recorded as part of interest expense. Because this fair value hedge is effective (that is, the change in the fair value of the hedge instrument is designed to be equal to the change in the fair value of the item being hedged), there was no income statement effect relative to the change in the fair value of the swap agreement. Interest expense for the nine months ended September 30, 2003 was reduced by \$2.3 million as a result of the difference between the 9.0% fixed interest rate on our debt and the floating interest rate under the swap agreement, which was 4.47% for the six months ended September 30, 2003 and will be 4.21% for the six month period ended December 31, 2003. The counter party to this interest rate swap agreement is a major financial institution. Although we are exposed to credit loss in the event of nonperformance by the counter party, we do not anticipate nonperformance by the counter party nor would we expect any such loss to be material.

On July 27, 2003, we entered into a second interest rate swap agreement with a notional principal amount of \$24.0 million. This agreement also relates to our 9% Notes. This agreement expires in 2011 when the 9% Notes mature, and effectively swaps the 9% fixed interest rate on \$24.0 million of the 9% Notes for a floating rate equal to the LIBOR rate plus 4.86%. The estimated negative fair value of this swap agreement and the excess of book value over the change in fair value of the debt hedged by the swap, based on current market rates, were each \$0.3 million at September 30, 2003. Changes in the fair value of the swap and the changes in the fair value of debt being hedged are recorded as part of interest expense. The fair value of the swap agreement is included with long-term liabilities, and the fair value of the debt hedged by the swap is recorded in long-term debt consistent with the maturity date of the swap. Because this fair value hedge is effective (that is, the change in the fair value of the hedge instrument is designed to be equal to the

change in the fair value of the item being hedged), there was no income statement effect relative to the change in the fair value of the swap agreement. Interest expense for the nine months ended September 30, 2003 was reduced by \$0.2 million as a result of the difference between the 9.0% fixed interest rate on our debt and the floating interest rate under the swap agreement, which is 5.98% for the six month period ended December 31, 2003.

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MARKET RISK

In addition to the interest rate swap agreements discussed above under "Derivative Instruments," borrowings under the credit facility are subject to market risk exposure, specifically to changes in LIBOR and in the prime rate in the United States. At September 30, 2003, we had borrowed \$75.0 million under the credit facility. As of September 30, 2003, we could borrow up to an additional \$24.8 million under the credit facility. Amounts outstanding under the credit facility bear interest at a base rate, at our option, of the banks prime rate or LIBOR, plus a spread. For purposes of determining the interest rate under the revolving credit facility, the prime rate spread ranges from 0.25% to 1.75%, and the LIBOR spread ranges from 1.5% to 3.0%. At September 30, 2003, the blended interest rate on amounts outstanding under the credit facility was 5.5%. At September 30, 2003, a hypothetical 100 basis point increase in the prime rate would result in additional interest expense of \$0.8 million on an annualized basis.

In addition to the variable rate debt disclosed above, we have fixed rate debt with a carrying value of \$250.0 million (relating to the 9% Notes and the 7¾% Notes) as of September 30, 2003, with an aggregate fair value of \$263.8 million. We are exposed to changes in the fair value of these financial instruments based on changes in the market rate of interest on our debt. The ultimate value of these notes will be determined by actual market prices, as all of these notes are tradable. We estimate that a hypothetical 100 basis point increase in market interest rates would result in a decrease in the aggregate fair value of the 9% Notes and 7¾% Notes to approximately \$249.8 million and a hypothetical 100 basis point decrease in market interest rates would result in the increase of the fair value of the 9% Notes and 7¾% Notes to approximately \$278.8 million.

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ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the company carried out an evaluation, under the supervision and with the participation of the company's management, including the company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures are effective in timely alerting them to material information required to be included in the company's periodic filings with the SEC.

There were no significant changes in the company's internal controls over financial reporting or in other factors that could significantly affect these internal controls subsequent to the date of the most recent evaluation. Since there were no significant deficiencies or material weaknesses in the company's internal controls over financial reporting, the company did not take any corrective actions.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Incident to our business activities, we are party to a number of legal proceedings, lawsuits, arbitration and other claims. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Also, we maintain 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, 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 our financial position, results of operations or cash flows.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

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

ITEM 5. OTHER INFORMATION

Not applicable.

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

Set forth below is a list of exhibits included as part of this Quarterly Report:

Exhibit Number	Description of Exhibits
3.01	Amended and Restated Certificate of Incorporation of Salem Communications Corporation, a Delaware corporation. (1)
3.02	Bylaws of Salem Communications Corporation, a Delaware Corporation. (1)
3.03	Certificate of Incorporation of Salem Communications Holding Corporation (incorporated by reference to previously filed exhibit 2.01). (2)
3.04	Bylaws of Salem Communications Holding Corporation (incorporated by reference to previously filed exhibit 2.02). (2)
3.05	Certificate of Incorporation of Salem Communications Acquisition Corporation (incorporated by reference to previously filed exhibit 2.03). (2)
3.06	Bylaws of Salem Communications Acquisition Corporation (incorporated by reference to previously filed exhibit 2.04). (2)

3.07	Certificate of Incorporation of SCA License Corporation (incorporated by reference to previously filed exhibit 2.05). (2)
3.08	Bylaws of SCA License Corporation (incorporated by reference to previously filed exhibit 2.06). (2)
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 9½% Series A and Series B Senior Subordinated Notes due 2007. (3)
4.02	Form of 9½% Senior Subordinated Note (filed as part of exhibit 4.01). (3)
4.03	Form of Note Guarantee (filed as part of exhibit 4.01). (3)
4.04	Specimen of Class A common stock certificate. (4)
4.05	Supplemental Indenture No. 1, dated as of March 31, 1999, to the Indenture, dated as of September 25, 1997, by and among Salem Communications Corporation, a California corporation, Salem Communications Corporation, a Delaware corporation, The Bank of New York, as Trustee, and the Guarantors named therein. (4)
4.06	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 (incorporated by reference to previously filed exhibit 4.11). (2)
4.07	Supplemental Indenture No. 3, dated as of March 9, 2001, 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. (5)
4.08	Supplemental Indenture No. 4, dated as of June 25, 2001, by and among Salem Communications Holding Corporation, a Delaware corporation, the guarantors named therein and The Bank of New York, as Trustee. (6)

4.09	Fifth Amended and Restated Credit Agreement, dated as of September 25, 2003, by and among Salem Communications Corporation, Salem Communications Holding Corporation, General Electric Capital Corporation, as Syndication Agent, Suntrust Bank, as Syndication Agent, Fleet National Bank, as Documentation Agent, ING (U.S.) Capital, LLC, as Documentation Agent, The Bank of New York, as Administrative Agent, and the Lenders party thereto.
4.10	Second Amended and Restated Parent Security Agreement dated as of June 15, 2001, 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. (6)
4.15	Indenture between Salem Communications Holding Corporation, a Delaware corporation, certain named guarantors and The Bank of New York, as Trustee, dated as of June 25, 2001, relating to the 9% Series A and Series B Senior Subordinated Notes due 2011. (6)
4.16	Form of 9% Senior Subordinated Notes (filed as part of exhibit 4.15).
4.17	Form of Note Guarantee (filed as part of exhibit 4.15). (6)
4.18	Registration Rights Agreement dated as of June 25, 2001, by and among Salem Communications Holding Corporation, the guarantors and initial purchasers named therein. (6)
4.19	Indenture, dated as of December 23, 2002, relating to the 7¼% Senior Subordinated Notes due 2010 by and among Salem Holding, the Company and The Bank of New York, as trustee, with form of Note incorporated (incorporated by reference to previously filed exhibit 4.1). (9)
4.20	Form of 7¼% Senior Subordinated Notes (filed as part of exhibit 4.19). (9)
4.21	Form of Note Guarantee (filed as part of exhibit 4.19). (9)
4.22	Supplemental Indenture No. 1 to the 7¼% Senior Subordinated Notes, dated as of December 16, 2002, between Salem Communications Corporation and its guarantors, and Bank of New York. (11)
4.23	Supplemental Indenture No. 1 to the 9% Senior Subordinated Notes, dated as of December 23, 2002, between Salem Communications Corporation and its guarantors, and Bank of New York. (11)
4.24	Supplemental Indenture No. 2 to the 7¼% Senior Subordinated Notes, dated as of June 12, 2003, between Salem Communications Corporation and its guarantors, and Bank of New York. (17)
4.25	Supplemental Indenture No. 2 to the 9% Senior Subordinated Notes, dated as of June 12, 2003, between Salem Communications Corporation and its guarantors, and Bank of New York. (17)
4.26	Consent No. 2, dated as of July 23, 2003, under the Fourth Amended and Restated Credit Agreement between Salem Communications Corporation and its guarantors, and The Bank of New York. (17)

10.01.01	Employment Agreement, dated July 1, 2001, between Salem Communications Holding Corporation and Edward G. Atsinger III (incorporated by reference to previously filed exhibit 10.01.02). (6)
10.01.02	Split-Dollar Life Insurance Agreement effective as of April 2, 1997, by and between Salem Communications Corporation, Edward G. Atsinger III and Eric H. Halvorson, as Trustee under that certain Declaration of Trust (Atsinger Trust No. 1) dated as of April 1, 1997.
10.02.01	Employment Agreement, dated July 1, 2001, between Salem Communications Holding Corporation and Stuart W. Epperson (incorporated by reference to previously filed exhibit 10.02.01). (16)
10.02.02	Split-Dollar Life Insurance Agreement effective as of April 2, 1997, by and between Salem Communications Corporation, Stuart W. Epperson and Edward G. Atsinger III, as Trustee under that certain Declaration of Trust (Epperson Trust No. 1) dated as of April 1, 1997.
10.03	Consulting Agreement dated July 1, 2001, between Salem and Eric H. Halvorson (incorporated by reference to previously filed exhibit 10.03.06). (7)
10.04	Employment Agreement, dated September 16, 2003, between Salem Communications Holding Corporation and David A.R. Evans.
10.05.01	Antenna/tower lease between Caron Broadcasting, Inc. (WHLO-AM/Akron, Ohio) and Messrs. Atsinger and Epperson expiring 2007. (3)
10.05.02	Antenna/tower/studio lease between Caron Broadcasting, Inc. (WTSJ-AM/ Cincinnati, Ohio) and Messrs. Atsinger and Epperson expiring 2007. (3)
10.05.03	Antenna/tower lease between Caron Broadcasting, Inc. (WHK-FM/Canton, Ohio) and Messrs. Atsinger and Epperson expiring 2007. (3)
10.05.04	Antenna/tower/studio lease between Common Ground Broadcasting, Inc. (KKMS-AM/Eagan, Minnesota) and Messrs. Atsinger and Epperson expiring in 2006. (3)
10.05.05	Antenna/tower lease between Common Ground Broadcasting, Inc. (WHK-AM/ Cleveland, Ohio) and Messrs. Atsinger and Epperson expiring 2008. (3)
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. (3)
10.05.07	Antenna/tower/studio lease between Inland Radio, Inc. (KKLA-AM/San Bernardino, California) and Messrs. Atsinger and Epperson expiring 2002. (3)
10.05.08	Antenna/tower lease between Inspiration Media, Inc. (KGNW-AM/Seattle, Washington) and Messrs. Atsinger and Epperson expiring in 2002. (3)

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. (3)
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. (3)
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. (3)
10.05.12	Antenna/tower lease between Radio 1210, Inc. (KPRZ-AM/Olivenhain, California) and The Atsinger Family Trust expiring in 2002. (3)
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). (13)
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. (3)
10.05.15	Antenna/tower lease between Salem Media of Colorado, Inc. (KNUS-AM/Denver-Boulder, Colorado) and Messrs. Atsinger and Epperson expiring 2006. (3)
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). (13)
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. (3)
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. (3)
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. (3)
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. (3)
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. (3)
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. (3)
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. (14)
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. (14)

10.06	Asset Purchase Agreement, dated June 2002, by and between Caron Broadcasting, Inc. and Susquehana Radio Corp. (WYGY-FM, Cincinnati, OH). (15)
10.07.01	Evidence of Key man life insurance policy no. 2256440M insuring Edward G. Atsinger III in the face amount of \$5,000,000 (incorporated by reference to previously filed exhibit 10.09.01). (3)
10.07.02	Evidence of Key man life insurance policy no. 2257474H insuring Edward G. Atsinger III in the face amount of \$5,000,000 (incorporated by reference to previously filed exhibit 10.09.02). (3)
10.07.03	Evidence of Key man life insurance policy no. 2257476B insuring Stuart W. Epperson in the face amount of \$5,000,000 (incorporated by reference to previously filed exhibit 10.09.03). (3)
10.08	1999 Stock Incentive Plan (incorporated by reference to previously filed exhibit 10.10). (4)
10.09	Management Services Agreement by and among Salem and Salem Communications Holding Corporation, dated August 25, 2000 (incorporated by reference to previously filed exhibit 10.11). (7)
21.01	Subsidiaries of Salem Communications Corporation.
31.1	Certification of Edward G. Atsinger III Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.
31.2	Certification of David A.R. Evans Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.
32.1	Certification of Edward G. Atsinger III Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of David A.R. Evans Pursuant to 18 U.S.C. Section 1350.

(1)	Incorporated by reference to the exhibit of the same number, unless otherwise noted, of Salem's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 14, 1999.
(2)	Incorporated by reference to the exhibit of the same number, unless otherwise noted, to Salem's Current Report on Form 8-K; filed with the Securities and Exchange Commission on September 8, 2000.
(3)	Incorporated by reference to the exhibit of the same number, unless otherwise noted, of Salem's Registration Statement on Form S-4 (No. 333-41733), as amended, as declared effective by the Securities and Exchange Commission on February 9, 1998.
(4)	Incorporated by reference to the exhibit of the same number, unless otherwise noted, to the Company's Registration Statement on Form S-1 (No. 333-76649) as amended, as declared effective by the Securities and Exchange Commission on June 30, 1999.
(5)	Incorporated by reference to the exhibit of the same number, unless otherwise noted, of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on October 16, 2001.
(6)	Incorporated by reference to the exhibit of the same number, unless otherwise noted, to Salem's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 14, 2001.
(7)	Incorporated by reference to the exhibit of the same number, unless otherwise noted, to Salem's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on April 2, 2001.
(8)	Incorporated by reference to the exhibit of the same number, unless otherwise noted, to Salem's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on May 15, 2002.
(9)	Incorporated by reference to the exhibit of the same number, unless otherwise noted, to Salem's Current Report on Form 8-K, filed with the Securities and Exchange Commission on December 23, 2002.
(10)	Incorporated by reference to the exhibit of the same number, unless otherwise noted, to Salem's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 2, 2001.
(11)	Incorporated by reference to the exhibit of the same number, unless otherwise noted of Salem's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 31, 2003.
(12)	Incorporated by reference to the exhibit of the same number, unless otherwise noted, to Salem's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on November 14, 2001.
(13)	Incorporated by reference to the exhibit of the same number, unless otherwise noted, to Salem's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 30, 2000.

- (14) Incorporated by reference to the exhibit of the same number, unless otherwise noted, of Salem's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 31, 1999.
- (15) Incorporated by reference to the exhibit of the same number, unless otherwise noted, to Salem's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 14, 2002.
- (16) Incorporated by reference to the exhibit of the same number, unless otherwise noted, to Salem's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on April 1, 2002.
- (17) Incorporated by reference to the exhibit of the same number, unless otherwise noted, to Salem's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on August 6, 2003.

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(b) REPORTS ON FORM 8-K

The company filed a Current Report on Form 8-K, dated August 4, 2003 and filed with the SEC on August 5, 2003, reporting the issuance of a press release on the financial results of the June 30, 2003 fiscal quarter.

The company filed a Current Report on Form 8-K, dated September 29, 2003 and filed with the SEC on September 30, 2003, reporting the execution of its Fifth Amended and Restated Credit Agreement, dated September 25, 2003. In addition, the company reported the issuance of a press release regarding a confirmation of earnings guidance for the fiscal quarter ending September 30, 2003.

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SIGNATURES

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

November 6, 2003	<p>SALEM COMMUNICATIONS CORPORATION</p> <p>By: /s/ EDWARD G. ATSINGER III</p> <hr style="width: 100%;"/> <p>Edward G. Atsinger III President and Chief Executive Officer (Principal Executive Officer)</p>
November 6, 2003	<p>By: /s/ DAVID A.R. EVANS</p> <hr style="width: 100%;"/> <p>David A.R. Evans Executive Vice President and Chief Financial Officer (Principal Financial Officer)</p>

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EXHIBIT INDEX

Exhibit Number	Description of Exhibits
4.09	Fifth Amended and Restated Credit Agreement, dated as of September 25, 2003, by and among Salem Communications Corporation, Salem Communications Holding Corporation, General Electric Capital Corporation, as Syndication Agent, Suntrust Bank, as Syndication Agent, Fleet National Bank, as Documentation Agent, ING (U.S.) Capital, LLC, as Documentation Agent, The Bank of New York, as Administrative Agent, and the Lenders party thereto.
10.04	Employment Agreement, dated September 16, 2003, between Salem Communications Holding Corporation and David A.R. Evans.
31.1	Certification of Edward G. Atsinger III Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.
31.2	Certification of David A.R. Evans Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act.
32.1	Certification of Edward G. Atsinger III Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of David A.R. Evans Pursuant to 18 U.S.C. Section 1350.

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EXHIBIT 4.09

dated as of September 25, 2003

among

SALEM COMMUNICATIONS CORPORATION,
SALEM COMMUNICATIONS HOLDING CORPORATION,
as Borrower

The Lenders Party Hereto,

GENERAL ELECTRIC CAPITAL CORPORATION and SUNTRUST BANK,
as Syndication Agents

FLEET NATIONAL BANK and ING (U.S.) CAPITAL LLC,
as Documentation Agents

and

THE BANK OF NEW YORK,
as Administrative Agent

BNY CAPITAL MARKETS, INC.,
as Lead Arranger and Book Runner

Bryan Cave LLP
1290 Avenue of the Americas
New York, New York 10104-3300

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Exhibit B-1	Form of Opinion of General Counsel to the Loan Parties
Exhibit B-2	Form of Opinion of FCC counsel to the Loan Parties
Exhibit C	Form of Credit Request
Exhibit D-1	Form of Note
Exhibit D-2	Form of Swingline Note
Exhibit E	Form of Guarantee Agreement
Exhibit F	Form of Security Agreement
Exhibit G	Form of Compliance Certificate
Exhibit H	Form of Revolving Increase Supplement
Exhibit I	Form of B Term Increase Supplement
Exhibit J	Form of C Term Increase Supplement

FIFTH AMENDED AND RESTATED CREDIT AGREEMENT, dated as of September 25, 2003, among SALEM COMMUNICATIONS HOLDING CORPORATION, SALEM COMMUNICATIONS CORPORATION, the Lenders party hereto, General Electric Capital Corporation and SunTrust Bank, as Syndication Agents, Fleet National Bank and ING (U.S.) Capital LLC, as Documentation Agents, and THE BANK OF NEW YORK, as Administrative Agent.

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, the other agents party thereto, 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 "Old Parent") with Old Parent as the survivor. In connection therewith, Old 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 Old Parent, as borrower, The Bank of New York, as Administrative Agent, the other agents party thereto, 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 hereinafter defined), as borrower, The Bank of New York, as Administrative Agent, the other agents party thereto, and each Lender party thereto (as amended prior to the Third Restatement Date (as defined below), the "Second Restated Agreement").

E. The Second Restated Agreement was amended and restated in its entirety by the Third Amended and Restated Credit Agreement, dated as of November 7, 2000 (the "Third Restatement Date"), by and among the Borrower, The Bank of New York, as Administrative Agent, the other agents party thereto, and each Lender party thereto (as amended prior to the Fourth Restatement Date, the "Third Restated Agreement").

F. The Third Restated Agreement was amended and restated in its entirety by the Fourth Amended and Restated Credit Agreement, dated as of June 15, 2001 (the "Fourth Restatement Date"), by and among the Borrower, The Bank of New York, as Administrative Agent, the other agents party thereto, and each Lender party thereto (as amended prior to the Fifth Restatement Date (as defined below), the "Fourth Restated Agreement").

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

H. Immediately prior to the effectiveness of this Credit Agreement, the total RC Commitments (under and as defined in the Fourth Restated Agreement) are \$127,500,000. Upon the effectiveness of this Credit Agreement, (i) the RC Commitments (referred to herein as Revolving Commitments) will be reduced to \$75,000,000 and (ii) a portion of the outstanding RC Loans (as defined in the Fourth Restated Agreement) will be converted to B Term Loans.

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

J. For convenience, this Credit Agreement is dated as of September 25, 2003 (the "Fifth Restatement Date"), and references to certain matters relating to the period prior thereto have been deleted.

The parties hereto agree as follows:

Article 1.

DEFINITIONS

Section 1.1 Defined Terms

As used in this Credit Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (i) the LIBO Rate for such Interest Period multiplied by (ii) the Statutory Reserve Rate.

"Adjusted Operating Cash Flow" means, for any period, Operating Cash Flow for such period plus if Other Media Cash Flow is negative, such negative Other Media Cash Flow (expressed as a positive number) for or during such period, provided that the aggregate amount of such negative Other Media Cash Flow added back for the period from and after January 1, 2003 shall not exceed \$10,000,000.

"Adjusted Revolving Credit Exposure" means, at any date of determination, an amount equal to (i) the Revolving Credit Exposure minus (ii) the Swingline Exposure in each case on such date.

"Administrative Agent" means BNY, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified. 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.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (i) the Prime Rate in effect on such day and (ii) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate.

"Applicable Margin" means, at all times on and after the Fifth Restatement Effective Date and during the applicable periods set forth below:

(a) subject to clause (c) of this definition, with respect to (i) ABR Revolving Borrowings and Swingline Loans, the percentage set forth in the following table under the heading "Revolving ABR and Swingline Margin", and (ii) with respect to Eurodollar Revolving Borrowings and fees payable under Section 3.3(b), the percentage set forth in the following table under the heading "Revolving Eurodollar Margin and LC Fee":

When the Total Leverage Ratio is:			
greater than or equal to	and less than	Revolving ABR and Swingline Margin	Revolving Eurodollar Margin and LC Fee
7.00:1.00		1.750%	3.000%
6.50:1.00	7.00:1.00	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%
	5.00:1.00	0.250%	1.500%

(b) subject to clause (c) of this definition, with respect to (i) ABR B Term Loan Borrowings, the percentage set forth in the following table under the heading "B Term ABR Margin", and (ii) with respect to Eurodollar B Term Loan Borrowings, the percentage set forth in the following table under the heading "B Term Eurodollar Margin",

When the Total Leverage Ratio is:			
greater than or equal to	and less than	B Term ABR Margin	B Term Eurodollar Margin
7.00:1.00		1.750%	3.000%
5.50:1.00	7.00:1.00	1.500%	2.750%
	5.50:1.00	1.250%	2.500%

(c) Changes in the Applicable Margin resulting from a change in the Total Leverage Ratio, as evidenced by the Compliance Certificate most recently delivered to the Administrative Agent under Section 6.1(e), the Credit Request most recently delivered pursuant to Section 5.2, or a notice of prepayment most recently delivered pursuant to Section 2.7(e) (in the case of a Credit Request and notice of prepayment resulting in a net increase or decrease, as applicable, in the aggregate outstanding Revolving 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 such Compliance Certificate together with the applicable financial statements required to be delivered pursuant to Section 6.1(a) or (b), as the case may be, and (ii) in the case of the delivery of a Credit Request or notice of prepayment, the borrowing date or the prepayment date, as the case may be, applicable thereto. Notwithstanding anything to the contrary in clauses (a), (b) or (c) of this definition:

(i) if the Borrower shall fail to deliver to the Administrative Agent a Compliance Certificate together with the applicable financial statements required to be delivered pursuant to Section 6.1(a) or (b), as the case may be, on or prior to any date required hereby, the Total Leverage Ratio for purposes of clauses (a) and (b) of this defined term only shall be deemed to be greater than or equal to 7.00:1.00 from and including such date to the date of delivery to the Administrative Agent of such Compliance Certificate together with such applicable financial statements,

(ii) during the period commencing on the Fifth Restatement Effective Date and ending on the date of delivery to the Administrative Agent of the Compliance Certificate in respect of the fourth full fiscal quarter ending after the Fifth Restatement Effective Date, the Total Leverage Ratio for purposes of (A) clause (a) of this defined term shall be deemed to be not less than 6.00:1.00, and (B) clause (b) of this defined term shall be deemed to be not less than 5.50:1.00, and

(iii) if the Compliance Certificate most recently delivered to the Administrative Agent pursuant to Section 6.1(e), the Credit Request most recently delivered pursuant to Section 5.2, or the notice of prepayment most recently delivered pursuant to Section 2.7(e) (in the case of a Credit Request and notice of prepayment resulting in a net increase or decrease, as applicable, in the aggregate outstanding Revolving Credit Exposure of all Lenders on any Business Day of \$10,000,000 or more), as applicable, evidences that the Senior Leverage Ratio is less than 1.50:1.00, each of the

percentages set forth in each of the tables in clauses (a) and (b) of this definition shall be reduced by 0.25%, provided that such reduction shall cease to be in effect upon the delivery of such a Compliance Certificate, Credit Request or notice of prepayment evidencing that the Senior Leverage Ratio is greater than or equal to 1.50:1.00; and

(d) with respect to ABR C Term Loan Borrowings and Eurodollar C Term Loan Borrowings, the applicable percentages as set forth in the C Term Increase Supplement.

"Applicable Percentage" means, with respect to any applicable Lender, the percentage of the total Revolving Commitments represented by such Lender's Revolving Commitment. If the Revolving Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Revolving Commitments most recently in effect, giving effect to any assignments.

"Approved Fund" means, with respect to any Lender that is a fund that invests in commercial loans, any other fund that invests in commercial loans and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.4), and accepted by the Administrative Agent, substantially in the form of Exhibit A or in such other form as shall be acceptable to the Administrative Agent.

"Availability Period" means the period from and including the Fifth Restatement Effective Date to but excluding the earlier of the Revolving Maturity Date and the date of termination of the Revolving Commitments.

"B Term Commitment" means, with respect to each Lender having a B Term Commitment, the commitment of such Lender to make a B Term Loan on the Fifth Restatement Effective Date (or to convert all or a portion of its RC Loans (under and as defined in the Fourth Restated Agreement) to a B Term Loan on the Fifth Restatement Effective Date) in an amount not exceeding the amount of such Lender's B Term Commitment as set forth on Schedule 2.1 or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its B Term Commitment, as applicable, as such B Term Commitment may be adjusted from time to time pursuant to Section 2.5 or pursuant to assignments by or to such Lender pursuant to Section 10.4. The amount of each Lender's B Term Commitment on the Fifth Restatement Date is set forth on Schedule 2.1. The aggregate amount of the B Term Commitments on the Fifth Restatement Date is \$75,000,000.

"B Term Increase Supplement" means the Increase Supplement, substantially in the form of Exhibit I, pursuant to which the Borrower elects to have all or a portion of the increase to the credit facilities permitted pursuant to Section 2.5(f) made in the form of additional B Term Loans.

"B Term Loan" means a loan referred to in Section 2.1(b) and made pursuant to Section 2.4, and including that portion of a RC Loan (as defined in the Fourth Restated Agreement) converted on the Fifth Restatement Effective Date to a B Term Loan pursuant to Section 2.1(b).

"B Term Maturity Date" means the earlier to occur of (i) March 31, 2010 and (ii) the date which is six months prior to the maturity of any Subordinated Debt.

"BNY" means The Bank of New York and its successors.

"Borrower" means Salem Communications Holding Corporation, a Delaware corporation.

"Borrower Subsidiary" means a subsidiary of the Borrower.

"Borrowing" means (i) Revolving Loans, B Term Loans or C Term Loans, as applicable, of the same Type made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect or (ii) a Swingline Loan.

"Broadcasting Station" means, collectively, all related licenses (including FCC 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 broadcast of radio programming 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, limited liability company, trust, joint venture, association, company, partnership or other entity incorporated or otherwise formed under the laws of the United States of America or any State thereof which shall own one or more Broadcasting Stations.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed, provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"C Term Commitment" means, with respect to each Lender having a C Term Commitment, the commitment of such Lender to make a C Term Loan on the date set forth in the C Term Increase Supplement in an amount not exceeding the amount of such Lender's C Term Commitment as set forth on the C Term Increase Supplement. The aggregate amount of the C Term Commitments on the Fifth Restatement Date is \$0. The aggregate amount of the C Term Commitments may not exceed the amount set forth in Section 2.5(f).

"C Term Increase Supplement" means the Increase Supplement, substantially in the form of Exhibit J, pursuant to which the Borrower elects to have all or a portion of the increase to the credit facilities permitted pursuant to Section 2.5(f) made in the form of C Term Loans.

"C Term Loan" means a loan referred to in Section 2.1(c) and made pursuant to Section 2.4.

"C Term Maturity Date" shall have the meaning set forth in the C Term Increase Supplement, provided that in no event shall the C Term Maturity Date be earlier than the date that is six months after the B

Term Maturity Date.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, to the extent required to be capitalized in accordance with GAAP.

"Change of Control" means any of the following: (i) the Permitted Holders fail to own at least 40% of the total outstanding Voting Stock of the Parent, (ii) any "Person" or "Group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than the Permitted Holders, is or becomes the "Beneficial Owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person shall be deemed to have beneficial ownership of all shares that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of a greater percentage of the total outstanding Voting Stock of the Parent than is "Beneficially Owned" (as so defined) by the Permitted Holders, (iii) the Permitted Holders fail to own at least 35% of the economic interest of the Parent, (iv) 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, (v) the failure of the Parent to own directly, beneficially and of record, 100% of the aggregate outstanding Equity Interests of the Borrower on a fully diluted basis, or (vi) the occurrence of a change of control, fundamental change or any similar circumstance which, under any of the 2001 Subordinated Indenture, 2002 Subordinated Indenture, New Subordinated Indenture, any Refinancing Subordinated Indenture or any documentation evidencing or governing any other Indebtedness of the Parent or any of the Subsidiaries of \$15,000,000 or more, results in an obligation of the Parent or any of the Subsidiaries to prepay, purchase, offer to purchase, redeem or defease any of the Indebtedness under 2001 Subordinated Indenture, 2002 Subordinated Indenture, New Subordinated Indenture, any Refinancing Indenture or any such other Indebtedness. For avoidance of doubt, the determination of the percentage of Voting Stock owned by any Person shall be based upon the percentage of the general voting power under ordinary circumstances for election of directors of the Borrower or the Parent, as the case may be, attributed to the Voting Stock owned by such Person.

"Change in Law" means (i) the adoption of any law, rule or regulation after the Fifth Restatement Date, (ii) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the Fifth Restatement Date or (iii) compliance by any Credit Party (or, for purposes of Section 3.5(b), by any lending office of such Credit Party or by such Credit Party's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the Fifth Restatement Date.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, B Term Loans, C Term Loans or Swingline Loans, as applicable.

"Code" means the Internal Revenue Code of 1986.

"Collateral" means any and all collateral as described in any applicable Security Document.

"Commitment Fee Percentage" means, at all times from and after the Fifth Restatement Effective Date and during the applicable periods set forth below, the percentage set forth below under the heading "Commitment Fee Percentage":

When the Total Leverage Ratio is:		Commitment Fee Percentage	
greater than	and less	when the Adjusted Revolving Credit Exposure is greater than or equal to 50% of the total Revolving Commitments	when the Adjusted Revolving Credit Exposure is less than 50% of the total Revolving Commitments
or equal to	than		
5.00:1.00		0.500%	0.625%
5.00:1.00		0.375%	0.500%

Changes in the Commitment Fee Percentage resulting from a change in the Total Leverage Ratio, as evidenced by the Compliance Certificate most recently delivered to the Administrative Agent under Section 6.1(e), the Credit Request most recently delivered pursuant to Section 5.2, or a notice of prepayment most recently delivered pursuant to Section 2.7(e) (in the case of a Credit Request and notice of prepayment resulting in a net increase or decrease, as applicable, in the aggregate outstanding Revolving 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 such Compliance Certificate together with the applicable financial statements required to be delivered pursuant to Section 6.1(a) or (b), as the case may be, and (ii) in the case of the delivery of a Credit Request or notice of prepayment, the borrowing date or the prepayment date, as the case may be, applicable thereto. Notwithstanding anything to the contrary in this definition, (x) if the Borrower shall fail to deliver to the Administrative Agent a Compliance Certificate together with the applicable financial statements required to be delivered pursuant to Section 6.1(a) or (b), as the case may be, on or prior to any date required hereby, the Total Leverage Ratio for purposes of this defined term only shall be deemed to be greater than or equal to 5.00:1.00 from and including such date to the date of delivery to the Administrative Agent of such Compliance Certificate together with such applicable financial statements and (y) during the period commencing on the Fifth Restatement Effective Date and ending on the date of delivery to the Administrative Agent of the Compliance Certificate in respect of the fourth full fiscal quarter ending after the Fifth Restatement Effective Date, the Total Leverage Ratio for purposes of this defined term shall be deemed to be greater than or equal to 5.00:1.00.

"Commitments" means, collectively, the Revolving Commitments, the B Term Commitments, the C Term Commitments (if applicable) and the Swingline Commitment.

"Communications Act" means the Federal Communications Act of 1934.

"Compliance Certificate" means a certificate, substantially in the form of Exhibit G.

"Confidential Information" has the meaning assigned to such term in Section 10.13.

"Continuing Lender" means a Person that is a Lender hereunder on the Fifth Restatement Effective Date and that was a Lender under and as defined in the Fourth Restated Agreement immediately prior to the Fifth Restatement Effective Date.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. The terms "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Parties" means the Administrative Agent, the Issuing Bank and the Lenders.

"Credit Request" means a Credit Request, substantially in the form of Exhibit C, or in such other form as shall be acceptable to the Administrative Agent.

"Debt Service" means, 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" means any event or condition which constitutes an Event of Default or that upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Departing Lender" means a Person that was a Lender under and as defined in the Fourth Restated Agreement immediately prior to the Fifth Restatement Effective Date and that is not a Lender hereunder on the Fifth Restatement Effective Date.

"Disclosed Matters" means the actions, suits, proceedings and environmental matters disclosed in Schedule 4.6.

"Discontinued Broadcasting Station" means a Broadcasting Station licensed to or operated by the Parent or any of the Restricted Subsidiaries in respect of which the Parent or such Restricted Subsidiary has voluntarily discontinued operations, which discontinuance shall not be the direct result of any investigation, notice of violation, order or complaint issued by or before the FCC.

"Disqualified Equity Interest" means any Equity Interest of any Person that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part.

"Documentation Agents" means Fleet National Bank and ING (U.S.) Capital LLC, in their capacity as documentation agents for the Lenders hereunder.

"dollars" or "\$" refers to lawful money of the United States of America.

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means, as to any Person, any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of such Person directly or indirectly resulting from or based upon (i) violation of any Environmental Law, (ii) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (iii) exposure to any Hazardous Materials, (iv) the release or threatened release of any Hazardous Materials into the environment or (v) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Acquisition Issuance" means, with respect to an Investment permitted pursuant to Section 7.4(g) or (h), the issuance or sale by the Parent after the Fifth Restatement Effective Date of any Equity Interests to the extent that the consideration paid for such Investment is payable in Equity Interests (other than Disqualified Equity Interests) and/or the net cash proceeds received by the Parent from such issuance or sale, provided that such net cash proceeds are received not earlier than 30 days prior to such Investment.

"Equity Interest" means (i) shares of corporate stock, partnership interests, membership interests, and any other interest that confers on a Person the right to receive a share of the profits and losses of, or distribution of assets of, the issuing Person, and (ii) all warrants, options or other rights to acquire any Equity Interest set forth in clause (i) of this defined term.

"Equity Issuance" means (i) the issuance or sale by the Parent after the Fifth Restatement Effective Date of (x) any Equity Interests (other than Equity Interests issued on the exercise of any warrants or options described in the parenthetical to clause (y) below), (y) any warrants or options exercisable in respect of Equity Interests (other than any warrants or options issued to directors, officers, employees or consultants of the Parent or of any of the Subsidiaries pursuant to the 1999 Stock Incentive Plan, as amended and in effect on the Fifth Restatement Date), or (z) any other security or instrument representing an Equity Interest (or the right to obtain any Equity Interest) in the Parent or (ii) the receipt by the Parent after the Fifth Restatement Effective Date of any capital contribution (whether or not evidenced by any equity security issued by the Parent); provided that an "Equity Issuance" shall not include (a) an Equity Acquisition Issuance and (b) the issuance or sale by the Parent of the New Subordinated Indenture Notes or any Equity Interests of the Parent upon the conversion of the New Subordinated Indenture Notes, if applicable.

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

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Parent or any Subsidiary, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (i) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30 day notice period is waived); (ii) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (iii) the filing pursuant to Section 412(d) of the Code or Section 303(a) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (iv) the incurrence by the Parent, any Subsidiary or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan; (v) the receipt by the Parent, any Subsidiary or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (vi) the incurrence by the Parent, any Subsidiary or any ERISA Affiliate of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (vii) the receipt by the Parent, any Subsidiary or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Parent, any Subsidiary or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article 8.

"Excess Cash Flow" means, in respect of any period, Operating Cash Flow for such period (before any adjustments to reflect acquisitions, sales and exchanges of property during such period) minus the sum of, without duplication: (i) Fixed Charges (adjusted to add to Fixed Charges, to the extent excluded in the calculation thereof, the amounts referenced in the parenthetical to clause (iii) of the definition of "Fixed Charges"), (ii) voluntary principal prepayments of the Term Loan and/or Revolving Loans made pursuant to Section 2.7(a), provided that in the case of the prepayment of Revolving Loans, the Revolving Commitments are permanently reduced in an aggregate amount equal to such prepayments, and (iii) Investments made by the Parent or any of the Restricted Subsidiaries pursuant to Section 7.4(g), to the extent made in cash (other than cash constituting Net Equity Acquisition Proceeds), in each case for or during such period.

"Exchange Act" means the Securities and Exchange Act of 1934, as amended.

"Excluded Cash Flow" means, for any period, Operating Cash Flow for such period allocable to all Excluded Properties.

"Excluded Property" means, at any time, (i) 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 Parent or any Restricted Subsidiary within the immediately preceding 18 month period and in respect of which the Parent commenced a religious talk, conservative talk or religious music format when no such format was broadcast by such Broadcasting Station immediately prior to such acquisition by the Parent or any Restricted Subsidiary and (ii) WBGB (FM), Ponte Vedra Beach, Florida, WZNZ (AM), Jacksonville, Florida, WJGR (AM), Jacksonville, Florida, and WZAZ (AM), Jacksonville, Florida, if such Broadcasting Station was acquired by the Parent or any Restricted Subsidiary within the immediately preceding 18 month period.

"Excluded Taxes" means, collectively, in the case of any Credit Party, (i) taxes imposed on the net income of such Credit Party by the jurisdiction in which such Credit Party has its situs of organization or in which such Credit Party's lending office is located, (ii) taxes imposed on the net income of such Credit Party (other than those taxes described in clause (i)), except to the extent that such taxes would not have been incurred but for the situs of organization, any place of business or the activities of the Parent or any Subsidiary in the jurisdiction imposing the tax, (iii) any tax imposed on a transfer of a Note, and (iv) any tax imposed as a result of the willful misconduct of such Credit Party.

"FCC" means the United States Federal Communications Commission.

"FCC License" means any governmental approval or authorization issued to the Parent or any Restricted Subsidiary by the FCC or acquired or otherwise transferred to the Parent or any Restricted Subsidiary, pursuant to the Communications Act.

"FCC Order" means an Initial FCC Order or a Final FCC Order as the context may require.

"Federal Funds Effective Rate" means, for any day, a rate per annum (expressed as a decimal, rounded upwards, if necessary, to the next higher 1/100 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 Effective 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 Effective Rate for such day shall be the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal Funds brokers of recognized standing selected by it.

"Fifth Restatement Date" has the meaning assigned to such term in Recital J.

"Fifth Restatement Effective Date" has the meaning assigned to such term in Section 5.1.

"Final FCC Order" means, with respect to any assignment or transfer of FCC Licenses, an Initial FCC Order which shall not have been reversed, stayed, enjoined, annulled or suspended and the time for filing an appeal, petition for certiorari or other request for administrative or judicial relief, or for instituting administrative review of such order sua sponte, has expired and as to which no appeal, petition for certiorari or

other formal request for administrative or judicial relief, or for instituting administrative review of such order sua sponte, has been filed and is pending or, if an appeal, petition for certiorari or other request for administrative or judicial relief, or for instituting administrative review of such order sua sponte, has been filed or taken, such Initial FCC Order has been affirmed (or such appeal, petition or other request for administrative or judicial relief has been dismissed as moot) by the highest court (or other tribunal having appellate jurisdiction over such Initial FCC Order) to which such Initial FCC Order was appealed or the petition for certiorari has been denied or, in the case of an Initial FCC Order which the FCC decided to review sua sponte, the FCC has either withdrawn or dismissed such review, and the time to take any further appeal or to seek further certiorari or judicial or administrative review has expired.

"Financial Officer" means, as to any Person the chief financial officer, principal accounting officer, vice president-finance or controller of such Person.

"First Restated Agreement" has the meaning assigned to such term in Recital C.

"First Restatement Date" has the meaning assigned to such term in Recital C.

"Fixed Charge Coverage Ratio" means, as of the end of any fiscal quarter, the ratio of (i) Operating Cash Flow for the period of four consecutive fiscal quarters ending thereon to (ii) Fixed Charges for such period.

"Fixed Charges" means at any date of determination, for the period of four consecutive fiscal quarters ending on, or most recently before, such date, the sum, without duplication, of (i) Debt Service, (ii) cash income taxes paid (other than cash taxes paid in connection with a sale of property), (iii) capital expenditures (excluding capital expenditures made with insurance proceeds or condemnation awards, capital expenditures associated with an acquisition made within the 12 month period immediately following such acquisition, and non-maintenance capital expenditures made in connection with the upgrade of Broadcasting Stations not exceeding \$3,000,000, provided that, with respect to any such non-maintenance capital expenditures made in connection with the upgrade of a Broadcasting Station exceeding \$100,000, the Borrower shall have provided the Administrative Agent with prompt written notice thereof), and (iv) Investments made to support Other Media Assets, 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 Investments (provided that the resulting difference shall not be less than \$0), in each case of the Parent and the Restricted Subsidiaries on a consolidated basis, determined in accordance with GAAP, for such period.

"Foreign Lender" means 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.

"Fourth Restated Agreement" has the meaning assigned to such term in Recital F.

"Fourth Restatement Date" has the meaning assigned to such term in Recital F.

"FR Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"GAAP" means generally accepted accounting principles in effect from time to time in the United States of America.

"Governmental Authority" means 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.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (ii) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor as to enable the primary obligor to pay such Indebtedness or other obligation or (iv) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation, provided that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guaranteed" has a meaning correlative thereto.

"Guarantee Agreement" means the Amended and Restated Guarantee Agreement, substantially in the form of Exhibit E, among the Parent, the Borrower, the Subsidiary Guarantors and the Administrative Agent, for the benefit of the Secured Parties. The Guarantee Agreement amends, restates and combines, in whole or in part, (i) the Second Amended and Restated Parent Guaranty, dated as of June 15, 2001, by and among the Parent, the Borrower and the Administrative Agent and (ii) the Amended and Restated Subsidiary Guaranty and Security Agreement, dated as of June 15, 2001, by and among the Borrower, the Subsidiary Guarantors party thereto and the Administrative Agent.

"Guarantee Documents" means the Guarantee Agreement and each other guarantee agreement, instrument or other document executed or delivered pursuant to Section 6.12 or 6.13 to guarantee any of the Obligations.

"Guarantors" means, collectively, the Parent and the Subsidiary Guarantors.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price swap, cap, collar, hedging or other like arrangement.

"Incoming Lender" means a Person that is a Lender hereunder on the Fifth Restatement Effective Date and that was not a Lender under and as defined in the Fourth Restated Agreement immediately prior to the Fifth Restatement Effective Date.

"Increase Supplement" means a Revolving Increase Supplement, a B Term Increase Supplement or a C Term Increase Supplement, as applicable.

"Increasing Lender" has the meaning assigned to such term in Section 2.5(f).

"Indebtedness" of any Person means, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by or otherwise in respect of bonds, debentures, notes or similar instruments, including seller paper, (iii) all obligations of such Person upon which interest charges are customarily paid, (iv) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (v) all obligations of such Person in respect of the deferred purchase price of property or services (including contingent payment, earn out and similar obligations), (vi) all Capital Lease Obligations of such Person, (vii) all obligations, contingent or otherwise, of such Person in respect of bankers acceptances or as an account party in respect of letters of credit and letters of guaranty, (viii) any of the foregoing of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed (other than Permitted Encumbrances described in clauses (a), (c), (d) and (f) of the definition thereof), and (ix) all Guarantees by such Person of any of the foregoing; provided that Indebtedness shall not include (a) accounts payable incurred in the ordinary course of business, (b) deferred revenue, (c) accrued liabilities incurred in the ordinary course of business, (d) deferred taxes, (e) accrued and deferred compensation payable, (f) current taxes payable and (g) accrued interest payable. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitee" has the meaning assigned to such term in Section 10.3(b).

"Initial FCC Order" means, with respect to any assignment or transfer of FCC Licenses, the initial order or other initial written action or actions by the FCC approving an application for the assignment or transfer of such FCC Licenses for each Broadcasting Station to be acquired as part of such acquisition or transferred as part of a permitted transfer in the manner contemplated by such application.

"Interest Coverage Ratio" means, as of any fiscal quarter end, the ratio of (i) Operating Cash Flow for the period of the four consecutive fiscal quarters ending thereon to (ii) Interest Expense for such period.

"Interest Election Request" means a request by the Borrower to convert or continue a Borrowing in accordance with Section 3.2.

"Interest Expense" means, for any period, the sum for such period of all (i) interest (adjusted to give effect to all Hedging Agreements 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 the Restricted Subsidiaries on a consolidated basis, determined in accordance with GAAP.

"Interest Payment Date" means (i) with respect to any ABR Loan, the last day of each March, June, September and December, (ii) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Eurodollar Loan is a part and, in the case of a Eurodollar Loan with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period, (iii) with respect to all Revolving Loans, the Revolving Maturity Date, (iv) with respect to all B Term Loans, the B Term Maturity Date, (v) with respect to all C Term Loans, the C Term Maturity Date and (vi) with respect to any Swingline Loan, the day that such Swingline Loan is required to be repaid.

"Interest Period" means the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect, provided that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Investment" has the meaning assigned to such term in Section 7.4.

"Issuing Bank" means BNY, in its capacity as issuer of Letters of Credit.

"LC Disbursement" means a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, (i) with respect to all of the applicable Lenders, the sum, without duplication, of (x) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (y) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time and (ii) with respect to each applicable Lender, its Applicable Percentage of the amount determined under clause (i).

"Lenders" means the Persons listed on Schedule 2.1 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance or an Increase Supplement, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"Letter of Credit" means any standby letter of credit (and any successive renewals thereof) issued pursuant to this Credit Agreement, and including any Letters of Credit (under and as defined in the Fourth Restated Agreement) which remain outstanding on the Fifth Restatement Effective Date.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate of interest per annum as determined by the Administrative Agent, equal to the rate, as reported by BNY to the Administrative Agent, quoted by BNY to leading banks in the London interbank market as the rate at which BNY is offering dollar deposits in an amount approximately equal to its ratable share of such Eurodollar Borrowing with a maturity comparable to such Interest Period at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (i) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (ii) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement relating to such asset and (iii) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Credit Agreement, the Notes, the Guarantee Documents, the documentation in respect of each Letter of Credit, each Increase Supplement and the Security Documents.

"Loan Parties" means the Borrower and the Guarantors.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Credit Agreement, including the portion of the RC Loans (as defined in the Fourth Restated Agreement) continued as Revolving Loans under this Credit Agreement and B Term Loans resulting from the conversion of a portion of the RC Loans (as defined in the Fourth Restated Agreement) to B Term Loans pursuant to this Credit Agreement.

"Local Marketing Agreement" means, with respect to a Broadcasting Station operated by a Person, an agreement or arrangement with a Broadcasting Station operated by another Person pursuant to which the parties agree to function cooperatively in terms of programming, advertising, sales, consulting or similar services, including an agreement or arrangement with a Broadcasting Station operated by another Person pursuant to which any Broadcasting Station (i) sells broadcast time to any other Broadcasting Station that programs such broadcast time and sells its own commercial advertising announcements during such broadcast time or (ii) purchases broadcast time on any other Broadcasting Station for the purpose of programming such broadcast time and selling its commercial advertisements during such time.

"Margin Stock" has the meaning assigned to such term in Regulation U.

"Material Adverse Effect" means a material adverse effect on (i) the business, assets, operations, prospects or condition, financial or otherwise, of (x) the Borrower and the Borrower Subsidiaries, taken as a whole, or (y) the Parent and the Restricted Subsidiaries, taken as a whole, (ii) the ability of any 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 Obligations" means, as of any date, Indebtedness or other obligations (other than Indebtedness or other obligations under the Loan Documents) of any one or more of the Parent or any of the Subsidiaries in an aggregate principal amount exceeding \$1,000,000. For purposes of determining Material Obligations, the "principal amount" of any Indebtedness or other obligations at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Parent or any Subsidiary, as applicable, would be required to pay if such Indebtedness or other obligations became due and payable on such day.

"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. Each Mortgage shall be satisfactory in form and substance to the Administrative Agent.

"Mortgaged Property" means each parcel of real property and the improvements thereto owned by any Loan Party with respect to which (i) a Mortgage was executed and delivered to the Administrative Agent prior to the Fifth Restatement Effective Date and (ii) a Mortgage is granted after the Fifth Restatement Effective Date pursuant to Section 6.12 or 6.13.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Debt Proceeds" means, with respect to the issuance of the New Subordinated Indenture Notes and the Refinancing Subordinated Indenture Notes, the cash proceeds received by the Parent or the Borrower, as applicable, in respect of such issuance net of the sum of sales and other commissions and all legal and other related expenses incurred in connection therewith.

"Net Equity Proceeds" means, with respect to any Equity Issuance, the cash proceeds received by the Parent in respect of such Equity Issuance, including any cash subscription payment or other cash consideration paid in connection therewith, net of the sum of sales and other commissions and all legal and other related expenses incurred in connection therewith, provided that, with respect to each Equity Issuance after the Fifth Restatement Effective Date, if no Default exists immediately before or after giving effect thereto and the Administrative Agent shall have received a certificate of a Financial Officer of the Borrower to that effect (which certificate contains calculations in reasonable detail of the covenants in Section 7.12 on a pro forma basis giving effect to the receipt of the net proceeds of such Equity Issuance and any prepayments of the Loans made therewith), the lesser of (i) the amount of such net proceeds of such Equity Issuance and (ii) the difference (provided that the resulting difference shall not be less than \$0) between (x) \$25,000,000 and (y) the aggregate Net Equity Proceeds received by the Parent in respect of all Equity Issuances (excluding such Equity Issuance) after the Fifth Restatement Effective Date shall not constitute Net Equity Proceeds.

"Net Equity Acquisition Proceeds" means, with respect to any Equity Acquisition Issuance, the

cash proceeds received by the Parent in respect of such Equity Acquisition Issuance, including any cash subscription payment or other cash consideration paid in connection therewith, net of the sum of sales and other commissions and all legal and other related expenses incurred in connection therewith.

"Net Proceeds" means, with respect to any event, (i) the cash proceeds received in respect of such event, including (a) any cash received in respect of any non-cash proceeds, but only as and when received, (b) in the case of a casualty, insurance proceeds (other than proceeds from business interruption insurance) and (c) in the case of a condemnation or similar event, condemnation awards and similar payments, (ii) net of the sum of (a) all reasonable fees and out of pocket expenses paid by the Parent or any Restricted Subsidiary to third parties in connection with such event, (b) in the case of a Transfer of an asset or the issuance of Equity Interests (other than an Equity Acquisition Issuance), the amount of all payments required to be made by the Parent or any Restricted Subsidiary as a result of such event to repay Indebtedness (other than Indebtedness under the Loan Documents) secured by such asset or otherwise subject to mandatory payment as a result of such event and (c) the amount of all taxes paid (or reasonably estimated to be payable) by the Parent or any Restricted Subsidiary and the amount of any cash reserves established by the Parent or any Restricted Subsidiary to fund contingent liabilities reasonably estimated to be payable, in each case during the year that such event occurred or the next succeeding year and that are attributable to such event (as determined reasonably and in good faith by the chief financial officer of the Parent or the Borrower); provided that any such cash proceeds received in respect of a Transfer or, subject to Section 6.11, a casualty or other insured damage or condemnation or similar proceeding at a time when no Event of Default exists shall not constitute Net Proceeds to the extent used by the Parent or such Restricted Subsidiary during the one year period following the event resulting in the payment of such cash proceeds to acquire assets permitted to be acquired pursuant to this Credit Agreement or to repair or restore the assets subject to such event.

"New Lender" has the meaning assigned to such term in Section 2.5(f).

"New Subordinated Indenture" means the subordinated indenture between the Parent or the Borrower, as applicable, and The Bank of New York (or other financial institution), as trustee, pursuant to which the New Subordinated Indenture Notes are issued.

"New Subordinated Indenture Documents" means, collectively, the New Subordinated Indenture, the New Subordinated Indenture Guaranty and the New Subordinated Indenture Notes.

"New Subordinated Indenture Guaranty" means the subordinated guaranty or guaranties executed and delivered by one or more of the Parent and the Restricted Subsidiaries pursuant to the New Subordinated Indenture, provided that each such guaranty shall be in all respects in form and substance satisfactory to the Administrative Agent.

"New Subordinated Indenture Notes" means the senior subordinated notes issued or to be issued by the Parent or the Borrower, as applicable, to the extent permitted by Section 7.1(a)(v).

"Notes" means, collectively, (i) with respect to each Lender, a promissory note evidencing such Lender's Loans payable to the order of such Lender (or, if required by such Lender, to such Lender and its registered assigns) substantially in the form of Exhibit D-1 and (ii) with respect to the Swingline Lender, the Swingline Note.

"Obligations" has the meaning assigned to such term in the Security Agreement.

"Old Parent" has the meaning assigned to such term in Recital B.

"Operating Cash Flow" means, for any period, the following with respect to the Parent and the Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP: (i) revenues (exclusive of reciprocal and barter revenues) and interest income for such period, minus (ii) expenses (exclusive of depreciation, amortization, interest expense, income tax, and employee compensation payable solely in Equity Interests of the Parent, and reciprocal and barter arrangements, in each case to the extent included therein, but inclusive of fees payable pursuant to Local Marketing Agreements), plus (iii) non-recurring expense items and other non-cash expense items for such period, in each case mutually agreed upon by the Borrower and the Administrative Agent and, if such expense items for such period, when aggregated with any pro-forma adjustments for such period referred to in the following sentence, exceed \$3,000,000, the Required Lenders, to the extent deducted in accordance with clause (ii) above, minus (iv) non-recurring or non-cash revenues or operating or non-operating gains, minus (v) the amount of any cash payments related to non-cash charges that were added back in determining Operating Cash Flow pursuant to clause (iii) above in any prior period, and minus (vi) Excluded Cash Flow for such period. Operating Cash Flow shall be adjusted on a consistent basis to reflect the acquisition, sale, exchange and disposition (for purposes of this definition, a disposition shall be deemed to include a Discontinued Broadcasting Station) of property during such period as if such acquisition, sale, exchange or disposition of property had occurred at the beginning of such period, provided that pro-forma adjustments related to certain station operations of such Broadcasting Stations being acquired (mutually agreed upon by the Borrower and the Administrative Agent and, if such pro-forma adjustments for such period, when aggregated with all expense items for such period referred to in clause (iii) above, exceed \$3,000,000, the Required Lenders) shall be included in the calculation of Operating Cash Flow. Operating Cash Flow shall exclude all gains and losses from the sale, exchange or disposition of property and all extraordinary gains and losses.

"Original Credit Agreement" has the meaning assigned to such term in Recital A.

"Other Media Assets" means publications and internet services directed at the same general audience as the radio broadcasting business of the Parent and the Restricted Subsidiaries.

"Other Media Cash Flow" means, for any period, net revenue minus operating expenses for such period for the non-reportable segments of the Parent and the Restricted Subsidiaries as disclosed in accordance with SFAS No. 131 as other media on the applicable Form 10K or 10Q of the Parent for such period, plus or minus such adjustments in each case as mutually agreed upon between the Borrower and the Administrative Agent.

"Other Taxes" means 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" means Salem Communications Corporation, a Delaware corporation.

"Participant" has the meaning assigned to such term in Section 10.4(e).

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Pending Acquisitions" means, collectively, the acquisition by a Borrower Subsidiary of any of the Broadcasting Stations described in Schedule 1.1(P) for a purchase price not exceeding the applicable amount set forth therein.

"Permitted Encumbrances" means:

1. Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 6.4, provided that such Liens are not senior (except to the extent provided by applicable law) to the Liens granted to the Credit Parties under the Security Documents and no enforcement action has been taken by any Governmental Authority to enforce any such Lien against any Collateral;
2. landlords', vendors', carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 60 days or are being contested in compliance with Section 6.4;
3. pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations (but not ERISA);
4. deposits to secure the performance of bids, trade contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business so long as no foreclosure, sale or similar proceedings have been commenced with respect to any portion of the Collateral on account thereof;
5. judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article 8;
6. easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and could not reasonably be expected to have a Material Adverse Effect;
7. Liens in favor of a financial institution encumbering deposits (including the right of set off) held by such financial institution in the ordinary course of its banking business and which are within the general parameters customary in the banking industry; and
8. Liens on Margin Stock to the extent that a prohibition on such Liens would violate Regulation U.

"Permitted Holders" means, 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.

"Permitted Investments" means:

- (a) debt obligations denominated in dollars and maturing within one year from the date of acquisition thereof to the extent the principal thereof and interest thereon is backed by the full faith and credit of the United States of America;
- (b) investments in commercial paper denominated in dollars and maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, or any successor thereto, or from Moody's Investors Service, Inc. or any successor thereto;
- (c) investments in certificates of deposit, banker's acceptances and time deposits denominated in dollars and maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof that has a combined capital and surplus and undivided profits of not less than \$500,000,000 and which is rated at least A-2 by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, or any successor thereto, and P-2 by Moody's Investors Service, Inc. or any successor thereto in the note or commercial paper rating category;
- (d) fully collateralized repurchase agreements denominated in dollars and with a term of not more than 30 days for securities described in clause (a) of this definition and entered into with a financial institution satisfying the criteria described in clause (c) of this definition;
- (e) money market mutual funds denominated in dollars, 90% of the investments of which are in cash or investments contemplated by clauses (a), (b) and (c) of this definition; and
- (f) other money market or fixed income mutual funds or similar investments denominated in dollars, provided that the aggregate amount of cash and cash equivalents of the Parent and the Restricted Subsidiaries invested in such money market mutual funds and similar investments shall not at any time exceed the greater of \$10,000,000 and 25% of the aggregate amount of cash and cash equivalents of the Parent and the Restricted Subsidiaries.

"Person" means any natural person, corporation, limited liability company, trust, joint

venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Parent, any Subsidiary or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prepayment/Reduction Event" means, without duplication:

- (a) any Transfer of any property or asset of the Parent or any Restricted Subsidiary, other than (i) Transfers described in clauses (a) and (b) of Section 7.5 and (ii) so long as no Event of Default shall exist immediately before or after giving effect thereto, Transfers resulting in aggregate Net Proceeds not exceeding \$25,000,000 during the period commencing on the Fifth Restatement Date and ending on the date of such Transfer; and
- (b) any insured casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset of the Parent or any Restricted Subsidiary, resulting in aggregate Net Proceeds exceeding \$500,000.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by BNY as its prime commercial lending rate at its principal office in New York City; each change in the Prime Rate being effective from and including the date such change is publicly announced as being effective. The Prime Rate is not intended to be lowest rate of interest charged by BNY in connection with extensions of credit to borrowers.

"Pro-Forma Debt Service" means, at any date of determination, the sum of (i) Pro-Forma Interest Expense plus (ii) 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 such date of determination. 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 Debt Service Coverage Ratio" means, as of the last day of any fiscal quarter, the ratio of (i) Operating Cash Flow for the four fiscal quarters ending on such date to (ii) Pro-Forma Debt Service as of such date.

"Pro-Forma Interest Expense" means the sum of (i) all interest (adjusted to give effect to all Hedging Agreements 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 the Restricted 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.

"RC Loans Prepayment" has the meaning assigned to such term in Section 5.1(1).

"Refinancing Subordinated Indenture" means the indenture between the Parent or the Borrower, as applicable, and The Bank of New York (or other financial institution), as trustee, pursuant to which the Refinancing Subordinated Indenture Notes are issued.

"Refinancing Subordinated Indenture Documents" means, collectively, the Refinancing Subordinated Indenture, the Refinancing Subordinated Indenture Guaranty and the Refinancing Subordinated Indenture Notes.

"Refinancing Subordinated Indenture Guaranty" means the subordinated guaranty or guaranties executed and delivered by one or more of the Restricted Subsidiaries of the Parent pursuant to the Refinancing Subordinated Indenture.

"Refinancing Subordinated Indenture Notes" means subordinated notes of the Parent or the Borrower, as applicable, issued after the Fifth Restatement Date to the extent permitted by Section 7.1(a)(vi).

"Register" has the meaning assigned to such term in Section 10.4(c).

"Regulation D" means Regulation D of the FR Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation T" means Regulation T of the FR Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation U" means Regulation U of the FR Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Regulation X" means Regulation X of the FR Board as from time to time in effect and all official rulings and interpretations thereunder or thereof.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having unused Commitments (other than the Swingline Commitment), LC Exposure, Swingline Exposure and outstanding Loans (other than Swingline Loans) representing greater than 50% of the sum of the unused Commitments (other than the Swingline Commitment), LC

Exposure, Swingline Exposure and outstanding Loans (other than Swingline Loans) of all Lenders.

"Restricted Payment" means, as to any Person, (i) any dividend or other distribution by such Person (whether in cash, securities or other property) with respect to any Equity Interests of such Person, (ii) any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interest, (iii) any payment of principal, interest or premium or any purchase, redemption, retirement, acquisition or defeasance with respect to any Subordinated Debt, and (iv) the acquisition for value by such Person of any Equity Interests issued by such Person or any other Person that Controls such Person.

"Restricted Subsidiary" means a Subsidiary of the Parent other than an Unrestricted Subsidiary.

"Revolving Commitment" means, with respect to each Lender having a Revolving Commitment, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder in an aggregate outstanding amount not exceeding the amount of such Lender's Revolving Commitment as set forth on Schedule 2.1, in the initial Revolving Increase Supplement executed and delivered by such Lender, the Parent, the Borrower and the Administrative Agent, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Revolving Commitment, as applicable, as such Revolving Commitment may be adjusted from time to time pursuant to Section 2.5 or pursuant to assignments by or to such Lender pursuant to Section 10.4. The initial aggregate amount of the Revolving Commitments on the Fifth Restatement Date is \$75,000,000.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the aggregate outstanding principal amount of such Lender's Revolving Loans, LC Exposure and its Swingline Exposure at such time.

"Revolving Increase Supplement" means an increase supplement in the form of Exhibit H.

"Revolving Loan" means a Loan referred to in Section 2.1(a) and made pursuant to Section 2.4 and including that portion of a RC Loan (as defined in the Fourth Restated Agreement) continued as a Revolving Loan pursuant to Section 2.1(b).

"Revolving Maturity Date" means March 31, 2009.

"Salem California" has the meaning assigned to such term in Recital A.

"Second Restated Agreement" has the meaning assigned to such term in Recital D.

"Second Restatement Date" has the meaning assigned to such term in Recital D.

"Secured Parties" means the "Secured Parties" as defined in the Security Agreement.

"Security Agreement" means the Amended and Restated Security Agreement, substantially in the form of Exhibit F, among the Parent, the Borrower, the Subsidiary Guarantors and the Administrative Agent, for the benefit of the Secured Parties. The Security Agreement amends, restates and combines (i) the First Amended and Restated Parent Security Agreement, dated as of June 15, 2001, by and between the Parent and the Administrative Agent, (ii) the Second Amended and Restated Borrower Security Agreement, dated as of August 24, 2000, and (iii) the Amended and Restated Subsidiary Guaranty and Security Agreement, dated as of June 15, 2001, by and among the Borrower, the Subsidiary Guarantors party thereto and the Administrative Agent.

"Security Documents" means the Security Agreement, the Mortgages and each other security agreement, instrument or other document executed or delivered pursuant to Sections 6.12 or 6.13 or Articles 4 or 11 of the Security Agreement to secure any of the Obligations.

"Senior Leverage Ratio" means, as of any date, the ratio of (i) Total Funded Debt as of such date minus the sum of (x) cash and cash equivalents of the Parent and the Restricted Subsidiaries on such date in excess of \$3,000,000 plus (y) the principal amount of Subordinated Debt outstanding on such date, to (ii) the sum of Operating Cash Flow plus Excluded Cash Flow for the period of four consecutive fiscal quarters ending on such date, or if such date is not the last day of a fiscal quarter, for the period of four consecutive fiscal quarters ending most recently before such date.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the FR Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D). Such reserve percentages shall include those imposed pursuant to Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Subordinated Debt" means, collectively, the Indebtedness in respect of (i) the 2001 Subordinated Indenture Documents, (ii) the 2002 Subordinated Indenture Documents, (iii) if issued, the New Subordinated Indenture Documents, and (iv) if issued, the Refinancing Subordinated Indenture Documents.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power is or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, Controlled or held by the parent or one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Parent.

"Subsidiary Guarantor" means any Subsidiary (other than the Borrower) that executes and delivers the Security Documents and the Guarantee Agreement, in each case in accordance with Sections 5.1(g), 5.1(h), 6.12 and 6.13.

"Swingline Commitment" means, with respect to the Swingline Lender, the commitment of the Swingline Lender to make Swingline Loans hereunder. The amount of the Swingline Lender's Swingline Commitment is \$5,000,000.

"Swingline Exposure" means, at any time, the aggregate outstanding principal amount of all Swingline Loans at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the Swingline Exposure at such time.

"Swingline Lender" means BNY in its capacity as lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.8.

"Swingline Note" means a promissory note, substantially in the form of Exhibit D-2, evidencing the Swingline Loans made by the Swingline Lender and payable to the order of the Swingline Lender.

"Swingline Rate" means, with respect to each Swingline Loan, the rate per annum equal to the Alternate Base Rate plus the Applicable Margin.

"Syndication Agents" means General Electric Capital Corporation and SunTrust Bank, in their capacity as syndication agents for the Lenders hereunder.

"Tax Sharing Agreement" means the Tax Sharing Agreement, dated as of the Second Restatement Date, by and among the Parent and the Subsidiaries.

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

"Term Loans" means, collectively the B Term Loans and the C Term Loans.

"Third Restated Agreement" has the meaning assigned to such term in Recital E.

"Third Restatement Date" has the meaning assigned to such term in Recital E.

"Total Adjusted Funded Debt" means, on any date of determination, Total Funded Debt on such date minus the lesser of (i) 50% of the purchase price of all Excluded Property then owned by the Parent or any Restricted Subsidiary and (ii) \$45,000,000.

"Total Funded Debt" means, on any date of determination, the aggregate Indebtedness of the Parent and the Restricted Subsidiaries on a consolidated basis, determined in accordance with GAAP.

"Total Leverage Ratio" means, as of any date, the ratio of (i) Total Adjusted Funded Debt as of such date minus cash and cash equivalents of the Parent and the Restricted Subsidiaries on such date in excess of \$3,000,000, to (ii) Adjusted Operating Cash Flow for the period of four consecutive fiscal quarters ending on such date, or if such date is not the last day of a fiscal quarter, for the period of four consecutive fiscal quarters ending most recently before such date.

"Transactions" means (i) the execution, delivery and performance by each Loan Party of each Loan Document to which it is a party, (ii) the borrowing of the Loans and the issuance of the Letters of Credit, and (iii) the use of the proceeds of the Loans and the Letters of Credit.

"Transfer" has the meaning assigned to such term in Section 7.5.

"2001 Subordinated Indenture" means the Indenture, dated as of June 25, 2001 between the Borrower and The Bank of New York, as trustee, pursuant to which the 2001 Subordinated Indenture Notes were issued.

"2001 Subordinated Indenture Documents" means, collectively, the 2001 Subordinated Indenture, the 2001 Subordinated Indenture Guaranty and the 2001 Subordinated Indenture Notes.

"2001 Subordinated Indenture Guaranty" means the subordinated guaranty by the Parent and the Restricted Subsidiaries party to the 2001 Subordinated Indenture of the obligations of the Borrower under the 2001 Subordinated Indenture.

"2001 Subordinated Indenture Notes" means the Borrower's 9% Senior Subordinated Notes, due 2011, issued pursuant to the 2001 Subordinated Indenture in the original aggregate principal amount of \$150,000,000.

"2002 Subordinated Indenture" means the Indenture, dated as of December 23, 2002, between the Borrower and The Bank of New York, as trustee, pursuant to which the 2002 Subordinated Indenture Notes were issued.

"2002 Subordinated Indenture Documents" means, collectively, the 2002 Subordinated Indenture, the 2002 Subordinated Indenture Guaranty and the 2002 Subordinated Indenture Notes.

"2002 Subordinated Indenture Guaranty" means the subordinated guaranty by the Parent and the Restricted Subsidiaries party to the 2002 Subordinated Indenture of the obligations of the Borrower under the 2002 Subordinated Indenture.

"2002 Subordinated Indenture Notes" means the Borrower's 7-3/4% Senior Subordinated Notes, due 2010, issued pursuant to the 2002 Subordinated Indenture in the original aggregate principal amount of \$100,000,000.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to (i) in the case of a Revolving Borrowing, a B Term Borrowing or a C Term Borrowing, the Adjusted LIBO Rate or the Alternate Base Rate, or (ii) in the case of a Swingline Loan, the Swingline Rate

"Unrestricted Subsidiary" means a Subsidiary of the Parent (other than the Borrower or any Borrower Subsidiary) designated as an Unrestricted Subsidiary in accordance with Section 10.14 and each subsidiary thereof.

"Voting Stock" means Equity Interests 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 Equity Interests of any other class or classes shall have or might have voting power by reason or the happening of any contingency).

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.2 Classification of Loans and Borrowings

For purposes of this Credit Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings may also be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

Section 1.3 Terms Generally

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". 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, restated, supplemented or otherwise modified, (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, (iii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iv) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Credit Agreement in its entirety and not to any particular provision hereof, (v) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Credit Agreement, and (vi) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. Any reference to an "applicable Lender" shall mean (i) in the case of Revolving Borrowings, Swingline Loans and Letters of Credit, Lenders having a Revolving Commitment, (ii) in the case of B Term Borrowings, Lenders having an B Term Commitment or B Term Loans and (iii) in the case of C Term Borrowings, Lenders having a C Term Commitment or C Term Loans.

Section 1.4 Accounting Terms; GAAP

As used in the Loan Documents and in any certificate, opinion (other than a legal opinion) or other document made or delivered pursuant thereto, accounting terms not defined in Section 1.1, and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in this Credit Agreement and (i) the Borrower notifies the Administrative Agent that the Borrower objects to determining compliance with such financial ratio or requirement on the basis of GAAP in effect immediately after such change becomes effective or (ii) Required Lenders so object, then the Borrower's compliance with such ratio or requirement shall be determined on the basis of GAAP in effect immediately before such change becomes effective, until either such notice is withdrawn by the Borrower or Required Lenders, as the case may be, or the Borrower and Required Lenders otherwise agree. Except as otherwise expressly provided herein, the computation of financial ratios and requirements set forth in this Credit Agreement shall be consistent with the financial statements required to be delivered hereunder.

Article 2.

THE CREDITS

Section 2.1 Commitments

(a) Subject to the terms and conditions hereof, each Lender having a Revolving Commitment agrees to make Revolving Loans to the Borrower in dollars from time to time during the Availability Period in an aggregate principal amount that will not result in such Lender's Revolving Credit Exposure exceeding such Lender's Revolving Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

(b) On the Fifth Restatement Effective Date, subject to the terms and conditions hereof, (i) with respect to each Continuing Lender, (x) the portion of the outstanding principal amount of the RC Loans (under and as defined in the Fourth Restated Agreement) of such Continuing Lender immediately prior to the Fifth Restatement Effective Date (and after giving effect to the RC Loans Prepayment) up to an amount equal to its B Term Commitment shall be converted to a B Term Loan of such Continuing Lender, (y) to the extent the outstanding principal amount of the RC Loans (under and as defined in the Fourth Restated Agreement) of such Continuing Lender immediately prior to the Fifth Restatement Effective Date (and after giving effect to the RC Loans Prepayment) exceeds its B Term Commitment, the Administrative Agent, upon receipt of the amounts referred to in this clause (i) and clause (ii) below, shall pay over to such Continuing Lender from such amounts an amount equal to such excess, and (z) to the extent such Continuing Lender's B Term Commitment exceeds its B Term Loan resulting from such conversion, such Continuing Lender agrees to make an additional B Term Loan to the Borrower in dollars on the Fifth Restatement Effective Date in a principal amount equal to such excess, and (ii) with respect to each Incoming Lender, such Incoming Lender agrees to make a B Term Loan to the Borrower in dollars on the Fifth Restatement Effective Date in a principal amount equal to its B Term Commitment, all as set forth on Schedule 2.1(B). Subject to the terms and conditions hereof, each Lender assuming a B Term Commitment in a B Term Increase Supplement severally agrees

to make a B Term Loan to the Borrower in dollars on the date set forth in such B Term Increase Supplement in a principal amount not exceeding such B Term Commitment. B Term Loans which are prepaid or repaid, in whole or in part, may not be reborrowed.

(c) Subject to the terms and conditions hereof, each Lender assuming a C Term Commitment in the C Term Increase Supplement severally agrees to make a C Term Loan to the Borrower in dollars on the date set forth in such C Term Increase Supplement in a principal amount not exceeding such C Term Commitment. C Term Loans which are prepaid or repaid, in whole or in part, may not be reborrowed.

Section 2.2 Loans and Borrowings

(a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the applicable Lenders ratably in accordance with their respective Revolving Commitments, and each B Term Loan and C Term Loan shall be made as part of a Borrowing consisting of B Term Loans or C Term Loans, as applicable, made by the applicable Lenders in accordance with their respective B Term Commitments or C Term Commitments, as applicable. The failure of any applicable Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder, provided that the Revolving Commitments, B Term Commitments and C Term Commitments of the applicable Lenders are several, and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 3.4, each Borrowing (other than a Swingline Borrowing) shall be comprised entirely of (i) Revolving Loans, B Term Loans or C Term Loans, as applicable, and (ii) ABR Loans or Eurodollar Loans, as applicable, in each case as the Borrower may request in accordance herewith. Each Swingline Borrowing shall be a Swingline Loan. Each applicable Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan, provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Credit Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$250,000 and not less than \$2,000,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$100,000 and not less than \$1,000,000, provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Revolving Commitments or in an aggregate amount that is required to finance the repayment of a Swingline Loan as contemplated by Section 2.8(c), or the reimbursement of an LC Disbursement as contemplated by Section 2.9(e), as applicable. Borrowings of more than one Type may be outstanding at the same time, provided that there shall not at any time be more than a total of twelve Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Credit Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after (i) the Revolving Maturity Date, in the case of Revolving Loans, (ii) the B Term Maturity Date, in the case of B Term Loans, or (iii) the C Term Maturity Date, in the case of C Term Loans.

Section 2.3 Requests for Borrowings

(a) To request a Borrowing (other than a Swingline Borrowing), the Borrower shall deliver a Credit Request to the Administrative Agent by hand or facsimile (or transmit by electronic communication, if arrangements for doing so have been approved by the Administrative Agent) or notify the Administrative Agent by telephone, in each case to be promptly confirmed by the delivery to the Administrative Agent of a signed Credit Request (i) in the case of a Eurodollar Borrowing, not later than 1:00 p.m., New York City time, three Business Days before the date of the proposed Borrowing or (ii) in the case of an ABR Borrowing, not later than 1:00 p.m., New York City time, one Business Day before the date of the Borrowing. Each such Credit Request (including each such telephonic request) shall be irrevocable and shall specify the following information in compliance with Section 2.2:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be a Revolving Borrowing, a B Term Borrowing or a C Term Borrowing;
- (iv) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;
- (v) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period";
- (vi) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.4; and
- (vii) a reasonably detailed calculation of each of the Total Leverage Ratio and the Senior Leverage Ratio on a pro forma basis immediately after giving effect to such Borrowing.

(b) If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Credit Request in accordance with this Section, the Administrative Agent shall advise each applicable Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.4 Funding of Borrowings

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders, provided that Swingline Loans shall be made as provided in Section 2.8(a). Subject to Section 5.2, the Administrative Agent will make such Loans available to the Borrower by promptly crediting or otherwise transferring the amounts so received, in like funds, to an account of the Borrower designated by the Borrower in the applicable Credit Request, provided that (i) ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.9(e) shall be remitted by the Administrative Agent to the Issuing Bank and (ii) that ABR Revolving Loans made to

finance the repayment of a Swingline Loan as provided in Section 2.8(c) shall be remitted by the Administrative Agent to the Swingline Lender.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.4(a), Section 2.8(c) or Section 2.9(e) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate that would be otherwise applicable to such Borrowing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

Section 2.5 Termination, Reduction and Increase of Commitments

(a) Unless previously terminated, (i) the B Term Commitments in effect on the Fifth Restatement Date shall terminate upon the making of the B Term Loans on the Fifth Restatement Effective Date, (ii) additional B Term Commitments evidenced by a B Term Increase Supplement shall terminate upon the making of the applicable additional B Term Loans on the date set forth therein in such B Term Increase Supplement, (iii) new or additional C Term Commitments evidenced by a C Term Increase Supplement shall terminate upon the making of the applicable new or additional C Term Loans on the date set forth therein in such C Term Increase Supplement, and (iv) the Revolving Commitments shall terminate on the Revolving Maturity Date or such earlier date as provided herein.

(b) Subject to Section 2.5(e), on each date below, the Revolving Commitments as in effect on June 30, 2007 shall be automatically reduced by the percentage set forth below adjacent to such date:

Date	Percentage
June 30, 2007	10.0%
December 31, 2007	10.0%
June 30, 2008	10.0%

(c) The Borrower may at any time terminate, or from time to time reduce, the Revolving Commitments, provided that (i) the Borrower shall not terminate or reduce the Revolving Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.7, the sum of the Revolving Credit Exposures would exceed the total Revolving Commitments and (ii) each such reduction of the Revolving Commitments shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000.

(d) In addition to any termination or reduction of the Revolving Commitments under paragraphs (a), (b) and (c) of this Section, the Revolving Commitments shall be reduced as required under Section 2.7(b).

(e) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Revolving Commitments under paragraph (c) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable, provided that a notice of termination of the Revolving Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Each reduction, and any termination, of the Revolving Commitments shall be permanent and each reduction of the Revolving Commitments shall be made ratably among the applicable Lenders in accordance with their respective Revolving Commitments. Simultaneously with each reduction of the Revolving Commitments pursuant to Sections 2.5(c) or 2.5(d), the aggregate amount of such reduction shall be automatically applied to the remaining amounts set forth in the reduction schedule in Section 2.5(b) in the inverse order thereof.

(f) The Borrower may at any time and from time to time prior to June 30, 2007, at its sole cost, expense and effort, request any one or more of the Lenders to increase its Revolving Commitment, to assume a new or additional B Term Commitment and make a new or additional B Term Loan or to assume a new or additional C Term Commitment and make a new or additional C Term Loan (the decision to increase the Revolving Commitment of a Lender, or to assume a new or additional B Term Commitment and make a new or additional B Term Loan, or to assume a new or additional C Term Commitment and make a new or additional C Term Loan to be within the sole and absolute discretion of such Lender), or any other Person to provide a new Revolving Commitment, B Term Commitment or C Term Commitment, as applicable, in each case by submitting a Revolving Increase Supplement, a B Term Increase Supplement or a C Term Increase Supplement, as applicable, duly executed by the Parent, the Borrower and each such Lender (each, an "Increasing Lender") or other Person (each, a "New Lender"), as the case may be. Each Increasing Lender increasing its Revolving Commitment and each New Lender shall be reasonably satisfactory to the Administrative Agent, the Swingline Lender and the Issuing Bank. If such Increase Supplement is in all respects reasonably satisfactory to the Administrative Agent, the Administrative Agent shall execute such Increase Supplement and deliver a copy thereof to the Borrower and each such Increasing Lender or New Lender, as the case may be. Upon execution and delivery of a Revolving Increase Supplement by the Administrative Agent, (i) the Revolving Commitment of each such Increasing Lender shall be increased to the amount set forth in such Revolving Increase Supplement, (ii) each such New Lender shall become a party hereto and shall for all purposes of the Loan Documents be deemed a "Lender" having a Revolving Commitment as set forth in such Revolving Increase Supplement, and (iii) the Revolving Commitment of such Increasing Lender or such New Lender, as the case may be, shall be as

set forth in the applicable Revolving Increase Supplement. Upon execution and delivery of a B Term Increase Supplement or C Term Increase Supplement by the Administrative Agent, (i) the B Term Commitment or C Term Commitment, as applicable, assumed by such Increasing Lender or such New Lender, as the case may be, shall be as set forth in such B Term Increase Supplement or C Term Commitment, as applicable, and (ii) each such New Lender shall become a party hereto and shall for all purposes of the Loan Documents be deemed a "Lender". Notwithstanding anything in this subsection (f) to the contrary:

- (i) the Borrower may only request C Term Loans in a C Term Increase Supplement on three occasions;
- (ii) the aggregate of the sum of all increases in the Revolving Commitments made pursuant to this Section 2.5(f) plus the amount of all new and additional B Term Commitments and C Term Commitments assumed pursuant to this Section 2.5(f) shall not exceed \$75,000,000;
- (iii) the sum of the aggregate Revolving Commitments, B Term Commitments, outstanding B Term Loans, C Term Commitments and outstanding C Term Loans shall not at any time exceed \$225,000,000 minus the sum of all reductions of the Revolving Commitments pursuant to Section 2.5 and all prepayments of the Term Loans pursuant to Sections 2.6 and 2.7;
- (iv) each such increase of the aggregate Revolving Commitments and the aggregate amount of the new or additional B Term Commitments or new or additional C Term Commitments effected pursuant to an Increase Supplement shall be in an amount not less than \$10,000,000 or such amount plus an integral multiple of \$1,000,000;
- (v) in the case of an increase to the Revolving Commitments, if Revolving Loans would be outstanding immediately after giving effect to any such increase, then simultaneously with such increase (1) each Increasing Lender, each New Lender and each other Lender, in each case having a Revolving Commitment, shall be deemed to have entered into a master assignment and acceptance agreement, in form and substance substantially similar to Exhibit A, pursuant to which each such other Lender shall have assigned to each such Increasing Lender and each such New Lender a portion of its Revolving Credit Exposure necessary to reflect proportionately the Revolving Commitments as adjusted in accordance with this subsection (f), and (2) in connection with such assignment, each such Increasing Lender and each such New Lender shall pay to the Administrative Agent, for the account of each such other Lender, such amount as shall be necessary to reflect the assignment to it of Revolving Loans constituting a part of such Revolving Credit Exposure assigned to it, and in connection with such master assignment each such other Lender may treat the assignment of Eurodollar Borrowings as a prepayment of such Eurodollar Borrowings for purposes of Section 3.6;
- (vi) in the case of the assumption of B Term Commitments pursuant to a B Term Increase Supplement, such B Term Increase Supplement shall specify with respect to the B Term Loans requested therein, all relevant information regarding such requested B Term Loans, including (a) the requested borrowing date thereof and (b) the aggregate amount of the B Term Commitments;
- (vii) in the case of the assumption of C Term Commitments pursuant to a C Term Increase Supplement, such C Term Increase Supplement, (x) in the case of the first such C Term Increase Supplement, such C Term Increase Supplement shall specify with respect to the C Term Loans requested therein, all relevant information regarding such requested C Term Loans, including (a) the requested borrowing date thereof, (b) the aggregate amount of the C Term Commitments, (c) the Applicable Margin to be applicable to the C Term Loans, (d) the C Term Maturity Date and (e) the amortization schedule to be applicable to the C Term Loans, provided that the amortization schedule with respect to the C Term Loans shall be such that not more than 1.00% per year of the C Term Loans will be subject to repayment thereunder and the C Term Loans will have an average life that is longer than B Term Loans, and (y) in the case of each subsequent C Term Increase Supplement, such C Term Increase Supplement shall specify with respect to the C Term Loans requested therein, all relevant information regarding such requested C Term Loans, including (a) the requested borrowing date thereof and (b) the aggregate amount of the C Term Commitments;
- (viii) each New Lender 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 3.7;
- (ix) the Borrower shall have delivered to the Administrative Agent a certificate of a Financial Officer of the Borrower certifying that immediately before and after giving effect to such increase no Default shall exist and demonstrating pro forma compliance with the terms of this Credit Agreement through the latest to occur of the Revolving Maturity Date, the B Term Maturity Date and, if C Term Commitments are then being requested or if there are C Term Loans outstanding at such time, the C Term Maturity Date, and
- (x) the Administrative Agent shall have received such certificates, legal opinions and other items as it shall reasonably request in connection with such increase.

Section 2.6 Repayment of Loans; Evidence of Debt

(a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each applicable Lender the then unpaid principal amount of each Revolving Loan, B Term Loan and C Term Loan on the Revolving Maturity Date, B Term Maturity Date and C Term Maturity Date, respectively, and (ii) to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of (x) the maturity date selected by the Borrower for such Swingline Loan and (y) the Revolving Maturity Date.

(b) On each date set forth below, the aggregate unpaid principal balance of the B Term Loans shall be due and payable in an amount equal to (i) the aggregate outstanding principal balance of the B Term Loans as of December 31, 2004 multiplied by (ii) the percentage set forth below adjacent to such date under the heading "Percentage":

Date	Percentage
-	-
-	-

December 31, 2004	0.50%
June 30, 2005	0.50%
December 31, 2005	0.50%
June 30, 2006	0.50%
December 31, 2006	0.50%
June 30, 2007	0.50%
December 31, 2007	0.50%
June 30, 2008	0.50%
December 31, 2008	0.50%
June 30, 2009	0.50%
December 31, 2009	0.50%
B Term Maturity Date	Remaining Unpaid Principal Amount

(c) The C Term Loans shall amortize as provided in the C Term Increase Supplement.

(d) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the debt of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(e) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period, if any, applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(f) The entries made in the accounts maintained pursuant to paragraphs (d) or (e) of this Section shall, to the extent not inconsistent with any entries made in the Notes, be prima facie evidence of the existence and amounts of the obligations recorded therein, provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Credit Agreement.

(g) The Borrower shall prepare, execute and deliver to each Lender, a Note payable to the order of such Lender, substantially in the form of Exhibit D-1. In addition, if requested by a Lender, its Note may be made payable to such Lender and its registered assigns in which case all Loans evidenced by such Note and interest thereon shall at all times (including after assignment pursuant to Section 10.4) be represented by one or more Notes in like form payable to the order of the payee named therein and its registered assigns.

Section 2.7 Prepayment of Loans

(a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing (other than any Swingline Borrowing, the prepayment of which is governed pursuant to Section 2.8(b)) in whole or in part, subject to the requirements of this Section.

(b) The Borrower shall prepay B Term Borrowings and C Term Borrowings and the Revolving Commitments shall be permanently reduced at the times and in the amounts as set forth below:

(i) Receipt of Net Proceeds. In the event and on each occasion that any Net Proceeds are received by or on behalf of the Parent or any Restricted Subsidiary in respect of any Prepayment/Reduction Event, then, immediately after such Net Proceeds are received, the Borrower shall prepay the Term Loans in an amount equal to such Net Proceeds, provided that (x) if, after applying all or a portion of such Net Proceeds to the prepayment of the Term Loans, the Term Loans have been paid in full, the Revolving Commitments shall be permanently reduced by an amount equal to any unapplied portion thereof and any Net Proceeds received thereafter, and (y) so long as no Event of Default shall then exist, the Revolving Commitments shall not be reduced below \$50,000,000 as a result of this clause (i).

(ii) Receipt of Net Equity Proceeds. In the event and on each occasion that any Net Equity Proceeds are received by or on behalf of the Parent, then, immediately after such Net Equity Proceeds are received, the Borrower shall prepay the Term Loans in an aggregate amount equal to (x) if no Default shall then exist and the Senior Leverage Ratio (calculated without giving effect to the phrase "cash and cash equivalents of the Parent and the Restricted Subsidiaries on such date in excess of \$3,000,000" contained in clause (i) of the definition "Senior Leverage Ratio") is greater than 2.00:1.00, the lesser of (1) 50% of the Net Equity Proceeds and (2) the amount of the Net Equity Proceeds which, when applied to the prepayment of the Loans, will result in the Senior Leverage Ratio (calculated without giving

effect to the phrase "cash and cash equivalents of the Parent and the Restricted Subsidiaries on such date in excess of \$3,000,000" contained in clause (i) of the definition "Senior Leverage Ratio") not exceeding 2.00:1.00 and (y) if a Default shall then exist, 100% of the Net Equity Proceeds, provided that (A) if, after applying all or a portion of such Net Equity Proceeds to the prepayment of the Term Loans, the Term Loans have been paid in full, the Revolving Commitments shall be permanently reduced by an amount equal to any unapplied portion thereof and any Net Equity Proceeds received thereafter, and (B) so long as no Event of Default shall then exist, the Revolving Commitments shall not be reduced below \$50,000,000 as a result of this clause (ii).

(iii) Excess Cash Flow. On the last day of the first fiscal quarter of each year (commencing on March 31, 2005), the Borrower shall prepay the Term Loans in an aggregate amount equal to 50% of the Excess Cash Flow for the most recently completed fiscal year of the Parent, in the event that the Senior Leverage Ratio as at the end of such fiscal year is greater than or equal to 2.00:1.00, provided that (x) if, after applying all or a portion of such Excess Cash Flow to the prepayment of the Term Loans, the Term Loans have been paid in full, the Revolving Commitments shall be permanently reduced by an amount equal to any unapplied portion thereof and (y) so long as no Event of Default shall then exist, the Revolving Commitments shall not be reduced below \$50,000,000 as a result of this clause (iii).

(iv) Net Debt Proceeds. In the event any Net Debt Proceeds are received by or on behalf of the Parent or the Borrower from the issuance of the New Subordinated Indenture Notes on or prior to December 31, 2004, then, immediately after such Net Debt Proceeds are received, the Borrower shall prepay the B Term Borrowings in an amount equal to the least of (x) \$75,000,000, (y) such Net Debt Proceeds and (z) the outstanding principal balance of the B Term Loans on the date of prepayment.

(c) Prepayments of the Term Loans made pursuant to Sections 2.7(a) and 2.7(b) (i)-(iii) above shall be applied ratably to the Term Loans based on the aggregate outstanding principal balance of the B Term Loans and C Term Loans.

(d) In the event of any partial reduction or termination of the Revolving Commitments, then (i) at or prior to the date of such reduction or termination, the Administrative Agent shall notify the Borrower and the applicable Lenders of the sum of the Revolving Credit Exposures after giving effect thereto and (ii) if such sum would exceed the total Revolving Commitments after giving effect to such reduction or termination, then the Borrower shall, on the date of such reduction or termination, prepay Revolving Borrowings in an amount sufficient to eliminate such excess.

(e) The Borrower shall notify the Administrative Agent by telephone (confirmed by facsimile) of any prepayment hereunder (i) in the case of a prepayment of a Eurodollar Borrowing, not later than 1:00 p.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Borrowing, not later than 1:00 p.m., New York City time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 3:00 p.m., New York City time, on the date of the prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid, provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Revolving Commitments as contemplated by Section 2.5, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.5. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the applicable Lenders or the Swingline Lender, as applicable, of the contents thereof. Each partial prepayment of any Borrowing under Section 2.7(a), when added to the amount of each concurrent reduction of the Revolving Commitments and prepayment of Borrowings under such Sections, shall be in the case of the prepayment of (x) a Eurodollar Borrowing, an integral multiple of \$250,000 and not less than \$2,000,000, (y) an ABR Borrowing (other than a Swingline Loan), an integral multiple of \$100,000 and not less than \$1,000,000, and (z) a Swingline Loan, an integral multiple of \$50,000 and not less than \$100,000. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Each prepayment of B Term Loans or C Term Loans shall be applied to the remaining installments of principal required under Section 2.6(b) or 2.6(c), as applicable in the inverse order of maturity. Prepayments shall be accompanied by accrued interest to the extent required by Section 3.1.

Section 2.8 Swingline Loans

(a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower in dollars from time to time on any Business Day during the period from the Fifth Restatement Effective Date to the fifth Business Day preceding the last day of the Availability Period in an aggregate outstanding principal amount at any time that will not result in the Swingline Exposure exceeding the Swingline Commitment or the sum of the total Revolving Credit Exposures exceeding the total Revolving Commitments, provided that the Swingline Lender shall not be obligated to make a Swingline Loan to refinance an outstanding Swingline Loan. Notwithstanding the foregoing, the Swingline Lender shall not be required to make a Swingline Loan if (i) any applicable Lender shall be in default of its obligations under this Credit Agreement or (ii) any Credit Party shall have notified the Swingline Lender and the Borrower in writing at least one Business Day prior to the date of Borrowing with respect to such Swingline Loan, that the conditions set forth in Section 5.2 have not been satisfied and such conditions remain unsatisfied as of the requested time of the making of such Swingline Loan. Each Swingline Loan shall be due and payable on the maturity thereof, provided that in no event shall such maturity be later than the fifth Business Day preceding the Revolving Maturity Date.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent and the Swingline Lender by telephone (confirmed by facsimile) no later than 3:00 p.m., New York City time, on the day of the relevant Swingline Loan. Each such notice shall be irrevocable and shall specify (i) the aggregate principal amount to be borrowed, (ii) the requested date (which shall be a Business Day) and (iii) the maturity date of the requested Swingline Loan which shall be not later than seven Business Days after the making of such Swingline Loan. The Swingline Lender will make the requested amount available promptly on that same day, to the Administrative Agent (for the account of the Borrower as set forth in Section 2.4) who, thereupon, will promptly make such amount available to the Borrower in like funds as provided therein or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.8(d) by remittance to the Issuing Bank. Each Swingline Loan shall be in an aggregate amount that is an integral multiple of \$50,000 and not less than \$100,000. The Borrower shall have the right at any time and from time to time to prepay any Swingline Borrowing in whole or in part, provided that the Borrower shall notify the Administrative Agent and the Swingline Lender by telephone (confirmed by facsimile) no later than 11:00 a.m., New York City time, on the day of the proposed prepayment. Each such notice shall be irrevocable and shall specify (i) the principal amount to be prepaid, which

shall be in an amount that is an integral multiple of \$50,000 and not less than \$100,000, or the remaining outstanding principal amount of the Swingline Loan being prepaid, and (ii) the date of prepayment (which shall be a Business Day). Prepayments shall be accompanied by accrued interest to the extent required by Section 3.1.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day notify the Administrative Agent that the Swingline Lender is requesting that the applicable Lenders make an ABR Revolving Borrowing in an amount equal to the outstanding principal balance and accrued interest on the Swingline Loans, in which case (i) the Administrative Agent shall notify each applicable Lender of the details thereof and of the amount of such Lender's Loan to be made as part of such ABR Revolving Borrowing, and (ii) each applicable Lender shall, whether or not any Default shall have occurred and be continuing, any representation or warranty shall be accurate, any condition to the making of any loan hereunder shall have been fulfilled, or any other matter whatsoever, make the Loan to be made by it under this paragraph by wire transfer of immediately available funds to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders, (A) on such date, in the event that such Lender shall have received notice of such ABR Revolving Borrowing prior to 12:00 noon, New York City time, or (B) if such notice has not been received by such Lender prior to such time on such date, then not later than 1:00 p.m., New York City time, on (x) the Business Day that such Lender receives such notice, if such notice is received prior to 12:00 noon, New York City time, on the day of receipt or (y) the Business Day immediately following the day that such Lender receives such notice, if such notice is not received prior to such time on the day of receipt. Such Loans shall, for all purposes hereof, be deemed to be an ABR Revolving Borrowing referred to in Section 2.1(a) and made pursuant to Section 2.3, and the Lenders obligations to make such Loans shall be absolute and unconditional. The Administrative Agent will make such Loans available to the Swingline Lender by promptly crediting or otherwise transferring the amounts so received, in like funds, to the Swingline Lender for the purpose of repaying in full the Swingline Loans and all accrued interest thereon.

(d) If the Borrower fails to make any payment with respect to a Swingline Loan, or if any such sum paid by the Borrower is required to be refunded to the Borrower for any reason, the Administrative Agent shall notify each applicable Lender of the applicable Swingline Loan, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Each applicable Lender shall purchase a participation in such Swingline Loan by paying to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.4 with respect to Loans made by such Lender (and Section 2.4 shall apply (with any necessary changes in points of detail) to the payment obligations of the applicable Lenders), by wire transfer of immediately available funds to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders, (A) on such date, in the event that such Lender shall have received notice thereof prior to 12:00 noon, New York City time, or (B) if such notice has not been received by such Lender prior to such time on such date, then not later than 1:00 p.m., New York City time, on (x) the Business Day that such Lender receives such notice, if such notice is received prior to 12:00 noon, New York City time, on the day of receipt or (y) the Business Day immediately following the day that such Lender receives such notice, if such notice is not received prior to such time on the day of receipt. The Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the applicable Lenders. Promptly following receipt by the Administrative Agent of any payment in respect of such Swingline Loan from the Borrower, the Administrative Agent shall distribute such payment to the Swingline Lender or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Swingline Lender, then to such Lenders and the Swingline Lender as their interests may appear. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Swingline Loans is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Revolving Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

Section 2.9 Letters of Credit

(a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit denominated in dollars for its own account, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the period from the Fifth Restatement Effective Date to the eleventh Business Day preceding the last day of the Availability Period. In the event of any inconsistency between the terms and conditions of this Credit Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Credit Agreement shall control.

(b) Notice of Issuance; Amendment; Renewal; Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or facsimile (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (not later than three Business Days before the requested date of issuance, amendment, renewal or extension) a Credit Request requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and, upon issuance, amendment, renewal or extension of each Letter of Credit, the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension, (i) the LC Exposure shall not exceed \$15,000,000 and (ii) the total Revolving Credit Exposures shall not exceed the total Revolving Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date that is one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is ten Business Days prior to the Revolving Maturity Date, provided that any Letter of Credit may provide for the renewal thereof for additional one year periods (which shall in no event extend beyond the date that is ten Business Days prior to the Revolving Maturity Date).

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing

the amount thereof) and without any further action on the part of the Issuing Bank or the applicable Lenders, the Issuing Bank hereby grants to each Lender having a Revolving Commitment, and each such Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each such Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each such Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Revolving Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever; provided that no Lender shall be obligated to make any payment to the Administrative Agent for any wrongful LC Disbursement made by the Issuing Bank as a result of acts or omissions constituting willful misconduct or gross negligence on the part of the Issuing Bank.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, then the Issuing Bank shall either (i) notify the Borrower to reimburse the Issuing Bank therefor, in which case the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement and any accrued interest thereon not later than 1:00 p.m., New York City time, on (A) the Business Day that the Borrower receives such notice, if such notice is received prior to 12:00 noon, New York City time, or (B) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time, provided that, if the LC Disbursement is equal to or greater than \$100,000, the Borrower may, subject to the conditions of borrowing set forth herein, request in accordance with Section 2.3 or Section 2.9 that such payment be financed with an ABR Revolving Borrowing in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing, or, whether or not the Issuing Bank shall have first notified the Borrower pursuant to clause (i) above, (ii) notify the Administrative Agent that the Issuing Bank is requesting that the applicable Lenders make an ABR Revolving Borrowing in an amount equal to such LC Disbursement and any accrued interest thereon, in which case (A) the Administrative Agent shall notify each applicable Lender of the details thereof and of the amount of such Lender's Loan to be made as part of such ABR Revolving Borrowing, and (B) each Lender shall, whether or not any Default shall have occurred and be continuing, any representation or warranty shall be accurate, any condition to the making of any Loan hereunder shall have been fulfilled, or any other matter whatsoever, make the Loan to be made by it under this paragraph by wire transfer of immediately available funds to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders on (1) the Business Day that such Lender receives such notice, if such notice is received prior to 12:00 noon, New York City time, on the day of receipt or (2) the Business Day immediately following the day that such Lender receives such notice, if such notice is not received prior to such time on the day of receipt. Such Loans shall, for all purposes hereof, be deemed to be an ABR Revolving Borrowing referred to in Section 2.1(a) and made pursuant to Section 2.3, and the Lenders obligations to make such Loans shall be absolute and unconditional. The Administrative Agent will make such Loans available to the Issuing Bank by promptly crediting or otherwise transferring the amounts so received, in like funds, to the Issuing Bank for the purpose of repaying in full the LC Disbursement and all accrued interest thereon.

(f) Obligations Absolute. The Borrower's obligations to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Credit Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Credit Agreement, or any term or provision therein or herein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither any Credit Party nor any of their respective Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify (which may include telephonic notice, promptly confirmed by facsimile) the Administrative Agent and the Borrower of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the applicable Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this

Section, then Section 3.1(b) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Cash Collateral. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing at least 51% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the applicable Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default described in clause (h) or (i) of Article 8. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Parent and the Borrower under this Credit Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Such deposit shall not bear interest, nor shall the Administrative Agent be under any obligation whatsoever to invest the same, provided that, at the request of the Borrower, such deposit shall be invested by the Administrative Agent in direct short term obligations of, or short term obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, in each case maturing no later than the expiry date of the Letter of Credit giving rise to the relevant LC Exposure. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing at least 51% of the total LC Exposure), be applied to satisfy other obligations of the Parent and the Borrower under this Credit Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived.

Section 2.10 Payments Generally; Pro Rata Treatment; Sharing of Setoffs

(a) Each Loan Party shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal of Loans, LC Disbursements, interest or fees, or of amounts payable under Sections 3.5, 3.6, 3.7 or 10.3, or otherwise) prior to 1:00 p.m., New York City time, on the date when due, in immediately available funds, without setoff or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its office at One Wall Street, New York, New York, or such other office as to which the Administrative Agent may notify the other parties hereto, except payments to be made to the Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 3.5, 3.6, 3.7 and 10.3 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal of Loans, unreimbursed LC Disbursements, interest, fees and commissions then due hereunder, such funds shall be applied (i) first, towards payment of interest, fees and commissions then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest, fees and commissions then due to such parties and (ii) second, towards payment of principal of Loans and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal of Loans and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of, or interest on, any of its Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements or Swingline Loans and accrued interest thereon than the proportion received by any other applicable Lender, then the applicable Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements or Swingline Loans of other applicable Lenders to the extent necessary so that the benefit of all such payments shall be shared by the applicable Lenders ratably in accordance with the aggregate amount of principal of, and accrued interest on, their respective Loans and participations in LC Disbursements or Swingline Loans, provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Credit Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements or Swingline Loans to any assignee or participant, other than to the Parent or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from a Loan Party prior to the date on which any payment is due to the Administrative Agent for the account of the applicable Credit Parties hereunder that such Loan Party will not make such payment, the Administrative Agent may assume that such Loan Party has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to such Credit Parties the amount due. In such event, if such Loan Party has not in fact made such payment, then each such Credit Party severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Credit Party with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules

on interbank compensation.

(e) If any Credit Party shall fail to make any payment required to be made by it pursuant to Section 2.4(b), 2.8(c), 2.9(d) or 2.9(e)(ii), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Credit Party to satisfy such Credit Party's obligations under such Sections until all such unsatisfied obligations are fully paid.

Article 3.

INTEREST, FEES, YIELD PROTECTION, ETC.

Section 3.1 Interest

(a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Margin. The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin. Each Swingline Loan shall bear interest at the Swingline Rate.

(b) Notwithstanding the foregoing, if any principal of or interest on any Loan, any reimbursement obligation in respect of any LC Disbursement or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraph of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Revolving Borrowings as provided in the preceding paragraph of this Section. In addition, notwithstanding the foregoing, at all times during the continuance of (x) any Event of Default under clauses (a), (b), (h) or (i) of Article 8 or (y) any other Event of Default after the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as such Event of Default is continuing (and, in the case of clause (y) above, after the Administrative Agent shall have so notified the Borrower), all outstanding principal of each Loan and all unreimbursed reimbursement obligations in respect of all LC Disbursements shall, without duplication of amounts payable under the preceding sentence, bear interest, after as well as before judgment, at a rate per annum equal to 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraph of this Section or to such unreimbursed reimbursement obligations in accordance with Section 2.9(h).

(c) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan, provided that (i) interest accrued pursuant to paragraph (b) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(d) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent clearly demonstrable error.

Section 3.2 Interest Elections

(a) Each Borrowing (other than a Swingline Loan) initially shall be of the Type specified in the applicable Credit Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Credit Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the applicable Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall deliver to the Administrative Agent a signed Interest Election Request in a form approved by the Administrative Agent (or notify the Administrative Agent by telephone, to be promptly confirmed by delivery to the Administrative Agent of a signed Interest Election Request) by the time that a Credit Request would be required under Section 2.3 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election.

(c) Each such telephonic and written Interest Election Request shall be irrevocable and shall specify the following information:

- (i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) of this paragraph shall be specified for each resulting Borrowing);
- (ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;
- (iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and
- (iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each

applicable Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period, such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing, (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 3.3 Fees

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender having a Revolving Commitment, a commitment fee, which shall accrue at a rate per annum equal to the Commitment Fee Percentage on the daily amount of the unused Revolving Commitment plus the Swingline Exposure of such Lender during the period from and including the date on which this Credit Agreement becomes effective pursuant to Section 10.6 to but excluding the date on which such Revolving Commitment terminates. Accrued commitment fees shall be payable in arrears on the last day of March, June, September and December of each year, each date on which the Revolving Commitments are permanently reduced and on the date on which the Revolving Commitments terminate, commencing on the first such date to occur after the date hereof. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender having a Revolving Commitment a participation fee with respect to its participations in Letters of Credit, which shall accrue at a rate per annum equal to the Applicable Margin on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Fifth Restatement Effective Date to but excluding the later of the date on which such Lender's Revolving Commitment terminates and the date on which such Lender ceases to have any LC Exposure and (ii) to the Issuing Bank for its own account a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon between the Borrower and the Issuing Bank on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Fifth Restatement Effective Date to but excluding the later of the date of termination of the Revolving Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Accrued participation fees and fronting fees shall be payable in arrears on the last day of March, June, September and December of each year, commencing on the first such date to occur after the date hereof; provided that all such fees shall be payable on the date on which the Revolving Commitments terminate and any such fees accruing after the date on which the Revolving Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within ten days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). Notwithstanding anything to the contrary herein, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, in the case of participation fees, or the Issuing Bank, in the case of fronting fees, so notifies the Borrower, then, so long as such Event of Default is continuing, all participation fees and fronting fees shall be calculated at a rate per annum equal to 2% plus the rate otherwise applicable thereto and shall be payable on demand.

(c) The Borrower agrees to pay to each Credit Party, for its own account, fees and other amounts payable in the amounts and at the times separately agreed upon between the Borrower and such Credit Party.

(d) All fees and other amounts payable hereunder shall be paid on the dates due, in immediately available funds. Fees and other amounts paid shall not be refundable under any circumstances.

Section 3.4 Alternate Rate of Interest

If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or facsimile as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Credit Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

Section 3.5 Increased Costs; Illegality

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Credit Party (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Credit Party or the London interbank market any other condition affecting this Credit Agreement, any Eurodollar Loans made by such Credit Party or any participation therein or any Letter of Credit or participation therein.

and the result of any of the foregoing shall be to increase the cost to such Credit Party of making or

maintaining any Eurodollar Loan or the cost to such Credit Party of issuing, participating in or maintaining any Letter of Credit hereunder or to increase the cost to such Credit Party or to reduce the amount of any sum received or receivable by such Credit Party hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Credit Party such additional amount or amounts as will compensate such Credit Party for such additional costs incurred or reduction suffered.

(b) If any Credit Party determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Credit Party's capital or on the capital of such Credit Party's holding company, if any, as a consequence of this Credit Agreement or the Loans made, the Letters of Credit issued or the participations therein held, by such Credit Party to a level below that which such Credit Party or such Credit Party's holding company could have achieved but for such Change in Law (taking into consideration such Credit Party's policies and the policies of such Credit Party's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Credit Party such additional amount or amounts as will compensate such Credit Party or such Credit Party's holding company for any such reduction suffered.

(c) A certificate of a Credit Party setting forth the amount or amounts necessary to compensate such Credit Party or its holding company, as applicable, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Credit Party the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Credit Party to demand compensation pursuant to this Section shall not constitute a waiver of such Credit Party's right to demand such compensation.

(e) Notwithstanding any other provision of this Credit Agreement, if, after the Fifth Restatement Date, any Change in Law shall make it unlawful for any Lender to make or maintain any Eurodollar Loan or to give effect to its obligations as contemplated hereby with respect to any Eurodollar Loan, then, by written notice to the Borrower and to the Administrative Agent:

(i) such Lender may declare that Eurodollar Loans will not thereafter (for the duration of such unlawfulness) be made by such Lender hereunder (or be continued for additional Interest Periods) and ABR Loans will not thereafter (for such duration) be converted into Eurodollar Loans, whereupon any request for a Eurodollar Borrowing or to convert an ABR Borrowing to a Eurodollar Borrowing or to continue a Eurodollar Borrowing, as applicable, for an additional Interest Period shall, as to such Lender only, be deemed a request for an ABR Loan (or a request to continue an ABR Loan as such for an additional Interest Period or to convert a Eurodollar Loan into an ABR Loan, as applicable), unless such declaration shall be subsequently withdrawn; and

(ii) such Lender may require that all outstanding Eurodollar Loans made by it be converted to ABR Loans, in which event all such Eurodollar Loans shall be automatically converted to ABR Loans, as of the effective date of such notice as provided in the last sentence of this paragraph.

In the event any Lender shall exercise its rights under clause (i) or (ii) of this paragraph, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Loans that would have been made by such Lender or the converted Eurodollar Loans of such Lender shall instead be applied to repay the ABR Loans made by such Lender in lieu of, or resulting from the conversion of, such Eurodollar Loans, as applicable. For purposes of this paragraph, a notice to the Borrower by any Lender shall be effective as to each Eurodollar Loan made by such Lender, if lawful, on the last day of the Interest Period currently applicable to such Eurodollar Loan; in all other cases such notice shall be effective on the date of receipt by the Borrower.

Section 3.6 Break Funding Payments

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 or any Swingline Loan other than on the maturity thereof (other than a Swingline Loan, the Swingline Rate with respect to which is based on the Alternate Base Rate) (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 or Swingline Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.7(e) and is revoked in accordance therewith), 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 Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate that such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

Section 3.7 Taxes

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

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

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

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

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the relevant Loan Party is located, or any treaty to which such jurisdiction is a party, with respect to payments under the Loan Documents shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly 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.

(f) The Borrower shall not be required to pay any additional amount to any Foreign Lender under this Section 3.7 (i) with respect to any Indemnified Taxes required to be deducted or withheld on the basis of any incorrect information contained in the information, certificates or statements of exemption such Lender delivered pursuant to Section 3.7(e), (ii) if such Lender is not entitled to an exemption from or reduction of withholding tax on the date it becomes a Lender or (iii) if such Lender shall have failed to satisfy the requirements of Section 3.7(e) on or after the date it becomes a Lender; provided that if such Lender was entitled to an exemption from or reduction of withholding tax on the date it becomes a Lender and if such Lender has satisfied the requirements of Section 3.7(e), nothing in this Section 3.7(f) shall relieve the Borrower of its obligation to pay any amounts pursuant to this Section 3.7 in the event that, as a result of any change in any applicable law, treaty or governmental rule, regulation or order, or any change in the interpretation, administration or application thereof, such Lender is no longer properly entitled to deliver forms, certificates or other evidence at a subsequent date establishing the fact that such Lender is not subject to withholding or is subject to withholding at a reduced rate.

Section 3.8 Mitigation Obligations

If any Lender requests compensation under Section 3.5, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.7, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans or Letters of Credit (or any participation therein) hereunder or to assign its rights and obligations hereunder to another of its offices, branches or Affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or materially reduce amounts payable pursuant to Section 3.5 or 3.7, as applicable, in the future and (ii) would not subject such Lender or any of its Affiliates to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender or any of its Affiliates. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

Article 4.

REPRESENTATIONS AND WARRANTIES

The Parent and the Borrower each represents and warrants to the Credit Parties that:

Section 4.1 Organization; Powers

Each Loan Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to own its property and to carry on its business as now conducted, and is in good standing and authorized to do business in each jurisdiction in which the failure to be so authorized could reasonably be expected to have a Material Adverse Effect.

Section 4.2 Authorization; Enforceability

The Transactions are within the corporate, partnership or other analogous powers of each Loan Party to the extent it is a party thereto and have been duly authorized by all necessary corporate, partnership or other analogous and, if required, equity holder action. Each Loan Document has been duly executed and delivered by each Loan Party to the extent it is a party thereto and constitutes a legal, valid and binding obligation thereof, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally.

Section 4.3 Governmental Approvals; No Conflicts

The Transactions (i) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority except (x) such as have been obtained or made and are in full force and effect, (y) the filing of the applicable Loan Documents with the FCC and the Securities and Exchange Commission in accordance with applicable law, which filings are for informational purposes and do not affect the validity or enforceability of the Loan Documents, and (z) as expressly set forth in the Security Agreement with respect to the FCC, (ii) will not violate any applicable law or regulation or the charter, limited liability company operating agreement, by laws or other organizational documents of any Loan Party or any order of any Governmental Authority, (iii) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Parent or any Subsidiary, or its assets, or give rise to a right thereunder to require any payment to be made by the Parent or any Subsidiary, which defaults could reasonably be expected to result in a Material Adverse Effect or could result in any claim against the Agent or the Lenders, and (iv) will not result in the creation or imposition of any Lien on any asset of any Loan Party (other than Liens permitted by Section 7.2).

Section 4.4 Financial Condition; No Material Adverse Change

(a) The Parent has heretofore furnished to the Credit Parties its (i) Form 10-K for the fiscal year ended December 31, 2002 containing (x) the annual audited consolidated balance sheet of the Parent and the Subsidiaries as of December 31, 2002, together with the related consolidated statements of operations, shareholders' equity and cash flows for the period then ended, reported on by Ernst&Young, LLP, independent public accountants, and (y) the unaudited consolidating balance sheets of the Parent and the Subsidiaries as of December 31, 2002, together with the related consolidating statements of operations, and (ii) Form 10-Q for the fiscal quarter ended June 30, 2003 containing (x) the unaudited consolidated balance sheets of the Parent and the Subsidiaries as of June 30, 2003, together with the related consolidated statements of operations for the period then ended and (y) the unaudited consolidating balance sheets of the Parent and the Subsidiaries as of June 30, 2003, 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 the 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 the Subsidiaries has (as of the respective dates of such financial statements) any material 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, 2002, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and the Borrower Subsidiaries, taken as a whole or the Parent and the Restricted Subsidiaries, taken as a whole.

Section 4.5 Properties

(a) Each of the Parent and the Restricted Subsidiaries has good title to, or valid leasehold interests in, all real and personal property which is material to the business of the Parent and the Restricted Subsidiaries, taken as a whole, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes and Liens permitted under Section 7.2.

(b) Each of the Parent and the Subsidiaries owns, or is entitled to use, all trademarks, trade names, copyrights, patents and other intellectual property material to its business, and the use thereof by Parent or such Subsidiary does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(c) Schedule 4.5 sets forth the address of each parcel of real property that had a purchase price in excess of \$1,000,000 and is owned by a Loan Party on the Fifth Restatement Date and further (i) specifies whether such real property is subject to a Mortgage executed and delivered prior to the Fifth Restatement Date, (ii) specifies the purchase price (if greater than or equal to \$1,000,000 but less than \$5,000,000) of each such parcel of real property that is not subject to such a Mortgage and was acquired after the Second Restatement Date and (iii) specifies the aggregate purchase price of all parcels of real property referred to in clause (ii) above.

Section 4.6 Litigation and Environmental Matters

(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Parent or the Borrower, threatened against or affecting the Parent or any of the Subsidiaries (i) that could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve any Loan Document or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Parent nor any of the Subsidiaries (i) have failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) have become subject to any Environmental Liability, (iii) have received notice of any claim with respect to any Environmental Liability or (iv) know of any basis for any Environmental Liability.

(c) Since the Fifth Restatement Date, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

Section 4.7 Compliance with Laws and Agreements

Each of the Parent and the Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

Section 4.8 Investment and Holding Company Status

Neither the Parent nor any of the Subsidiaries is (i) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (ii) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

Section 4.9 Taxes

Except as set forth on Schedule 4.9, each of the Parent and the Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (i) Taxes that are being contested in good faith by appropriate proceedings and for which the Parent or such Subsidiary, as applicable, has set aside on its books adequate reserves or (ii) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

Section 4.10 ERISA

No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan, and the present value of all accumulated benefit obligations of all underfunded Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of all such underfunded Plans by more than \$1,000,000.

Section 4.11 Disclosure

None of the reports, financial statements, certificates or other information furnished by or on behalf of the Parent or any Subsidiary to any Credit Party in connection with the negotiation of the Loan Documents or delivered thereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that, with respect to projected financial information, each of the Parent and the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

Section 4.12 Subsidiaries

(a) On the Fifth Restatement Date, the Parent has no direct or indirect Subsidiaries or investments (other than Permitted Investments) in, or joint ventures or partnerships with, any Person, except as disclosed in Schedule 4.12. Such Schedule sets forth the ownership interest of the Parent and each Subsidiary in each other Subsidiary and identifies each Subsidiary that is a Subsidiary Guarantor on the Fifth Restatement Date. Neither the Parent nor any Restricted Subsidiary has issued any Disqualified Equity Interests and there are no outstanding options or warrants to purchase Equity Interests of any Restricted Subsidiary of any class or kind, and there are no agreements, voting trusts or understandings with respect thereto or affecting in any manner the sale, pledge, assignment or other disposition thereof, including any right of first refusal, option, redemption, call or other rights with respect thereto, whether similar or dissimilar to any of the foregoing.

(b) As of the Fifth Restatement Date, the Parent has no Unrestricted Subsidiaries.

Section 4.13 Labor Matters

Except for the Disclosed Matters, (i) there are no strikes, lockouts or slowdowns against the Parent or any Subsidiary pending or, to the knowledge of the Parent of the Borrower, threatened, (ii) the hours worked by and payments made to employees of the Parent and the Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters, except where any such violations, individually and in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, (iii) all payments due from the Parent or any Subsidiary, or for which any claim may be made against the Parent or any Subsidiary, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of the Parent or such Subsidiary, the failure to pay of which or accrue as a liability could reasonably be expected to result in a Material Adverse Effect, and (iv) the consummation of the Transactions will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which the Parent or any Subsidiary is bound.

Section 4.14 Solvency

Immediately after the consummation of each Transaction, (i) the fair value of the assets of the Parent and the Restricted Subsidiaries, taken as a whole, and the Borrower and the Borrower Subsidiaries, taken as a whole, at a fair valuation, will exceed their debts and liabilities, subordinated, contingent or otherwise, (ii) the present fair saleable value of the property of the Parent and the Restricted Subsidiaries, taken as a whole, and the Borrower and the Borrower Subsidiaries, taken as a whole, will be greater than the amount that will be required to pay the probable liability of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured, (iii) each of the Loan Parties will be able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, and (iv) each of the Loan Parties will not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted following such date.

Section 4.15 Federal Reserve Regulations

(a) Neither the Parent nor any of the Subsidiaries is engaged principally, or as one of their important activities, in the business of extending credit for the purpose of buying or carrying Margin Stock. Immediately before and after giving effect to the making of each Loan and the issuance of each Letter of Credit, Margin Stock owned by the Parent or any Subsidiary will constitute less than 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 value of the assets of (i) the Borrower and (ii) the Borrower and the Borrower Subsidiaries on a consolidated basis, in each case as determined in accordance with Regulation U.

(b) No part of the proceeds of any Loan or any Letter of Credit will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase, acquire or carry any Margin Stock or for any purpose that entails a violation of, or that is inconsistent with, the provisions of the regulations of the FR Board, including Regulation T, U or X.

Section 4.16 Broadcasting Business

(a) Each of the Loan Parties is the registered licensee of all FCC Licenses necessary for the operation of all Broadcasting Stations owned and operated by such Loan Party substantially in the manner presently being conducted by it. Such FCC Licenses constitute all of the authorizations by the FCC necessary for the operation

of the business of each Loan Party substantially in the manner presently being conducted by it, and such FCC Licenses are validly issued and, except with respect to any Discontinued Broadcasting Station, in full force and effect, unimpaired in any material respect by any act or omission by such Loan Party. To the best of the Parent's and the Borrower's knowledge, except as set forth in Schedule 4.16, neither the Parent 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 (i) such proceedings that affect the radio broadcasting industry generally, (ii) as set forth in Schedule 4.16, and (iii) with respect to any Discontinued Broadcasting Station, there are no proceedings by or before the FCC which could reasonably be expected to materially threaten or adversely affect the validity of any of such FCC Licenses. Neither the Parent 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 FCC Licenses will not be renewed in the ordinary course.

(b) Each of Parent and the Subsidiaries (i) has duly and timely filed all filings which are required to be filed by it 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) is in all respects in compliance with the Communications Act, including 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.

Section 4.17 Burdensome Obligations

Neither the Parent nor any Subsidiary is a party to or bound by any franchise, agreement, deed, lease or other instrument, or subject to any corporate or other restriction which, in the opinion of its management, is so unusual or burdensome, in the context of its business, as in the foreseeable future could reasonably be expected to have a Material Adverse Effect. Neither the Parent nor any Subsidiary presently anticipates 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.

Section 4.18 Senior Indebtedness

The Indebtedness under the Loan Documents constitutes "senior indebtedness" or "senior debt" under and as defined in each of the 2001 Subordinated Indenture, the 2002 Subordinated Indenture, and, when issued the New Subordinated Indenture and any Refinancing Subordinated Indenture.

Section 4.19 Tax Shelter Regulations

Neither the Parent nor the Borrower intends to treat any or all of the Loans and/or Letters of Credit as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event the Parent or the Borrower determines to take any action inconsistent with such intention, it will promptly notify the Administrative Agent thereof. If the Parent or the Borrower so notifies the Administrative Agent, each of the Parent and the Borrower acknowledges that one or more of the Credit Parties may treat its Loans and/or Letters of Credit or interests therein as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and such Credit Party or Credit Parties, as applicable, will maintain the lists and other records required by such Treasury Regulation.

Article 5.

CONDITIONS

Section 5.1 Fifth Restatement Effective Date

The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective (the "Fifth Restatement Effective Date") until the date on which each of the following conditions is satisfied (or waived in accordance with Section 10.2):

(a) Credit Agreement. The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Credit Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include facsimile transmission of a signed signature page of this Credit Agreement) that such party has signed a counterpart of this Credit Agreement.

(b) Notes. The Administrative Agent shall have received (i) a Note for each Lender and (ii) a Swingline Note for the Swingline Lender, in each case signed on behalf of the Borrower.

(c) Legal Opinions. The Administrative Agent shall have received favorable written opinions (addressed to the Credit Parties and dated the Fifth Restatement Effective Date) from the General Counsel and FCC counsel to the Loan Parties substantially in the forms of Exhibits B-1 and B-2, respectively, and covering such other matters relating to the Loan Parties, the Loan Documents and the Transactions as the Required Lenders shall reasonably request. The Parent and the Borrower hereby request such counsel to deliver such opinions.

(d) Organizational Documents, etc. The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Loan Party, the authorization of the Transactions, the incumbency of its officer or officers who may sign the Loan Documents, including therein a signature specimen of such officer or officers and any other legal matters relating to the Loan Parties, the Loan Documents or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(e) Officer's Certificate. The Administrative Agent shall have received a certificate, dated the Fifth Restatement Effective Date and signed by the chief executive officer or the chief financial officer of each of the Borrower and the Parent, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 5.2.

(f) Departing Lenders, Interest, Fees and Expenses. The Administrative Agent shall have received (i) the written consent of each Departing Lender and the Borrower to (x) the exit of such Departing Lender from the Fourth Restated Agreement and (y) the termination of the RC Commitment (as defined in the Fourth Restated Agreement) of such Departing Lender, in each case simultaneously with the Fifth Restatement Effective Date, (ii) for the account of the Continuing Lenders and the Departing Lenders, all interest on the RC Loans (as defined in the Fourth Restated Agreement), all Letter of Credit Fees (as defined in the Fourth Restated Agreement) and all Commitment Fees (as defined in the Fourth Restated Agreement), in each case accrued to, but excluding, the Fifth

Restatement Effective Date, and, in connection therewith, all Interest Periods (as defined in the Fourth Restated Agreement) shall be deemed terminated on the Fifth Restatement Effective Date, (iii) for the account of the Departing Lenders, the outstanding principal amount of the RC Loans (as defined in the Fourth Restated Agreement) of the Departing Lenders, and (iv) for the account of the Credit Parties and the Departing Lenders, all other fees and amounts due and payable on or prior to the Fifth Restatement Effective Date in connection with this Credit Agreement and the Fourth Restated Agreement, including, to the extent invoiced, reimbursement or payment of all out of pocket expenses required to be reimbursed or paid by the Borrower. The Borrower shall pay to the Continuing Lenders and the Departing Lenders all losses, costs and expenses in connection with the termination of the Interest Periods referred to in clause (ii) above in the manner and at the time required by Section 2.9 of the Fourth Restated Agreement. Each Lender hereby consents to such exit of each Departing Lender from the Fourth Restated Agreement and the payment to each such Departing Lender of all principal, interest, fees and other sums owing to it under the Fourth Restated Agreement on or about the Fifth Restatement Effective Date.

(g) Guarantee Agreement. The Administrative Agent shall have received counterparts of the Guarantee Agreement signed on behalf of each Loan Party thereto.

(h) Security Agreement. The Administrative Agent shall have received counterparts of the Security Agreement signed on behalf of each Loan Party thereto, together with all instruments and other documents, including Uniform Commercial Code financing statements (including "in lieu" financing statements), required by law or reasonably requested by the Administrative Agent to be filed, registered or recorded to create or perfect the Liens intended to be created under the Security Agreement.

(i) No Violation. The performance by each Loan Party of its obligations under each Loan Document shall not (i) violate any applicable law, statute, rule or regulation or (ii) conflict with, or result in a default or event of default under, any material agreement of the Parent or any of the Subsidiaries.

(j) No Material Adverse Effect. The Administrative Agent shall have received a certificate of a Financial Officer, dated the Fifth Restatement Effective Date, to the effect that no Material Adverse Effect has occurred since December 31, 2002.

(k) Pro Forma Compliance. The Administrative Agent shall have received a certificate, dated the Fifth Restatement Effective Date and signed by a Financial Officer, setting forth reasonably detailed calculations demonstrating compliance with Section 7.12 on a pro forma basis immediately after giving effect to the Transactions occurring on the Fifth Restatement Effective Date.

(l) RC Loans Prepayment. The Borrower shall have reduced the outstanding principal amount of the RC Loans (under and as defined in the Fourth Restated Agreement) to \$75,000,000 (the "RC Loans Prepayment").

Notwithstanding the foregoing, the obligations of the Lenders to make Loans and the Issuing Bank to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.2) at or prior to 3:00 p.m., New York City time, on September 30, 2003 (and, in the event such conditions are not so satisfied or waived, the Revolving Commitments and the Swingline Commitment shall terminate at such time).

Section 5.2 Each Credit Event

The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Bank to issue, increase, amend, renew or extend a Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Loan Parties set forth in the Loan Documents shall be true and correct on and as of the date of such Borrowing or the date of such issuance, increase, amendment, renewal or extension, as applicable (except to the extent such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date).

(b) At the time of and immediately after giving effect to such Borrowing or such issuance, increase, amendment, renewal or extension, as applicable, no Default shall have occurred and be continuing.

(c) The Administrative Agent shall have received such other documentation and assurances as shall be reasonably required by it in connection therewith.

Each Borrowing and each issuance, increase, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Parent and the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

Article 6.

AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees and other amounts payable under the Loan Documents shall have been paid in full and all Letters of Credit have expired and all LC Disbursements have been reimbursed, each of the Parent and the Borrower covenants and agrees with the Credit Parties that:

Section 6.1 Financial Statements and Other Information

The Parent and the Borrower will furnish to the Administrative Agent and will furnish or cause to be furnished to each Lender:

(a) within 105 days after the end of each fiscal year, (i) a copy of the Parent's Form 10-K containing its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Ernst&Young, LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Parent and the Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, (ii) to the extent required to be delivered pursuant to the 2001 Subordinated Indenture, the 2002 Subordinated Indenture, or when issued, the New

Subordinated Indenture or any Refinancing Subordinated Indenture, a copy of the consolidated balance sheets of the Borrower and the Borrower 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 the Borrower Subsidiaries as of and through the end of such fiscal year, and (iii) the unaudited consolidating balance sheets and related statements of operations, stockholders' equity and cash flows of the Parent and the Subsidiaries as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all certified by a Financial Officer of the Parent or the Borrower, as applicable, as presenting fairly in all material respects the financial condition and results of operations of the Parent and the Subsidiaries or the Borrower and the Borrower Subsidiaries, as applicable, on a consolidating basis in accordance with GAAP consistently applied, subject to normal year end audit adjustments and the absence of footnotes, in accordance with GAAP consistently applied;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year, (i) a copy of the Parent's Form 10-Q containing its unaudited consolidated balance sheet and related unaudited statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, (ii) to the extent required to be delivered pursuant to the 2001 Subordinated Indenture, the 2002 Subordinated Indenture, or when issued, the New Subordinated Indenture or any Refinancing Subordinated Indenture, a copy of the consolidated balance sheets of the Borrower and the Borrower Subsidiaries together with the related consolidated statements of operations and cash flows of the Borrower and the Borrower Subsidiaries as at the end of such fiscal quarter and for the then elapsed portion of the fiscal year, and (iii) the unaudited consolidating balance sheets and related statements of operations, stockholders' equity and cash flows of the Parent and the Subsidiaries as at the end of such fiscal quarter and for the then elapsed portion of the fiscal year, all certified by a Financial Officer of the Parent or the Borrower, as applicable, as presenting fairly in all material respects the financial condition and results of operations of the Parent and the Subsidiaries or the Borrower and the Borrower Subsidiaries, as applicable, on a consolidating basis in accordance with GAAP consistently applied, subject to normal year end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(d) concurrently with any delivery of financial statements under clause (a) or (b) above, a profile satisfactory to the Administrative Agent of each of the Broadcasting Stations and Other Media Assets of the Parent or any of the Restricted Subsidiaries, 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 schedule of the consideration paid in each acquisition and the cash received in each disposition;

(e) concurrently with any delivery of financial statements under clause (a) or (b) above, a Compliance Certificate signed by a Financial Officer (i) attaching reasonably detailed calculations demonstrating compliance with Sections 7.1(a)(ii), 7.4(c)(iii), 7.4(g), 7.4(h), 7.4(i), 7.4(n), 7.5(d), 7.8(c), 7.8(d) and 7.12, (ii) listing the Subsidiary Guarantors and the Unrestricted Subsidiaries as of the date of such Compliance Certificate, (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 4.4(a) and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such Compliance Certificate, (iv) containing either a certification that no Default or Event of Default exists or, specifying the nature of each such Default or Event of Default, the nature and status thereof and any action take or proposed to be taken with respect thereto, (v) certifying that there have been no changes to the jurisdiction of organization or legal name of any Loan Party since the date of the last Compliance Certificate delivered pursuant to this Credit Agreement, (vi) containing either a certification that there has been no change to the information disclosed in the Schedules to the Security Agreement or, after the delivery of the first certification delivered pursuant to this subsection, as previously certified, or, if so, specifying all such changes;

(f) (i) within 45 days after the beginning of each fiscal year, an annual consolidated forecast for the Parent and the Restricted Subsidiaries for such fiscal year and the following two fiscal years, including projected consolidated statements of income of the Parent and the Restricted Subsidiaries, all in reasonable detail acceptable to the Administrative Agent, and (ii) no later than 45 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 a Financial Officer explaining the deviation and the action, if any, that has been taken or is proposed to be taken with respect thereto together with a revised annual consolidated forecast for the Parent and the Restricted Subsidiaries for such fiscal year and the following fiscal year, including projected consolidated statements of income of the Parent and the Restricted Subsidiaries, all in reasonable detail acceptable to the Administrative Agent (each forecast referred to in this Section 6.1(f) shall state all underlying assumptions); and

(g) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Parent or any Subsidiary, or compliance with the terms of the Loan Documents, as any Credit Party may reasonably request.

Section 6.2 Notices of Material Events

The Parent and the Borrower will furnish to the Administrative Agent and will furnish or cause to be furnished to each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Parent or any Affiliate thereof that, if adversely determined, could in the good faith opinion of the Borrower reasonably be expected to result in a Material Adverse Effect;

(c) Promptly upon becoming available, copies of all Form 10-K, 10-Q and 8-K reports, and all other material regular, periodic or special reports and schedules, that any Loan Party 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) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Parent and the Subsidiaries in an aggregate amount exceeding \$1,000,000;

(e) with respect to a Plan maintained by the Parent, any Subsidiary or any ERISA Affiliate, 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 upon request therefor, such other information and reports relating to the past, present or future financial condition, operations, plans and projections of any Loan Party as the Administrative Agent or any other Lender (through the Administrative Agent) may at any time and from time to time reasonably request;

(g) promptly after the same are received by any Loan Party, copies of all management letters and similar reports provided to it by its independent certified public accountants;

(h) prompt written notice of any material change in the accounting policies or financial reporting practices of any Loan Party, except as required by GAAP;

(i) prompt written notice of the occurrence of any Prepayment/Reduction Event, Equity Issuance resulting in Net Equity Proceeds or Equity Acquisition Issuance;

(j) 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;

(k) prompt written notice of any loss or threatened loss of, or any other event that pertains to, the main broadcasting license or any other material FCC License of any Broadcasting Station (other than a Discontinued Broadcasting Station) owned or operated by the Parent or any Subsidiary that could reasonably be expected to result in an Event of Default under Section 8(o);

(l) prompt written notice of any material Environmental Liability; and

(m) promptly after the Borrower has notified the Administrative Agent of any intention by the Borrower to treat the Loans and/or Letters of Credit and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4), a duly completed copy of IRS Form 8886 or any successor form.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Parent or the Borrower, as applicable, setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 6.3 Existence; Conduct of Business

(a) Each of the Parent and the Borrower will, and the Parent will cause each of the material Restricted Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.3 or any Transfer permitted by Section 7.5.

(b) The Parent will cause each of the other Restricted Subsidiaries to do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence, where such failure could reasonably be expected to have a Material Adverse Effect, provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.3 or any Transfer permitted by Section 7.5.

(c) The Parent will, and will cause each of the Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect the rights, licenses (including each main broadcasting station license issued by the FCC to it for each Broadcasting Station, except with respect to any Discontinued Broadcasting Station), permits, privileges and franchises material to the conduct of its business, where such failure could reasonably be expected to have a Material Adverse Effect, provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 7.3 or any Transfer permitted by Section 7.5.

Section 6.4 Payment and Performance of Obligations

The Parent will, and will cause each of the Subsidiaries to, pay or perform its obligations, including Tax liabilities, that, if not paid or performed, could reasonably be expected to result in a Material Adverse Effect before the same shall become delinquent or in default, except where (i) the validity or amount thereof is being contested in good faith by appropriate proceedings, and that any such contested obligations shall not constitute, or create, a Lien on any property of any Loan Party not permitted under Section 7.2, (ii) the Parent or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (iii) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect, provided that the Parent shall give the Administrative Agent and shall give or cause to be given to the Lenders prompt written notice of any such material contest.

Section 6.5 Maintenance of Properties

The Parent will, and will cause each of the Restricted Subsidiaries to, keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted.

Section 6.6 Books and Records; Inspection Rights

The Parent will, and will cause each of the Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Parent will, and will cause each of the Subsidiaries to, permit any representatives

designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

Section 6.7 Compliance with Laws

The Parent will, and will cause each of the Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 6.8 Use of Proceeds

The proceeds of the Loans will be used only for general corporate purposes not inconsistent with the terms hereof. The Letters of Credit will be used to support ordinary working capital purposes and to fulfill deposit requirements associated with proposed acquisitions permitted by Section 7.4. No part of the proceeds of any Loan or any Letter of Credit will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, to (x) purchase, acquire or carry any Margin Stock, (y) for any purpose that entails a violation of any of the regulations of the FR Board, including Regulations T, U and X, or (z) to make a loan to any director or executive officer of the Parent or any Subsidiary.

Section 6.9 Information Regarding Collateral

The Parent or the Borrower will furnish to the Administrative Agent prompt written notice of any change in (i) the legal name or jurisdiction of incorporation or formation of any Loan Party or in any trade name used to identify it in the conduct of its business or in the ownership of its properties, (ii) the location of the chief executive office of any Loan Party, its principal place of business, any office in which it maintains books or records relating to Collateral owned or held by it or on its behalf or, except as provided in the applicable Security Documents, any office or facility at which Collateral owned or held by it or on its behalf with an aggregate net book value in excess of \$500,000 is located (including the establishment of any such new office or facility), (iii) the identity or organizational structure of any Loan Party such that a filed financing statement becomes misleading or (iv) the Federal Taxpayer Identification Number or company organizational number of any Loan Party. The Parent and the Borrower agree not to effect or permit any change referred to in the preceding sentence unless all filings have been made under the Uniform Commercial Code or otherwise that are required in order for the Administrative Agent to continue at all times following such change to have a valid, legal and perfected security interest in all the Collateral. The Borrower also agrees promptly to notify the Administrative Agent if Collateral having a value in excess of \$500,000 is damaged or destroyed.

Section 6.10 Insurance

(a) The Parent will, and will cause each of the Restricted Subsidiaries to, maintain, with financially sound and reputable insurance companies, (i) adequate insurance for its insurable properties, all to such extent and against such risks, including fire, casualty, public liability (bodily injury and property damage), fidelity, bonding and workers' compensation with deductibles not exceeding \$500,000 per occurrence, and other risks insured against by extended coverage, as is customary with companies in the same or similar businesses operating in the same or similar locations, and which, in the case of property insurance, shall be in amounts sufficient to prevent any Loan Party from becoming a co-insurer, and (ii) such other insurance as is required pursuant to the terms of any Security Document.

(b) The Parent will file or cause to be filed with the Administrative Agent within ten 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 Financial Officer of the Parent (or such other officer of the Parent as is acceptable to the Administrative Agent) certifying that in the opinion of this Financial Officer (or such other officer), such insurance is adequate in nature and amount, complies with the obligations of the Parent and the Restricted Subsidiaries under this Section 6.10 and the provisions of any Security Document and is in full force and effect.

Section 6.11 Casualty and Condemnation

(a) The Parent or the Borrower will furnish to the Credit Parties prompt written notice of any casualty or other insured damage to any portion of any property owned or held by or on behalf of itself or any Restricted Subsidiary or the commencement of any action or proceeding for the taking of any such property or any part thereof or interest therein under power of eminent domain or by condemnation or similar proceeding if such property has a fair market value in excess of \$500,000.

(b) If any Prepayment/Reduction Event results in Net Proceeds (whether in the form of insurance proceeds, condemnation award or otherwise), the Administrative Agent is authorized to collect such Net Proceeds and, if received by the Parent or any of the Restricted Subsidiaries, such Net Proceeds shall, upon the request of the Administrative Agent, be paid over to the Administrative Agent, provided that (i) to the extent that the Parent or any of the Restricted Subsidiaries intends to use any such Net Proceeds to repair, restore or acquire assets as provided in the proviso of the definition of the term "Net Proceeds", the Administrative Agent shall, unless an Event of Default has occurred and is continuing, and subject to the terms and conditions of such proviso, deliver such Net Proceeds to the Borrower, otherwise, the Administrative Agent shall, and the Borrower hereby authorizes the Administrative Agent to, apply such Net Proceeds to prepay the Loans in accordance with Section 2.7(b)(i), and (ii) all proceeds of business interruption insurance shall be paid over to the Borrower unless an Event of Default has occurred and is continuing, and, if an Event of Default has occurred and is continuing, such proceeds will be applied to prepay the Loans in the manner provided in Section 2.7(b)(i) or, if Required Lenders so elect, deposited in a cash collateral account under control of the Administrative Agent and released to the Borrower subject to terms and conditions satisfactory to the Required Lenders.

(c) All other insurance proceeds, condemnation awards or similar payments received by or paid to the Administrative Agent shall be paid over to the Borrower, on behalf of the relevant Loan Parties, unless an Event of Default has occurred and is continuing, and, if an Event of Default has occurred and is continuing, such proceeds will be applied to prepay the Loans in the manner provided in Section 2.7(b)(i).

Section 6.12 Additional Subsidiaries

If any Subsidiary (other than a Subsidiary that is a party to the Guarantee Agreement and the Security Agreement) is formed or acquired after the Fifth Restatement Effective Date, the Parent or the Borrower will notify the Credit Parties in writing thereof not later than the tenth Business Day after the date on which such Subsidiary is formed or acquired and (i) the Parent will cause such Subsidiary, if such Subsidiary is a Restricted Subsidiary, to (a) execute and deliver each applicable Guarantee Document (or otherwise become a party thereto in the manner provided therein) and become a party to each applicable Security Document in the manner provided therein, in each case not later than the tenth Business Day after the date on which such Restricted Subsidiary is formed or acquired and (b) promptly take such actions to create and perfect Liens on such Restricted Subsidiary's assets to secure the Obligations as the Administrative Agent shall reasonably request and (ii) if any Equity Interests issued by any such Restricted Subsidiary are owned or held by or on behalf of the Borrower or any Guarantor or any loans, advances or other debt is owed or owing by any such Restricted Subsidiary to the Borrower or any Guarantor, the Parent or the Borrower will cause such Equity Interests and promissory notes and other instruments evidencing such loans, advances and other debt, to be pledged pursuant to the Security Documents not later than the tenth Business Day after the date on which such Restricted Subsidiary is formed or acquired.

Section 6.13 Further Assurances; Certain Real Estate Matters

(a) The Parent will, and will cause each Loan Party to, execute any and all further documents, financing statements, agreements (including guarantee agreements and security agreements) and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, Mortgages and other documents), that may be required under any applicable law, or which the Administrative Agent or the Required Lenders may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect (including as a result of any change in applicable law) the Liens created or intended to be created by the Security Documents or the validity or priority of any such Lien, all at the expense of the Borrower. The Borrower also agrees to provide to the Administrative Agent, from time to time upon request, evidence reasonably satisfactory to the Administrative Agent as to the perfection and priority of the Liens created or intended to be created by the Security Documents.

(b) Each of the Parent and the Borrower hereby covenants and agrees that, if at any time on or after the date hereof any asset or property (other than real property) acquired, owned or held by or on behalf of any Loan Party that constitutes or would constitute Collateral is not subject to a perfected Lien of the Administrative Agent hereunder with the priority required hereby (except as a result of the Administrative Agent's failure to maintain possession of any instrument, stock certificate or other similar document delivered to it hereunder or as a result of such asset or property being used or disposed of in a manner expressly permitted by any Loan Document), then the Borrower shall, at its own cost and expense, promptly (i) notify the Administrative Agent thereof and (ii) execute and deliver or cause the applicable Loan Party to execute and deliver, any and all agreements, instruments and other documents, and take all further action (including the filing and recording of financing statements and other documents), that may be necessary or reasonably requested by the Administrative Agent to cause such asset or property to become subject to a perfected Lien of the Administrative Agent hereunder (including, where applicable, perfection by establishing "sole dominion and control" within the meaning of the common law and "control" within the meaning of the UCC), with the priority required hereby. In addition, each of the Parent and the Borrower hereby covenants and agrees that each Compliance Certificate delivered pursuant to Section 6.1(e) of this Credit Agreement after the date hereof shall contain a certification that the representations and warranties contained in Section 3.1(a)(v) of the Security Agreement made by it and each other Loan Party are true and correct as of the date of such certificate.

(c) Promptly upon the acquisition by any Loan Party of any real property having a purchase price of (i) \$5,000,000 or more or (ii) \$1,000,000 or more (but less than \$5,000,000) if in the case of this clause (ii) the aggregate purchase price of all such real property acquired by the Parent and the Restricted Subsidiaries on or after the Second Restatement Date in respect of which no Mortgage has been executed and delivered to the Administrative Agent on or before the Fifth Restatement Effective Date shall exceed \$15,000,000, the Parent will execute and deliver, or cause the applicable Loan Party to execute and deliver, 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 (including local counsel opinions) and other documents as the Administrative Agent shall reasonably request in connection therewith.

(d) If any material assets (other than real property) are acquired by any Loan Party after the Fifth Restatement Effective Date (other than assets constituting Collateral under the Security Documents that become subject to the Lien of the Security Documents upon acquisition thereof, and other than assets upon which the Administrative Agent has a first perfected Lien), the Parent or the Borrower will notify the Credit Parties thereof, and, if requested by the Administrative Agent or the Required Lenders, the Parent and the Borrower will cause such assets to be subjected to a Lien securing the Obligations and will take, and cause the Subsidiaries Guarantors to take, such actions as shall be necessary or reasonably requested by the Administrative Agent to grant and perfect such Liens, including actions described in paragraph (a) of this Section, all at the expense of the Borrower and the Guarantors.

Section 6.14 Environmental Compliance

The Parent will, and will cause each Subsidiary to, use and operate all of its facilities and property in compliance with all Environmental Laws, keep all necessary permits, approvals, certificates, licenses and other authorizations relating to environmental matters in effect and remain in compliance therewith, and handle all Hazardous Materials in compliance with all applicable Environmental Laws, except where noncompliance with any of the foregoing could not reasonably be expected to have a Material Adverse Effect.

Article 7.

NEGATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees and other amounts payable under the Loan Documents shall have been paid in full and all Letters of Credit have expired and all LC Disbursements have been reimbursed, each of the Parent and the Borrower covenants and agrees with the Credit Parties that:

Section 7.1 Indebtedness; Equity Interests

- (a) The Parent will not, and will not permit any Restricted Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:
- (i) Indebtedness under the Loan Documents, the 2001 Subordinated Indenture Documents and the 2002 Subordinated Indenture Documents;
 - (ii) Indebtedness existing on the Fifth Restatement Date and set forth in Schedule 7.1 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, and any extensions, renewals or replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;
 - (iii) Indebtedness of any Loan Party to any other Loan Party, provided that (x) such Indebtedness is evidenced by a promissory note pledged to the Administrative Agent and (y) in the case of intercompany Indebtedness constituting an Investment made to support Other Media Assets, such intercompany Indebtedness is permitted by Section 7.4(c);
 - (iv) Guarantees by any Loan Party of Indebtedness of any other any Loan Party, provided that such Indebtedness is otherwise permitted by this Section 7.1(a);
 - (v) Unsecured Indebtedness of the Parent or the Borrower in respect of the New Subordinated Indenture Notes in an aggregate principal amount not in excess of \$125,000,000 (and of any other Loan Party in respect of the New Subordinated Indenture Guaranty), provided that (A) immediately before and after giving effect to the issuance thereof, no Default shall or would have occurred and be continuing, (B) the stated maturity thereof shall not be earlier than, and no amortization or other prepayment of principal (including as a result of a redemption, defeasance or put) shall be required prior to, the date that is six months after the latest to occur of the Revolving Maturity Date, B Term Maturity Date and C Term Maturity Date, (C) such Indebtedness is issued on terms, including subordination terms, and conditions acceptable to the Administrative Agent and each of the New Subordinated Indenture Documents is in form and substance satisfactory to the Administrative Agent, and (D) the lesser of (x) the outstanding principal amount of the B Term Loans on the date of the issuance of the New Subordinated Indenture Notes and (y) \$75,000,000 of the Net Debt Proceeds of the issuance of the New Subordinated Indenture Notes shall be applied to the prepayment of the B Term Loans as provided in Section 2.7(b)(iv); and
 - (vi) Unsecured Indebtedness of the Parent or the Borrower in respect of the Refinancing Subordinated Indenture Notes (and of any other Loan Party in respect of the Refinancing Subordinated Indenture Guaranty), provided that (A) immediately before and after giving effect to the issuance thereof, no Default shall or would have occurred and be continuing, (B) the stated maturity thereof shall not be earlier than, and no amortization or other prepayment of principal (including as a result of a redemption, defeasance or put) shall be required prior to, the date that is six months after the latest to occur of the Revolving Maturity Date, B Term Maturity Date and C Term Maturity Date, (C) such Indebtedness is issued on terms and conditions reasonably acceptable to the Administrative Agent and each of the Refinancing Subordinated Indenture Documents is in form and substance reasonably satisfactory to the Administrative Agent, (D) the covenants and events of default contained in the Refinancing Subordinated Indenture Documents, in each case taken as a whole, are generally no more onerous than the covenants and events of default contained in the documents evidencing the existing Subordinated Debt being refinanced with the proceeds thereof, (E) the subordination terms applicable to such Refinancing Subordinated Indenture Notes, taken as a whole, are at least as favorable to the Credit Parties as the subordination terms applicable to the existing Subordinated Debt being refinanced with the proceeds thereof, and (F) the Net Debt Proceeds of the issuance of the Refinancing Subordinated Indenture Notes are applied on the receipt thereof to the repurchase or redemption in full of the 2001 Subordinated Indenture Notes, the 2002 Subordinated Indenture Notes or the New Subordinated Indenture Notes, and, in connection therewith, the 2001 Subordinated Indenture Documents, the 2002 Subordinated Indenture Documents or the New Subordinated Indenture Documents, as the case may be, are terminated and cease to be in full force and effect.
- (b) The Parent will not, and will not permit any Restricted Subsidiary to, (i) issue any Disqualified Equity Interests, or (ii) be or become liable in respect of any obligation (contingent or otherwise) to purchase, redeem, retire, acquire or make any other payment in respect of any Equity Interests of the Parent or any Restricted Subsidiary, except as permitted under Sections 7.5(c) and 7.8.

Section 7.2 Liens

The Parent will not, and will not permit any Restricted Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

- (a) Liens created under the Loan Documents;
- (b) Permitted Encumbrances;
- (c) any Lien on any property or asset of the Parent or any Restricted Subsidiary existing on the Fifth Restatement Date and set forth in Schedule 7.2, provided that (i) such Lien shall not apply to any other property or asset of the Parent or any Restricted Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the Fifth Restatement Date and any extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;
- (d) Liens in connection with Indebtedness permitted under Section 7.1(a)(ii), provided that such Liens extend only to the property acquired with such Indebtedness; and
- (e) Liens granted by the Parent on the Equity Interests of any Unrestricted Subsidiary, provided that such Liens are granted on a non-recourse basis (with any recourse limited solely to the Equity Interests subject to such Liens) and neither the Parent nor any other Loan Party shall have any liability in connection therewith.

Section 7.3 Fundamental Changes; Line of Business; Fiscal Year

(a) The Parent will not, and will not permit any Restricted Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or Transfer (in one transaction or in a series of transactions) all or substantially all of its assets, or all or substantially all of the Equity Interests issued by any of the Restricted Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto, no Default shall or would have occurred and be continuing:

- (i) any (A) wholly-owned Borrower Subsidiary may merge into the Borrower in a transaction in which the Borrower is the surviving entity and (B) wholly-owned Subsidiary which is a Subsidiary Guarantor may merge into any other wholly-owned Subsidiary which is a Subsidiary Guarantor;
- (ii) any Restricted Subsidiary (other than the Borrower) may merge with any Person in a transaction that is not permitted by clause (i) of this Section 7.3(a), provided that such merger is permitted by Section 7.4 or 7.5, as applicable;
- (iii) any Restricted Subsidiary (other than the Borrower) may Transfer all or substantially all of its assets to the Borrower or to any wholly-owned Subsidiary which is a Subsidiary Guarantor;
- (iv) the Parent or any Restricted Subsidiary may Transfer its assets in a transaction that is not permitted by clause (iii) of this Section 7.3(a), provided that such Transfer is permitted by Section 7.5; and
- (v) any Restricted Subsidiary (other than the Borrower) may liquidate or dissolve upon the Transfer of all of its assets, provided that the Borrower shall have provided reasonable prior notice thereof to the Administrative Agent and such Transfer is permitted by Section 7.5.

(b) The Parent will not engage in any business other than holding 100% of the Equity Interests of the Borrower, Salem Communications Acquisition Corporation, any Subsidiary that owns Other Media Assets and any Unrestricted Subsidiaries created after the Fifth Restatement Date. Without limiting the foregoing, the Parent will not own or hold any FCC License. The Parent will not permit any Restricted Subsidiary to engage to any material extent in any business other than businesses of the type conducted by the Restricted Subsidiaries on the Fifth Restatement Date and businesses which are, as of the Fifth Restatement Date, related thereto.

(c) The Parent will not, and will not permit any of the Subsidiaries to, change its fiscal year.

Section 7.4 Investments, Loans, Advances, Guarantees and Acquisitions

The Parent will not, and will not permit any of the Restricted Subsidiaries to, purchase, hold or acquire (including pursuant to any merger) any capital stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, make or permit to exist any Guarantees of any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions (including pursuant to any merger)) any assets of any other Person constituting a business unit, or purchase or otherwise enter into or become party to any derivative transaction (each an "Investment"), except:

- (a) Permitted Investments;
- (b) Investments existing on the Fifth Restatement Date and set forth in Schedules 4.12 and 7.4;
- (c) Investments made by any Loan Party to or in any other Loan Party, provided that (i) in the case of capital contributions, such capital contributions shall be made to a Loan Party that is a subsidiary of such Loan Party, (ii) any such loans and advances made by a Loan Party shall be permitted under Section 7.1(a)(iii), and (iii) for the period from and after the Fifth Restatement Date, at all times when the Senior Leverage Ratio immediately before or after giving effect to such Investment is greater than 2.00:1.00, the aggregate outstanding amount of Investments made to support Other Media Assets of the Parent and the Restricted Subsidiaries for such period and during such times shall not exceed in the aggregate \$10,000,000;
- (d) acquisitions made by the Borrower from any Borrower Subsidiary which is a Subsidiary Guarantor and made by any Borrower Subsidiary which is a Subsidiary Guarantor from the Borrower or any other Subsidiary Guarantor;
- (e) Guarantees permitted by Section 7.1(a);
- (f) Hedging Agreements permitted by Section 7.7;
- (g) if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, Investments in the form of acquisitions of Broadcasting Stations (which term for purposes of this Section shall include any broadcast license issued by the FCC for the operation of a Broadcasting Station) and Other Media Assets, by the Borrower or any wholly-owned Borrower Subsidiary which is a Subsidiary Guarantor, provided that:
 - (i) Either (A) the Senior Leverage Ratio immediately before and after giving effect to such Investment is less than or equal to 2.00:1.00 or (B) the sum of (x) the aggregate consideration paid by the Parent and the Restricted Subsidiaries in connection with all Investments constituting acquisitions under this Section 7.4(g) (including capital expenditures relating to each such acquisition that were reasonably anticipated for the 12 month period following such acquisition) and (y) the aggregate of all non-maintenance capital expenditures made in connection with the upgrade of Broadcasting Stations shall not exceed \$75,000,000 for the period from and after the Fifth Restatement Date plus the aggregate amount of Net Equity Acquisition Proceeds received by the Parent for the period from and after the Fifth Restatement Date and applied against the purchase price of such acquisitions,
 - (ii) the provisions of Sections 6.12 and 6.13 shall have been complied with,
 - (iii) the Administrative Agent shall have received, if applicable, a copy of the Final FCC Order approving any such acquisition or, so long as the application for FCC approval is not subject to any contest deemed

material by the Administrative Agent, an Initial FCC Order, and

- (iv) the Administrative Agent shall have received such other documents as it shall reasonably request in connection therewith, each in form and substance satisfactory to the Administrative Agent;
- (h) if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, any Loan Party may make acquisitions, including through a merger (with such Loan Party (or a Person that becomes a Loan Party) as the survivor thereof) to the extent that the consideration paid for such acquisition is payable in Equity Interests (other than Disqualified Equity Interests) of the Parent, provided that:
 - (i) the provisions of Sections 6.12 and 6.13 shall have been complied with,
 - (ii) the Administrative Agent shall have received, if applicable, a copy of the Final FCC Order approving any such acquisition or, so long as the application for FCC approval is not subject to any contest deemed material by the Administrative Agent, an Initial FCC Order, and
 - (iii) the Administrative Agent shall have received such other documents as it shall reasonably request in connection therewith, each in form and substance satisfactory to the Administrative Agent;
- (i) if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, the Pending Acquisitions, provided that:
 - (i) the provisions of Sections 6.12 and 6.13 shall have been complied with,
 - (ii) the Administrative Agent shall have received, if applicable, a copy of the Final FCC Order approving any such acquisition or, so long as the application for FCC approval thereof shall not have been contested by any Person, an Initial FCC Order, and
 - (iii) the Administrative Agent shall have received such other documents as it shall reasonably request in connection therewith, each in form and substance satisfactory to the Administrative Agent;
- (j) if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, any Loan Party may acquire one or more Broadcasting Stations owned by another Person in exchange pursuant to an exchange made pursuant to Section 7.5(d) for one or more Broadcasting Stations owned by such Loan Party, provided that:
 - (i) the provisions of Sections 6.12 and 6.13 shall have been complied with,
 - (ii) the Administrative Agent shall have received, if applicable, a copy of the Final FCC Order approving any such acquisition or, so long as the application for FCC approval is not subject to any contest deemed material by the Administrative Agent, an Initial FCC Order, and
 - (iii) the Administrative Agent shall have received such other documents as it shall reasonably request in connection therewith, each in form and substance satisfactory to the Administrative Agent;
- (k) if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, deposits in connection with any acquisition permitted by subsection (g) or (h) of this Section;
- (l) loans and advances to employees for travel and relocation purposes and loans and advances to employees for other valid business purposes that do not exceed \$500,000 in the aggregate at any one time outstanding for the Parent and the Restricted Subsidiaries, provided that no loan or advance may be made to a director or executive officer of the Parent or any Subsidiary;
- (m) promissory notes received in connection with a Transfer of property permitted by Section 7.5 to the extent that the receipt of such promissory notes is permitted by Section 7.5; and
- (n) if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, other Investments (including partnerships, joint ventures and joint operating arrangements), provided that the aggregate outstanding amount of all such other Investments made by the Parent and the Restricted Subsidiaries shall not exceed in the aggregate \$5,000,000 if the Senior Leverage Ratio immediately before and after giving effect to such Investment is greater than 1.50:1.00 (determined on a pro-forma basis for the following 12 months). For purposes of this clause (n), the designation after the Fifth Restatement Date of a Subsidiary as an Unrestricted Subsidiary shall be deemed to be an Investment in such Unrestricted Subsidiary in an amount equal to (i) the sum of all Investments made by the Parent or any Restricted Subsidiary in or to such Unrestricted Subsidiary whether made prior to, on or after the Fifth Restatement Date minus (ii) all returns of capital actually received in cash by the Parent or such Restricted Subsidiary after the date on which such Subsidiary is designated as an Unrestricted Subsidiary (in the case of an equity investment) plus the principal amount of all repayments actually received in cash by the Parent or such Restricted Subsidiary after the date on which such Subsidiary is designated as an Unrestricted Subsidiary (in the case of a loan).

If the aggregate gross consideration for any Investment under Sections 7.4(g), (h), (i) or (j) exceeds \$15,000,000, the Parent or the Borrower shall have delivered to (i) the Administrative Agent and each other Credit Party such details of such transaction as the Administrative Agent or any other Credit Party (through the Administrative Agent) shall reasonably request, and (ii) the Administrative Agent and each other Credit Party financial statements for the next four full fiscal quarters of the Parent, prepared on a pro-forma basis reflecting the consummation of the transaction, together with a certificate of a Financial Officer of the Parent or the Borrower, as applicable, certifying that all representations and warranties of the Loan Parties under the Loan Documents are true and correct immediately before and after giving effect to such Investment and that each Loan Party is in pro forma compliance with the terms, covenants, provisions, and conditions of the Loan Documents, including Sections 7.4, 7.5 and 7.12 (and attaching calculations in reasonable detail). In addition, if the aggregate gross consideration for any such acquisition or exchange permitted under Sections 7.4(g), (h), (i) or (j) exceeds \$30,000,000, the Parent or Borrower shall deliver to the Administrative Agent and each other Credit Party (through the Administrative Agent) an independent appraisal of the property to be acquired prepared by an appraiser of national standing using nationally recognized valuation methods and assumptions.

Section 7.5 Asset Sales; Issuances of Equity Interests by Subsidiaries

The Parent will not, and will not permit any of the Restricted Subsidiaries to, sell, transfer, exchange or otherwise dispose (including pursuant to a merger) (each a "Transfer") of any asset, including any asset constituting an Equity Interest in any other Person (other than Equity Interests in Unrestricted Subsidiaries), nor will the Parent permit any of the Restricted Subsidiaries to issue any additional Equity Interests, except:

(a) Transfers of assets and Permitted Investments, in each case in the ordinary course of business (which shall not include the Transfer of all or substantially all of the Equity Interests or assets of any Broadcasting Station or any other existing business of any Loan Party as of the Fifth Restatement Date, including any business involving Other Media Assets);

(b) Transfers solely between two or more Loan Parties;

(c) issuances of Equity Interests by any Restricted Subsidiary to its parent, provided that such Equity Interests are pledged to the Administrative Agent pursuant to the Security Agreement; and

(d) subject to the last paragraph of this Section 7.5, any Loan Party may Transfer any property for its fair market value, provided that (i) at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, (ii) the aggregate gross consideration to be received by the Parent and the Restricted Subsidiaries for all property that has been Transferred pursuant to the provisions of this Section 7.5(d) during the one year period ending on the date of the proposed Transfer (including the property then being contemplated to be Transferred) shall not exceed \$75,000,000, (iii) the aggregate gross consideration to be received by the Parent and the Restricted Subsidiaries for all property that has been Transferred pursuant to the provisions of this Section 7.5(d) during the period commencing on the Fifth Restatement Date and ending through and including the date of the proposed Transfer (including the property then being contemplated to be Transferred) shall not exceed \$200,000,000, and (iv) at least 80% of the consideration to be in respect of each Transfer shall be paid in cash, cash equivalents or like kind assets, provided that notwithstanding such 80% limitation, the Parent and the Restricted Subsidiaries may receive consideration in respect of Transfers permitted hereunder in the form of promissory notes of the purchaser not in excess of \$10,000,000 in the aggregate for the Parent and the Restricted Subsidiaries at any time outstanding for all such Transfers.

If the aggregate gross consideration for any such Transfer permitted under Section 7.5(d) exceeds \$15,000,000, the Parent or the Borrower shall have delivered to (i) the Administrative Agent and each other Credit Party such details of such transaction as the Administrative Agent or any other Credit Party (through the Administrative Agent) shall reasonably request, and (ii) the Administrative Agent and each other Credit Party financial statements for the next four full fiscal quarters of the Parent, prepared on a pro-forma basis reflecting the consummation of the transaction, together with a certificate of a Financial Officer of the Parent or the Borrower, as applicable, certifying that all representations and warranties of the Loan Parties under the Loan Documents are true and correct immediately before and after giving effect to such Transfer and that each Loan Party is in pro forma compliance with the terms, covenants, provisions, and conditions of the Loan Documents, including Sections 7.4, 7.5 and 7.12 (and attaching calculations in reasonable detail).

Section 7.6 Sale and Lease Back Transactions

The Parent will not, and will not permit any of the Restricted Subsidiaries to, enter into any arrangement, directly or indirectly, with any Person whereby it shall Transfer any property, real or personal, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property being Transferred.

Section 7.7 Hedging Agreements

The Parent will not, and will not permit any of the Restricted Subsidiaries to, enter into any Hedging Agreement, other than Hedging Agreements entered into in the ordinary course of business to hedge or mitigate risks to which the Parent or any Restricted Subsidiary is exposed in the conduct of its business or the management of its liabilities.

Section 7.8 Restricted Payments

The Parent will not, and will not permit any of the Restricted Subsidiaries to, declare or make, or agree to pay for or make, directly or indirectly, any Restricted Payment, provided that

(a) the Parent may declare and pay, and agree to pay, dividends with respect to its Equity Interests payable solely in perpetual common Equity Interests,

(b) any wholly-owned Restricted Subsidiary may declare and pay dividends with respect to its Equity Interests to its parent,

(c) after the issuance of not less than \$50,000,000 in principal amount of New Subordinated Indenture Notes and following compliance with Sections 2.7(b)(iv) and 7.1(a)(v), if, at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, the Borrower may repurchase 2001 Subordinated Indenture Notes for an aggregate purchase price (excluding accrued interest) not in excess of \$30,000,000 minus the amount of repurchases of Equity Interests by the Parent pursuant to subsection (d) below;

(d) if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, the Parent may repurchase its Equity Interests for an aggregate purchase price not in excess of \$5,000,000 minus the amount of repurchases in excess of \$25,000,000 made under subsection (c) above;

(e) the Parent or any Restricted Subsidiary may make payments of principal, premium and interest in respect of Subordinated Debt to the extent expressly permitted by Section 7.13; and

(f) notwithstanding the provisions of subsections (a) through (e) above, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing and the Senior Leverage Ratio is less than or equal to 1.50:1.00 determined on a pro-forma basis for the following 12 months, the Parent or any Restricted Subsidiary may make declare and pay dividends on its Equity Interests and repurchase its

Subordinated Debt or Equity Interests.

Section 7.9 Transactions with Affiliates

The Parent will not, and will not permit any of the Restricted Subsidiaries to, Transfer any property or assets to, or purchase, lease or otherwise acquire (including pursuant to a merger) any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except in the ordinary course of business at prices and on terms and conditions not less favorable to the Parent or such Restricted Subsidiary than could be obtained on an arms length basis from unrelated third parties, provided that this Section shall not apply to any transaction between or among the Loan Parties and not involving any other Affiliate.

Section 7.10 Restrictive Agreements

The Parent will not, and will not permit any of the Restricted Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement binding on the Parent or any Restricted Subsidiary that prohibits, restricts or imposes any condition upon (i) the ability of the Parent or any Restricted Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets (unless such agreement or arrangement does not prohibit, restrict or impose any condition upon the ability of any Loan Party to create, incur or permit to exist any Lien in favor of the Secured Parties created under the Loan Documents) or (ii) the ability of any Restricted Subsidiary to pay dividends or make other distributions with respect to any of its Equity Interests or to make or repay loans or advances to the Borrower or any other Restricted Subsidiary or to Guarantee Indebtedness of the Borrower or any other Restricted Subsidiary, provided that (a) the foregoing shall not apply to restrictions and conditions imposed by law or by the Loan Documents, (b) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 7.10 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), (c) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Restricted Subsidiary pending such sale, provided that such restrictions and conditions apply only to the Restricted Subsidiary that is to be sold and such sale is permitted hereunder, (d) clause (i) of this Section shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Credit Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, and (e) clause (i) of this Section shall not apply to customary provisions in leases restricting the assignment thereof.

Section 7.11 Amendment of Material Documents

The Parent will not, and will not permit any Restricted Subsidiary to, amend, modify or waive any of its rights under (i) its certificate of incorporation or formation, by-laws, operating agreement or other organizational documents in any way that would adversely affect the interests of the Credit Parties or the obligations of any Loan Party under any of the Loan Documents or (ii) the Tax Sharing Agreement, except that the Tax Sharing Agreement may be amended to include Unrestricted Subsidiaries, provided that any such amendment of the Tax Sharing Agreement shall be in form and substance satisfactory to the Administrative Agent.

Section 7.12 Financial Covenants

(a) Interest Coverage Ratio. The Parent will not permit the Interest Coverage Ratio as of the end of any fiscal quarter during any period set forth below to be less than the ratio set forth below with respect to such period:

Period	Ratio
Fifth Restatement Date through June 29, 2005	1.50:1.00
June 30, 2005 through June 29, 2006	1.75:1.00
June 30, 2006 through June 29, 2007	2.00:1.00
June 30, 2007 through June 29, 2008	2.25:1.00
June 30, 2008 and thereafter	2.50:1.00

(b) Fixed Charge Coverage Ratio. The Parent will not permit the Fixed Charge Coverage Ratio as of the end of any fiscal quarter to be less than 1.10:1.00.

(c) Pro Forma Debt Service Coverage Ratio. The Parent will not permit the Pro Forma Debt Service Coverage Ratio as of the end of any fiscal quarter to be less than 1.25:1.00.

(d) Total Leverage Ratio. The Parent will not permit the Total Leverage Ratio at any time during any period set forth below to be greater than the ratio set forth below with respect to such period:

Period	Ratio
Fifth Restatement Date through December 30, 2004	7.25:1.00
December 31, 2004 through December 30, 2005	6.75:1.00

December 31, 2005 through December 30, 2006	6.25:1.00
December 31, 2006 and thereafter	5.50:1.00

(e) Senior Leverage Ratio. The Parent will not permit the Senior Leverage Ratio at any time during any period set forth below to be greater than (i) prior to the issuance of more than \$50,000,000 of New Subordinated Indenture Notes, 3.00:1.00, and (ii) on and after such issuance, 2.50:1.00.

Section 7.13 Subordinated Indentures

(a) The Parent will not and will not permit any Restricted Subsidiary to, enter into or agree to any amendment, modification or waiver of any term or condition of the 2001 Subordinated Indenture Documents, the 2002 Subordinated Indenture Documents and, when issued, the New Subordinated Indenture Documents and the Refinancing Subordinated Indenture Documents, or purchase, redeem or make any payment with respect to Indebtedness under the 2001 Subordinated Indenture Documents, the 2002 Subordinated Indenture Documents and, when issued, the New Subordinated Indenture Documents and the Refinancing Subordinated Indenture Documents, provided that (i) the Borrower or the Parent, as applicable, may make required payments to the extent expressly permitted pursuant to, and not prohibited by, the subordination terms set forth therein, (ii) the Borrower or the Parent, as applicable, may redeem or repurchase 2001 Subordinated Indenture Notes, 2002 Subordinated Indenture Notes, New Subordinated Indenture Notes or Refinancing Subordinated Indenture Notes (and pay any call or prepayment premium payable in connection therewith) (A) in the manner described in Section 7.1(a)(vi) with the net proceeds of the Refinancing Subordinated Indenture Notes or (B) to the extent permitted by Section 7.8(c) or Section 7.8(f).

(b) The Parent will not permit any Subsidiary to be a party to any of the 2001 Subordinated Indenture Guaranty, the 2002 Subordinated Indenture Guaranty, the New Subordinated Indenture Guaranty, or the Refinancing Subordinated Indenture Guaranty if such Subsidiary is not either the Borrower or a Subsidiary Guarantor party to the Subsidiary Guaranty.

Section 7.14 Margin Stock

(a) The Parent will not own Margin Stock which, when aggregated with any Margin Stock owned by the Subsidiaries, is 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 Parent or the Borrower or (ii) the Parent and the Subsidiaries, the Parent and the Restricted Subsidiaries or the Borrower and the Borrower Subsidiaries, in each case on a consolidated basis as determined in accordance with Regulation U.

(b) The Borrower will not own Margin Stock which, when aggregated with any Margin Stock owned by the Parent and the Subsidiaries (excluding the Borrower), is 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 Parent or the Borrower or (ii) the Parent and the Subsidiaries, the Parent and the Restricted Subsidiaries or the Borrower and the Borrower Subsidiaries, in each case on a consolidated basis as determined in accordance with Regulation U.

Section 7.15 Operating Lease Obligations

The Parent will not, or permit any Restricted Subsidiary to, create or suffer to exist any obligations for the payment of rent for any property under any operating lease, except for:

(a) operating leases in existence on the Fifth Restatement Date and any renewal, extension or refinancing thereof; and

(b) operating leases in the ordinary course of business entered into or assumed after the Fifth Restatement Date.

Article 8.

EVENTS OF DEFAULT

If any of the following events (each an "Event of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or on any reimbursement obligation in respect of any LC Disbursement or any fee, commission or any other amount (other than an amount referred to in clause (a) of this Article) payable under any Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three Business Days;

(c) any representation or warranty made or deemed made by or on behalf of the Parent or any Subsidiary in or in connection with any Loan Document or any amendment or modification hereof or waiver thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification hereof or waiver thereunder, shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Parent or the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 6.3, 6.8, 6.10, 6.12 or 6.13 or in Article 7, or any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in Section 3.1(b)(vi), 3.1(b)(vii), 3.2 or 3.3(b) of the Security Agreement, in each case to the extent it is a party thereto;

(e) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in any

Loan Document to which it is a party (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after such Loan Party shall have obtained knowledge thereof;

(f) the Parent or any Subsidiary shall fail to make any payment (whether of principal, interest or otherwise and regardless of amount) in respect of any Material Obligations when and as the same shall become due and payable (after giving effect to any applicable grace period);

(g) any event or condition occurs that results in any Material Obligations becoming due prior to their scheduled maturity or payment date, or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Obligations or any trustee or agent on its or their behalf to cause any Material Obligations to become due prior to their scheduled maturity or payment date or to require the prepayment, repurchase, redemption or defeasance thereof prior to their scheduled maturity or payment date (in each case after giving effect to any applicable cure period), provided that this clause (g) shall not apply to purchase money secured Indebtedness that becomes due solely as a result of the voluntary Transfer of the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Parent or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Parent or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 45 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Parent or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Parent or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) the Parent or any Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of \$1,000,000 shall be rendered against the Parent or any Subsidiary or any combination thereof (to the extent not fully covered by insurance without taking into account any applicable deductibles) and the same shall remain undischarged or unbonded for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Parent or any Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in liability of the Parent and the Subsidiaries in an aggregate amount exceeding (i) \$1,000,000 in any year or (ii) \$2,000,000 for all periods;

(m) any Loan Document shall cease, for any reason, to be in full force and effect (except as expressly provided pursuant to the terms of such Loan Document), or any Loan Party shall so assert in writing or shall disavow any of its obligations thereunder;

(n) any Lien purported to be created under any Security Document shall cease to be, or shall be asserted by any Loan Party not to be, a valid and perfected Lien on any Collateral (other than Collateral having an aggregate fair market value of less than \$500,000), with the priority required by the applicable Security Document, except (i) as a result of the Transfer of the applicable Collateral in a transaction permitted under the Loan Documents or (ii) as a result of the Administrative Agent's failure to maintain possession of any stock certificates, promissory notes or other instruments delivered to it under the Security Agreement or any foreclosure, distraint, sale or similar proceedings have been commenced with respect to any Collateral;

(o) The FCC or any other Governmental Authority revokes or fails to renew any license, permit or franchise of the Parent or any Subsidiary, or the Parent or any Subsidiary for any reason loses any license, permit or franchise, or the Parent or any Subsidiary 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 or any other material broadcasting license of any material Broadcasting Station operated by the Parent or any Subsidiary (except with respect to any Discontinued Broadcasting Station), (ii) pertains to the main or any other material broadcasting license of any other Broadcasting Station operated by the Parent or any Subsidiary (except with respect to any Discontinued Broadcasting Station) and such revocation, failure to renew, loss or imposition could reasonably be expected to adversely affect the main or any other material broadcasting license of any other Broadcasting Station operated by the Parent or any Subsidiary (except with respect to any Discontinued Broadcasting Station) or (iii) could reasonably be expected to have a Material Adverse Effect; or

(p) a Change in Control shall occur;

then, and in every such event (other than an event described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions (whether before or after the Fifth Restatement Date), at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of each Loan Party accrued under the Loan Documents, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event described in clause (h) or (i)

of this Article, the Commitments shall automatically terminate (whether before or after the Fifth Restatement Date) and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of each Loan Party accrued under the Loan Documents, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower and the Parent.

Article 9.

THE ADMINISTRATIVE AGENT

Each Credit Party hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Parent or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein or in any other Loan Document. Without limiting the generality of the foregoing, (i) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (ii) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Credit Parties as shall be necessary under the circumstances as provided in Section 10.2), and (iii) except as expressly set forth herein or in any other Loan Document, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Parent, any Subsidiary or any other Loan Party that is communicated to or obtained by the Person serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Credit Parties as shall be necessary under the circumstances as provided in Section 10.2) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Credit Party (and, promptly after its receipt of any such notice, it shall give each Credit Party and the Borrower notice thereof), and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (a) any statement, warranty or representation made in or in connection with any Loan Document, (b) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (c) the performance or observance of any of the covenants, agreements or other terms or conditions set forth therein, (d) the validity, enforceability, effectiveness or genuineness thereof or any other agreement, instrument or other document or (e) the satisfaction of any condition set forth in Article 5 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for any of the Loan Parties), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub agents appointed by the Administrative Agent, provided that no such delegation shall serve as a release of the Administrative Agent or waiver by the Parent or the Borrower of any rights hereunder. The Administrative Agent and any such sub agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub agent and to the Related Parties of the Administrative Agent and any such sub agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Credit Parties and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Credit Parties, appoint a successor Administrative Agent which shall be a bank or finance company with an office in New York, New York, or an Affiliate of any such bank or finance company. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.3 shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Credit Party acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Credit Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Credit Agreement. Each Credit Party also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Credit Party and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon any Loan Document, any related agreement or any document furnished thereunder.

Notwithstanding anything in any Loan Document to the contrary, neither the Syndication Agents nor the Documentation Agents, in their capacities as Syndication Agents or Documentation Agents, respectively, shall have any duties or obligations under the Loan Documents.

Article 10.

MISCELLANEOUS

Section 10.1 Notices.

Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows:

(a) if to the Parent or the Borrower, to it at 4880 Santa Rosa Road, Suite 300, Camarillo, California 93012, Attention of: David Evans, Senior Vice President and Chief Financial Officer (Telephone No. (805) 987-0400 (ext. 1031)), Facsimile No. (805) 384-4532), with copies to Salem Communication Holding Corporation, at 4880 Santa Rosa Road, Suite 300, Camarillo, California 93012, Attention of: Jonathan L. Block, Esq., Secretary (Telephone No. (805) 987-0400 (ext. 1106)), Facsimile No. (805) 384-4505 and Attention of: Eileen Hill, Vice President-Finance (Telephone No. (805) 987-0400 (ext. 1030)), Facsimile No. (805) 384-4529);

(b) if to the Administrative Agent, or BNY as Issuing Bank to it at One Wall Street, New York, New York 10286, Attention of: Renee Dudley (Telephone No. (212) 635-4975), Facsimile No. (212) 635-6365 or 6366 or 6367, with a copy to The Bank of New York, at One Wall Street, New York, New York 10286, Attention of: Stephen Nettler, Vice President (Telephone No. (212) 635-8699, Facsimile No. (212) 635-8595); and

(c) if to any other Credit Party, to it at its address (or facsimile number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Credit Agreement shall be deemed to have been given on the date of receipt.

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. Each of the Administrative Agent, the Parent and the Borrower may, in its discretion agree to accept notices and other communications to it hereunder by electronic communication pursuant to procedures approved by it, provided that approval of such procedures (i) may be limited to particular notices or communications and (ii) shall not include any notice of Default.

Section 10.2 Waivers; Amendments

(a) No failure or delay by any Credit Party in exercising any right or power under any Loan Document 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. The rights and remedies of the Credit Parties under the Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan and/or the issuance, amendment, extension or renewal of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether any Credit Party may have had notice or knowledge of such Default at the time.

(b) Neither any Loan Document nor any provision thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Parent, the Borrower and the Required Lenders or by the Parent, the Borrower and the Administrative Agent with the consent of the Required Lenders, provided that no such agreement shall (i) increase any Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or any reimbursement obligation with respect to a LC Disbursement, or reduce the rate of any interest (other than under Section 3.1(b)), or reduce any fees, payable under the Loan Documents, without the written consent of each Credit Party affected thereby, (iii) postpone the date of payment at stated maturity of any Loan, the date of any mandatory reduction of the Revolving Commitments under Section 2.5(b) or any amortization payment under Section 2.6(b) or (c) or the date of payment of any reimbursement obligation with respect to an LC Disbursement, any interest or any fees payable under the Loan Documents, or reduce the amount of, waive or excuse any such payment, or postpone the stated termination or expiration of the Revolving Commitments without the written consent of each Credit Party affected thereby, (iv) change any provision hereof in a manner that would alter the pro rata sharing of payments required by Section 2.10(b) or the pro rata reduction of Revolving Commitments required by Section 2.5(e), without the written consent of each Credit Party affected thereby, (v) change any of the provisions of this Section or the definition of the term "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, or change the currency in which Loans are to be made, Letters of Credit are to be issued or payment under the Loan Documents is to be made, or add additional borrowers, without the written consent of each Lender, (vi) release any Guarantor from its Guarantee under the Guarantee Documents (except as expressly provided in the Security Documents), or limit its liability in respect of such Guarantee, without the written consent of each Lender, or (vii) release all or any material portion of the Collateral from the Liens of the Loan Documents (except as expressly provided in the Security Agreement or in connection with a transaction permitted by Section 7.5), or subordinate such Liens in all or a material portion of the Collateral to the Liens of any other Person without the consent of each Lender, and provided that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Issuing Bank or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, the Issuing Bank or the Swingline Lender, as applicable.

Section 10.3 Expenses; Indemnity; Damage Waiver

(a) The Borrower shall pay (i) all out of pocket reasonable costs and expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the

preparation and administration of each Loan Document or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated thereby shall be consummated), (ii) all out of pocket reasonable costs and expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out of pocket costs and expenses incurred by any Credit Party, including the reasonable fees, charges and disbursements of any counsel for any Credit Party and any consultant or expert witness fees and expenses, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such reasonable out of pocket costs and expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrower shall indemnify each Credit Party and each Related Party thereof (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated thereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated thereby, (ii) any Loan or Letter of Credit or the use of the proceeds thereof including any refusal of the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Parent or any Subsidiary, or any Environmental Liability related in any way to the Parent or any Subsidiary or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent or the Issuing Bank, as applicable, an amount equal to the product of such unpaid amount multiplied by a fraction, the numerator of which is the sum of such Lender's unused Commitments (other than the Swingline Commitment), the outstanding principal balance of such Lender's Loans (other than Swingline Loans), such Lender's Swingline Exposure and such Lender's LC Exposure and the denominator of which is the sum of the unused Commitments (other than the Swingline Commitment), the outstanding principal balance of all Lenders Loans (other than Swingline Loans), the Swingline Exposure of all Lenders and the LC Exposure of all Lenders (in each case determined as of the time that the applicable unreimbursed expense or indemnity payment is sought or, in the event that no Lender shall have any unused Commitments, outstanding Loans or LC Exposure at such time, as of the last time at which any Lender had any unused Commitments (other than the Swingline Commitment), outstanding Loans or LC Exposure), provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as applicable, was incurred by or asserted against the Administrative Agent or the Issuing Bank, as applicable, in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct and actual damages) arising out of, in connection with, or as a result of, any Loan Document or any agreement, instrument or other document contemplated thereby, the Transactions or any Loan or any Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly but in no event later than ten days after written demand therefor.

Section 10.4 Successors and Assigns

(a) The provisions of the Loan Documents shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Parent nor the Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Credit Party (and any attempted assignment or transfer by the Parent or the Borrower without such consent shall be null and void). Nothing in the Loan Documents, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each Credit Party) any legal or equitable right, remedy or claim under or by reason of any Loan Document.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under the Loan Documents (including all or a portion of its Revolving Commitment or obligations in respect of its LC Exposure or Swingline Exposure, B Term Commitment and/or C Term Commitment and the applicable Loans at the time owing to it), provided that (i) except in the case of an assignment to a Lender or an Affiliate or an Approved Fund of a Lender, each of the Borrower and the Administrative Agent (and, in the case of an assignment of all or any portion of its Revolving Commitment or obligations in respect of its LC Exposure or Swingline Exposure, the Issuing Bank and/or the Swingline Lender, as the case may be) must give its prior written consent to such assignment (which consent shall not be unreasonably withheld or delayed), (ii) except in the case of an assignment to a Lender or an Affiliate or an Approved Fund of a Lender or an assignment of the entire remaining amount of the assigning Lender's Revolving Commitment, B Term Commitment and/or C Term Commitment, as applicable, the amount of the Revolving Commitment, B Term Commitment (or B Term Loans) and/or C Term Commitment (or C Term Loans), as applicable, of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000, unless the Borrower and the Administrative Agent otherwise consent (which consent shall not be unreasonably withheld or delayed), (iii) no assignments to the Parent or any of its Affiliates shall be permitted (and any attempted assignment or transfer to the Parent or any of its Affiliates shall be null and void), (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance together with, unless otherwise agreed by the Administrative Agent, a processing and recordation fee of \$3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire, and provided that any consent of the Borrower otherwise required under this paragraph shall not be required if a Default has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under the Loan Documents, and the

assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under the Loan Documents (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under the Loan Documents, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 3.5, 3.6, 3.7 and 10.3). Except as otherwise provided under clause (iii) of this paragraph, any assignment or transfer by a Lender of rights or obligations under the Loan Documents that does not comply with this paragraph shall be treated for purposes of the Loan Documents as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent clearly demonstrable error, and the Borrower and each Credit Party may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Credit Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Credit Party, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Credit Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower or any Credit Party, sell participations to one or more banks or other entities other than the Parent or any of its Affiliates (each such bank or other entity being called a "Participant") in all or a portion of such Lender's rights and obligations under the Loan Documents (including all or a portion of its Commitments, LC Exposure, Swingline Exposure and outstanding Loans owing to it), provided that (i) such Lender's obligations under the Loan Documents shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Loan Parties and the Credit Parties shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce the Loan Documents and to approve any amendment, modification or waiver of any provision of any Loan Documents, provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 10.2(b) that affects such Participant. Subject to paragraph (f) of this Section, the Parent and the Borrower agree that each Participant shall be entitled to the benefits of Sections 3.5, 3.6 and 3.7 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.8 as though it were a Lender, provided that such Participant agrees to be subject to Section 2.10(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 3.5 or 3.7 than the Lender that sold the participation to such Participant would have been entitled to receive with respect to the interest in the Loan Documents subject to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 3.7 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 3.7(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under the Loan Documents to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest, provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations under the Loan Documents or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 10.5 Survival

All covenants, agreements, representations and warranties made by the Parent and the Borrower herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Credit Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of any Loan Document and the making of any Loans and the issuance of any Letter of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any Credit Party may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any LC Disbursement or any fee or any other amount payable under the Loan Documents is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 3.5, 3.6, 3.7 and 10.3, 10.9, 10.10 and Article 9 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans and the LC Disbursements, the expiration or termination of the Letters of Credit and the termination of the Commitments or the termination of this Credit Agreement or any provision hereof.

Section 10.6 Counterparts; Integration; Effectiveness

This Credit Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which, when taken together, shall constitute but one contract. This Credit Agreement and any separate letter agreements with respect to fees payable to any Credit Party or the syndication of the credit facilities established hereunder constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 5.1, this Credit Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear

the signatures of each of the other parties and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of this Credit Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart of this Credit Agreement.

Section 10.7 Severability

In the event any one or more of the provisions contained in this Credit Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 10.8 Right of Setoff

If an Event of Default shall have occurred and be continuing, each of the Lenders and their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to setoff and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by it to or for the credit or the account of the Parent or the Borrower against any of and all the obligations of the Parent or the Borrower now or hereafter existing under this Credit Agreement and the other Loan Documents held by it, irrespective of whether or not it shall have made any demand therefor and although such obligations may be unmatured. The rights of each of the Lenders and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that it may have.

Section 10.9 Governing Law; Jurisdiction; Consent to Service of Process

(a) This Credit Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) Each of the Parent and the Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Credit Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Credit Agreement shall affect any right that the Administrative Agent or any other Credit Party may otherwise have to bring any action or proceeding relating to this Credit Agreement or the other Loan Documents against the Parent or the Borrower, or any of its property, in the courts of any jurisdiction.

(c) Each of the Parent and the Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Credit Agreement or the other Loan Documents in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each of the Parent and the Borrower irrevocably consents to service of process in the manner provided for notices in Section 10.1. Nothing in this Credit Agreement will affect the right of any party to this Credit Agreement to serve process in any other manner permitted by law.

Section 10.10 WAIVER OF JURY TRIAL

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS CREDIT AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 10.11 Headings

Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Credit Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Credit Agreement.

Section 10.12 Interest Rate Limitation

Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan or LC Disbursement, together with all fees, charges and other amounts that are treated as interest thereon under applicable law (collectively the "charges"), shall exceed the maximum lawful rate (the "maximum rate") that may be contracted for, charged, taken, received or reserved by the Lender holding an interest in such Loan or LC Disbursement in accordance with applicable law, the rate of interest payable in respect of such Loan or LC Disbursement hereunder, together with all of the charges payable in respect thereof, shall be limited to the maximum rate and, to the extent lawful, the interest and the charges that would have been payable in respect of such Loan or LC Disbursement but were not payable as a result of the operation of this Section shall be cumulated, and the interest and the charges payable to such Lender in respect of other Loans or LC Disbursements or periods shall be increased (but not above the maximum rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

Section 10.13 Treatment of Certain Information

Each Credit Party agrees to use reasonable precautions to keep confidential, in accordance with its customary procedures for handling confidential information of the same nature, all non-public information supplied by the Parent or any Subsidiary pursuant to this Credit Agreement which (i) is clearly identified by such Person as being confidential at the time the same is delivered to such Credit Party or (ii) constitutes any financial statement, financial projections or forecasts, budget, Compliance Certificate, audit report, management letter or accountants' certification delivered hereunder ("Confidential Information"), provided that nothing herein shall limit the disclosure of any information (a) to any of its respective Related Parties that needs to know such information and in each case who agree to be bound by the provisions of this Section, (b) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, or requested by any bank regulatory or other regulatory or administrative body or commission to whose jurisdiction such Credit Party is subject, (c) on a confidential basis, to prospective lenders or participants or their counsel, in each case who agree to be bound by the provisions of this Section, (d) to auditors, accountants, consultants and advisors, and any analogous counterpart thereof, (e) to any other Credit Party, (f) in connection with any litigation to which any one or more of the Credit Parties is a party concerning this Credit Agreement, any other Loan Document, or any instrument or document executed or delivered in connection herewith or therewith, (g) to the extent such information (1) becomes publicly available other than as a result of a breach of this Credit Agreement, (2) becomes available to any of the Credit Parties on a non-confidential basis from a source other than the Parent or any of its Affiliates or (3) was available to the Credit Parties on a non-confidential basis prior to its disclosure to any of them by the Parent or any of its Affiliates; and (h) to the extent the Parent or the Borrower shall have consented to such disclosure in writing. Notwithstanding anything herein to the contrary, the information subject to this Section shall not include, and each Credit Party may disclose without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the such Credit Party relating to such tax treatment and tax structure; provided that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transactions as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the Loans, Letters of Credit and transactions contemplated hereby.

Section 10.14 Unrestricted Subsidiaries

(a) Designation of Unrestricted Subsidiaries. The Parent may at any time designate any Subsidiary (other than the Borrower or any Borrower Subsidiary) formed or acquired after the Fifth Restatement Date as an Unrestricted Subsidiary by delivering to the Administrative Agent a certificate of a Financial Officer of the Parent (and the Administrative Agent shall promptly forward a copy of such certificate to each Lender) attaching a copy of a resolution of the Parent's board of directors setting forth such designation and stating that the conditions set forth in this Section 10.14 have been satisfied with respect to such designation, provided that no such designation shall be effective unless at the time thereof and immediately after giving effect thereto (i) no Default shall have occurred and be continuing, (ii) no Subsidiary of the Subsidiary to be designated as an Unrestricted Subsidiary is a Restricted Subsidiary and (iii) the Parent and the Borrower shall be in compliance with Section 7.4(n).

(b) Revocation of Designation. The Parent may revoke any designation of a Subsidiary as an Unrestricted Subsidiary by delivering to the Administrative Agent a certificate of a Financial Officer of the Parent (and the Administrative Agent shall promptly forward a copy of such certificate to each Lender) attaching a copy of a resolution of the Parent's board of directors setting forth such revocation and stating that the conditions set forth in this Section 10.14 have been satisfied with respect to such revocation, provided that no such revocation shall be effective unless at the time thereof and immediately after giving effect thereto (i) no Default shall have occurred and be continuing, (ii) all Liens, Indebtedness and Investments of such Unrestricted Subsidiary outstanding immediately following such revocation would, if incurred at such time, have been permitted to be incurred under this Credit Agreement, (iii) the Administrative Agent shall have received a certificate of a Financial Officer attaching a calculation (in reasonable detail) of the covenants contained in Sections 7.12 on a pro forma basis giving effect to such revocation and (iv) such Unrestricted Subsidiary shall have complied with the provisions of Sections 6.12 and 6.13.

(c) Certain Restrictions Regarding Loan Parties. Notwithstanding anything in any Loan Document to the contrary, no Loan Party shall at any time (i) provide credit support for, subject any of its assets (other than the Equity Interests of such Unrestricted Subsidiary owned by such Loan Party) to the satisfaction of, or guarantee any Indebtedness of any Unrestricted Subsidiary (including any undertaking, agreement or instrument evidencing such Indebtedness), (ii) be directly or indirectly liable for any Indebtedness or other obligations of any Unrestricted Subsidiary or (iii) be directly or indirectly liable for any Indebtedness which provides that the holder thereof may (upon notice, lapse of time or both) declare a default thereon or cause the payment thereof to be accelerated or payable prior to its scheduled maturity upon the occurrence of a default with respect to any Indebtedness of any Unrestricted Subsidiary.

Section 10.15 Savings Clause

(a) This Credit Agreement is intended solely as an amendment of, and contemporaneous restatement of, the terms and conditions of the Fourth Restated Agreement and this Credit Agreement is not intended and should not be construed as in any way extinguishing or terminating the Fourth Restated Agreement. The Security 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 Credit Agreement shall affect the rights of the Credit Parties to payments under Sections 2, 3 and 11 of the Fourth Restated Agreement for the period prior to the Fifth Restatement Effective Date and such rights shall continue to be governed by the provisions of the Fourth Restated Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Credit Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

SALEM COMMUNICATIONS HOLDING CORPORATION

By: /s/ EILEEN E. HILL

Name: Eileen E. Hill
Title: Vice President

SALEM COMMUNICATIONS CORPORATION

By: /s/ EILEEN E. HILL

Name: Eileen E. Hill
Title: Vice President

SALEM COMMUNICATIONS CORPORATION
SALEM COMMUNICATIONS HOLDING CORPORATION
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

THE BANK OF NEW YORK, individually, as Issuing Bank, as Swingline Lender and as Administrative Agent

By: /s/ STEPHEN M. NETTLER

Name: Stephen M. Nettler
Title: Vice President

SALEM COMMUNICATIONS CORPORATION
SALEM COMMUNICATIONS HOLDING CORPORATION
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

FLEET NATIONAL BANK, individually, as a Document Agent

By: /s/ SRBUI SEFRAN

Name: Srbui Seferian
Title: Vice President

SALEM COMMUNICATIONS CORPORATION
SALEM COMMUNICATIONS HOLDING CORPORATION
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

ING (U.S.) CAPITAL, LLC, Individually as a Documentation Agent

By: /s/ WILLIAM JAMES

Name: William James
Title: Managing Director

SALEM COMMUNICATIONS CORPORATION
SALEM COMMUNICATIONS HOLDING CORPORATION
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

SUN TRUST BANK, individually as a Syndication Agent

By: /s/ THOMAS C. KING, JR.

Name: Thomas C. King, JR.
Title: Director

SALEM COMMUNICATIONS CORPORATION
SALEM COMMUNICATIONS HOLDING CORPORATION
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

GENERAL ELECTRIC CAPITAL CORPORATION,
individually and as a Syndication Agent

By: /s/ STEPHEN W. HIPPI

Name: Stephen W. Hipp
Title: Duly Authorized Signatory

SALEM COMMUNICATIONS CORPORATION
SALEM COMMUNICATIONS HOLDING CORPORATION
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

WELLS FARGO FOOTHILL, LLC

By: /s/ RHONDA R. NOELL

Name: Rhonda R. Noell
Title: Senior Vice President

SALEM COMMUNICATIONS CORPORATION
SALEM COMMUNICATIONS HOLDING CORPORATION
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ JEREMY HORN

Name: Jeremy Horn
Title: Vice President

SALEM COMMUNICATIONS CORPORATION
SALEM COMMUNICATIONS HOLDING CORPORATION
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

UBS AG, CAYMAN ISLANDS BRANCH

By: /s/ PATRICIA O'KICKI

Name: Patricia O'Kicki
Title: Director

By: /s/ WILFRED V. SAINT

Name: Wilfred V. Saint
Title: Associate Director Banking
Products Services, US

SALEM COMMUNICATIONS CORPORATION
SALEM COMMUNICATIONS HOLDING CORPORATION
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

CREDIT SUISSE FIRST BOSTON, acting through its
CAYMAN ISLANDS BRANCH

By: /s/ BILL O'DALY
Name: Bill O'Daly
Title: Director

By: /s/ CASSANDRA DROGAN
Name: Cassandra Drogan
Title: Associate

SALEM EXHIBIT A
FORM OF ASSIGNMENT AND ACCEPTANCE

Reference is made to the Fifth Amended and Restated Credit Agreement, dated as of September 25, 2003, among Salem Communications Corporation, a Delaware corporation, Salem Communications Holding Corporation, a Delaware corporation, the Lenders party thereto, General Electric Capital Corporation and SunTrust Bank, as Syndication Agents, Fleet National Bank and ING (U.S.) Capital LLC, as Documentation Agents, and The Bank of New York, as Administrative Agent (as amended and in effect on the date hereof, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings.

The Assignor named below hereby sells and assigns, without recourse, to the Assignee named below, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date, the interests set forth below (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the interests set forth below in the Revolving Commitment, the B Term Commitment and the C Term Commitment of the Assignor on the Assignment Date and the Revolving Loans, B Term Loans and C Term Loans owing to the Assignor that are outstanding on the Assignment Date, together with, in the case of such Revolving Commitment, all of the related participations held by the Assignor in respect of the Letters of Credit (including its LC Exposure) and Swingline Loans (including its Swingline Exposure, but excluding accrued interest and fees to and excluding the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date, (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of a Lender under the Loan Documents and (ii) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Loan Documents.

The Assignor hereby represents and warrants that (i) it has the power and authority to execute this Assignment and Acceptance and to assign the Assigned Interest, (ii) it has not previously granted rights in the Assigned Interest to any Person and (iii) the Assigned Interest is not subject to any adverse claims.

This Assignment and Acceptance is being delivered to the Administrative Agent, together with (i) if the Assignee is a Foreign Lender, any documentation required to be delivered by the Assignee pursuant to Section 3.7(e) of the Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The [Assignee/Assignor] shall pay the fee payable to the Administrative Agent pursuant to Section 10.4(b) of the Credit Agreement.

THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

- - - - -
1 Delete inapplicable term(s).

Assignee's Address for Notices:

Effective Date of

Assignment (the "Assignment Date"):

[Revolving Commitment Assigned:

[B Term Commitment Assigned:

[C Term Commitment Assigned:

Principal Amount of Revolving Loans Assigned:

Principal Amount of B Term Loans Assigned:

Principal Amount of C Term Loans Assigned:]

The terms set forth above are hereby agreed to:

[Name of Assignor], as Assignor

By: /s/ NAME

Name: NAME
Title: TITLE

[Name of Assignor], as Assignor

By: /s/ NAME

Name: NAME
Title: TITLE

The undersigned hereby consent[s] to the within assignment:

SALEM COMMUNICATIONS HOLDING
CORPORATION

By: /s/ NAME

Name: NAME
Title: TITLE

THE BANK OF NEW YORK, as Administrative Agent,
Issuing Bank and Swingline Lender

By: /s/ NAME

Name: NAME
Title: TITLE

September 25, 2003

The Bank of New York, as Administrative Agent
and the other Credit Parties party to the Credit
Agreement referred to below
One Wall Street
New York, NY 10286

Re: Salem Communications Corporation

Gentlemen and Mesdames:

I have served as legal counsel and Secretary to Salem Communications Corporation, a Delaware corporation (referred to herein as the "Parent") since 1995. In addition, I am the Secretary of Salem Communications Holding Corporation, a Subsidiary of the Parent (the "Borrower") and each of the Subsidiaries (defined hereinafter). I am admitted to practice in California. I render this opinion on behalf of the Parent, the Borrower and each of their respective subsidiaries (the "Subsidiaries") in connection with the Fifth Amended and Restated Credit Agreement, dated as of September 25, 2003, by and among the Parent, the Borrower, the Lenders party thereto, General Electric Capital Corporation and SunTrust Bank, as Syndication Agents, Fleet National Bank and ING (U.S.) Capital LLC, as Documentation Agents, and The Bank of New York, as Administrative Agent (the "Credit Agreement"). This opinion letter is delivered to you pursuant to Section 5.1(c) of the Credit Agreement at the request of the Parent, the Borrower and the Subsidiaries (collectively, the "Loan Parties"). Capitalized terms used herein and which are not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement.

I

In my capacity with each Loan Party in connection with the Credit Agreement, I have examined originals, or copies certified or otherwise identified to my satisfaction, of each of the Credit Agreement, the Notes, each dated September 25, 2003, made by the Borrower for each Lender, the Swingline Note, dated September 25, 2003, made by the Borrower for the Swingline Lender, the Amended and Restated Guarantee Agreement, dated as of September 25, 2003, by and among the Parent, the Borrower, the Subsidiaries party thereto and The Bank of New York, as

Administrative Agent, and the Amended and Restated Security Agreement, dated as of September 25, 2003, by and among the Parent, the Borrower, the Subsidiaries party thereto and The Bank of New York, as Administrative Agent (collectively referred to herein as the "Fifth Restatement Transaction Documents") and such other documents, corporate records, partnership records, limited liability company records, certificates of such public officials and other instruments as I have deemed necessary or advisable to enable me to render the opinions set forth below. In my examination, I have assumed the genuineness of all signatures (other than those on behalf of the Parent, the Borrower and the Subsidiaries), the legal capacity of natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified or photostatic copies, and the authenticity of the originals of such copies. As to any facts material to these opinions, I have relied upon the representations and warranties of the Loan Parties contained within the Fifth Restatement Transaction Documents and upon statements and representations of officers and other representations of each Loan Party and others, in each case without having independently verified the accuracy or completeness thereof.

I have, with your permission, assumed, without independent investigation or inquiry with respect to any such matter, that, (i) each party to a Fifth Restatement Transaction Document (other than the Loan Parties) has all requisite power and authority to execute, deliver and perform its obligations thereunder, (ii) the execution and delivery by each party to a Fifth Restatement Transaction Document (other than the Loan Parties) of the Fifth Restatement Transaction Documents to which such party is a party and the performance of its obligations thereunder have been duly authorized by all necessary action on such party's part and such Fifth Restatement Transaction Documents have been duly delivered by it; and (iii) the Fifth Restatement Transaction Documents are the legal, valid and binding obligations of each such party (other than the Loan Parties) to the extent it is a party thereto, enforceable against such party in accordance with their terms.

The opinions set forth in paragraph (2) with respect to the good standing and due qualification of the Parent, the Borrower and the Subsidiaries are rendered solely in reliance upon the certificates from the Secretaries of State of the jurisdictions of incorporation or organization listed on Schedule I hereto, and are rendered as of the dates of each such certificate.

Except as expressly stated otherwise herein, whenever my opinion herein with respect to the existence or absence of facts is stated to be to my actual knowledge or known by me, such statement is intended to signify that during the course of my representation of the Parent and the Subsidiaries, no information has come to my attention that would give me actual knowledge as of the date hereof that my opinions herein relating to such facts are incorrect. However, I have not undertaken any independent investigation to determine the existence or absence of such facts, and no inference as to my knowledge of the existence or absence of such facts should be drawn from my representation of the Parent and the Subsidiaries.

II

Based upon the foregoing, and subject to the qualifications, exceptions, limitations and assumptions hereinafter set forth, I am of the opinion that:

1. The Parent has no direct or indirect Subsidiaries except as disclosed in Schedule 4.12 to the Credit Agreement. Such Schedule sets forth the ownership interest of the Parent and each Subsidiary in each other Subsidiary. Except as set forth on Schedule 3.4 to the Security Agreement, all Pledged Equity Interests (as defined in the Security Agreement) have been duly authorized and validly issued and, to my knowledge, are fully paid and non-assessable, and, to my knowledge, are owned by the applicable Loan Party free and clear of all Liens (other than Liens expressly permitted by the Loan Documents). No shares or interests of any class of the Equity Interests of the Borrower or any Subsidiary are subject to any restrictions on transfer pursuant to the charter, limited liability company operating agreement, by-laws or other organizational documents of the Borrower or such Subsidiary. No shares or interests of any class of the Equity Interests of the Borrower or any Subsidiary are subject to any voting agreements, voting trusts, trust agreements, trust deeds, irrevocable proxies or any other similar agreements or instruments, except for such as are contained in the Security Documents.

2. Each of the Parent, 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 power and authority to own its Property and to carry on its business as now conducted and is in good standing and authorized to do business in each jurisdiction in which the failure to be so authorized could reasonably be expected to have a Material Adverse Effect.

3. Each of the Parent, the Borrower and each Subsidiary has full power and authority to enter into, execute, deliver and carry out the terms of the Fifth Restatement Transaction Documents to which it is a party, and to incur the obligations provided for therein, all of which have been duly authorized by all proper and necessary action and are in full compliance with its articles of incorporation and by-laws or other organizational documents.

4. The execution and delivery of the Fifth Restatement Transaction Documents by each Loan Party party thereto do not, and the performance by each Loan Party of such Fifth Restatement Transaction Documents to which it is a party will not, (i) require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority except (x) such as have been obtained or made and are in full force and effect, (y) the filing of a copy of applicable Loan Documents with the FCC and the Securities and Exchange Commission in accordance with applicable law, which filings are for informational purposes and do not affect the validity or enforceability of the Loan Documents, and (z) as expressly set forth in the Security Agreement with respect to the FCC, (ii) violate any applicable law or regulation or the charter, limited liability company operating agreement, by-laws or other organizational documents of the any Loan Party or any order of any Governmental Authority, (iii) violate or result in a default under any indenture, agreement or other instrument binding upon the Parent or any Subsidiary, or its assets, or give rise to a right thereunder to require any payment to be made by the Parent or any Subsidiary, which defaults could reasonably be expected to result in a Material Adverse Effect, or (iv) result in the creation or imposition of any Lien on any asset of any Loan Party (other than Liens permitted by Section 7.2 of the Credit Agreement).

5. The Fifth Restatement Transaction Documents constitute the valid and legally binding obligations of the Parent, the Borrower and each Subsidiary to the extent that it is a party thereto, enforceable in accordance with their respective terms.

6. To the best of my knowledge, there are no actions, suits or proceedings by or before any arbitrator or

Governmental Authority pending or threatened against or affecting the Parent or any of the Subsidiaries (i) that could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) which call into question the validity or enforceability of any of the Loan Documents or the Transactions.

7. To the best of my knowledge, none of the Parent, the Borrower or 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.

8. The Security Agreement creates in favor of the Administrative Agent for the benefit of the Secured Parties (as defined in the Security Agreement) a legal, valid and binding security interest in the right, title and interest of the Loan Parties party to the Security Agreement in those items and types of Collateral (as defined in the Security Agreement) to the extent such security interests may be created under Article 9 of the Uniform Commercial Code as in effect in the State of New York (the "UCC"). Assuming that UCC financing statements were filed in the offices listed on Schedule 3.1(a)(v) to the Security Agreement, the security interests granted by the Loan Parties party to the Security Agreement to the Administrative Agent for the benefit of the Secured Parties, in and to the right, title and interest of such Loan Parties in such Collateral as is described in such financing statements, will thereupon constitute perfected security interests therein to the extent that security interests in such Collateral may be perfected under Article 9 of the UCC by the filing of such financing statements. Assuming that either a Grant of Security Interest (as defined in the Existing Subsidiary Guaranty and the Existing Borrower Security Agreement (as such terms are defined in the Security Agreement)) or a copy of the Security Agreement is registered with the United States Patent and Trademark Office and the United States Copyright Office, the security interests granted by the Loan Parties party to the Security Agreement to the Administrative Agent for the benefit of the Secured Parties, in and to the right, title and interest of such Loan Parties in Collateral consisting of Intellectual Property (as defined in the Security Agreement), will thereupon constitute perfected security interests therein to the extent that security interests in such Collateral may be perfected under Article 9 of the UCC or other applicable law by the registration of a Grant of Security Interest or the Security Agreement with the United States Patent and Trademark Office and the United States Copyright Office. Upon the taking and retaining of possession in the State of New York by the Administrative Agent of certificates or instruments evidencing Pledged Collateral (as defined in the Security Agreement), in each case indorsed in blank, the security interests granted by the Loan Parties party to the Security Agreement to the Administrative Agent for the benefit of the Secured Parties, in and to the right, title and interest of such Loan Parties in such Pledged Collateral will thereupon constitute perfected security interests therein to the extent that security interests in such Pledged Collateral may be perfected under Article 9 of the UCC by the taking of such possession.

9. No Loan Party is (i) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (ii) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

10. If used solely for the purposes set forth in Section 6.8 of the Credit Agreement and in compliance with the provisions of Section 4.15 of the Credit Agreement, no part of the proceeds of the Loans will be used, directly or indirectly, for a purpose which violates the provisions of Regulations U or X of the Board of Governors of the Federal Reserve System, as amended.

11. The fees, interest and other charges payable under the Loan Documents do not violate any usury or similar laws of the State of California.

Each of the opinions set forth is subject to the following exceptions, qualifications, limitations and assumptions:

(a) My opinions in paragraph (5) are subject to the effect of bankruptcy, insolvency, reorganization, moratorium, arrangement or other similar laws affecting enforcement of creditors' rights generally, including, without limitation, the effect of statutory or other laws regarding fraudulent conveyance or transfers, preferential transfers, and of laws affecting distributions by corporations to stockholders.

(b) My opinions in paragraph (5) are subject to the application of general principles of equity, whether considered in a case or proceeding at law or in equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing.

(c) My opinions are subject to the qualification that indemnification provisions in any of the Fifth Restatement Transaction Documents may be unenforceable to the extent that such indemnification may be held to be in violation of or against public policy, including, without limitation, limitations under certain circumstances on enforceability of provisions indemnifying a party against loss attributable to or liability for its own negligent acts.

(d) I express no opinion as to the legality, validity, effect or enforceability of provisions of the Fifth Restatement Transaction Documents that (i) provide for indemnification or contribution rights to the extent such indemnification or contribution is against public policy or provides for the indemnification of a person for losses, costs, expenses, liabilities or similar matters resulting, in whole or in part, from such party's own negligence, or limitations upon which may be imposed by other applicable law and equitable principles; (ii) waive any right to a jury trial or provide for a choice of forum, jurisdiction or venue; (iii) purport to establish evidentiary standards or make determinations conclusive; (iv) any provisions of the Fifth Restatement Transaction Documents that expressly or by implication waive broadly or vaguely stated rights, the benefits of statutory or constitutional provisions, unknown future rights, defenses to obligations or rights granted by law, where such provisions are not waivable as a matter of law or are against public policy or prohibited by law; (v) provide that rights or remedies are not exclusive, that every right or remedy is cumulative, that the election of a particular remedy or remedies does not preclude recourse to one or more other remedies, or that failure to exercise or delay in exercising rights or remedies will not operate as a waiver of any such right or remedy; (vi) provide that any provisions of the Fifth Restatement Transaction Documents may only be modified in writing to the extent that an oral agreement has been entered into modifying provisions of the Fifth Restatement Transaction Documents; (viii) impose or are construed to impose penalties or forfeitures or provide for liquidating the damages for a breach of the contract; (ix) provide for the grant to any party of any power of attorney or the severability of material provisions of the Loan Documents, or (x) provide for set-off, banker's lien, contribution or similar rights.

2. Pursuant to Sections 2.9 and 5.2 of the Credit Agreement, the Borrower hereby requests that the Issuing Bank issue (or increase, amend, renew or extend) Letter(s) of Credit on _____, 200_, in accordance with the information annexed hereto (attach additional sheets if necessary).

3. The Borrower hereby certifies that on the date hereof and on the date requested for the making of the Borrowings and/or the issuance of the Letters of Credit (or the increase, amendment, renewal or extension thereof) set forth above, and after giving effect to the Loans and Letters of Credit (or the increase, amendment, renewal or extension thereof) requested hereby (a) there exists and shall exist no Default, (b) each of the representations and warranties contained in each Loan Document is and shall be true and correct, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties were true and correct at such earlier date, (c) the LC Exposure shall not exceed \$15,000,000, and (d) the total Revolving Credit Exposures shall not exceed the total Revolving Commitments.

4. The location and number of the Borrower's account to which funds are to be disbursed is as follows: [Insert Wire Instructions]

5. Attached hereto is a reasonably detailed calculation of each of the Total Leverage Ratio and the Senior Leverage Ratio on a pro forma basis immediately after giving effect to such Borrowing.

IN WITNESS WHEREOF, the Borrower has caused this Credit Request to be executed by its authorized officer as of the date and year first written above.

SALEM COMMUNICATIONS HOLDING CORPORATION

By: /s/ XXXXXXXXXXXX
Name: XXXXXXXXXXXX
Title: XXXXXXXXXXXX

LETTER OF CREDIT INFORMATION

1. Name of beneficiary: _____
2. Address of beneficiary to which Letter of Credit will be sent: _____
3. Conditions under which a drawing may be made (specify any documentation required to be delivered with any drawing request): _____
4. Maximum amount to be available under such Letter of Credit: \$ _____
5. Requested date of [issuance, amendment, renewal or extension] * : _____.
6. Requested date of expiration: _____.

- - - - -
* Delete inapplicable term(s).

SALEM EXHIBIT D-1
FORM OF NOTE

New York, New York
September 25, 2003

FOR VALUE RECEIVED, the undersigned, SALEM COMMUNICATIONS HOLDING CORPORATION, a Delaware corporation (the "Borrower"), hereby promises to pay to the order of _____ (the "Lender") the unpaid principal amount of the Loans (other than Swingline Loans) made by the Lender to the Borrower, in the amounts and at the times set forth in the Fifth Amended and Restated Credit Agreement, dated as of September 25, 2003, among Salem Communications Corporation, the Borrower, the Lenders party thereto, General Electric Capital Corporation and SunTrust Bank, as Syndication Agents, Fleet National Bank and ING (U.S.) Capital LLC, as Documentation Agents, and The Bank of New York, as Administrative Agent (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), and to pay interest from the date hereof on the principal balance of such Loans from time to time outstanding at the rate or rates and at the times set forth in the Credit Agreement, in each case at the office of the Administrative Agent located at One Wall Street, New York, New York, or at such other place as the Administrative Agent may specify from time to time, in lawful money of the United States in immediately available funds. Terms not otherwise defined herein but defined in the Credit Agreement are used herein with the same meanings.

The Loans evidenced by this Note are prepayable in the amounts, and under the circumstances, and their respective maturities are subject to acceleration upon the terms, set forth in the Credit Agreement. This Note is subject to, and should be construed in accordance with, the provisions of the Credit Agreement and is entitled to the benefits and security set forth in the Loan Documents.

The Lender is hereby authorized to record on the Schedule annexed hereto, and any continuation sheets which the Lender may attach hereto, (i) the date of each Loan evidenced by this Note made by the Lender to the Borrower, (ii) the Class, Type and amount thereof, (iii) the interest rate (without regard to the Applicable Margin and Interest Period applicable to each Eurodollar Loan and (iv) the date and amount of each conversion of, and each payment or prepayment of the principal of, any such Loan. The entries made on such Schedule shall be prima facie evidence of the existence and amounts of the obligations recorded thereon, provided that the failure to so record or any error therein shall not in any manner affect the obligation of the Borrower to repay the

Loans in accordance with the terms of the Credit Agreement.

Except as specifically otherwise provided in the Credit Agreement, the Borrower hereby waives presentment, demand, notice of dishonor, protest, notice of protest and all other demands, protests and notices in connection with the execution, delivery, performance, collection and enforcement of this Note.

Whenever in this Note either party hereto is referred to, such reference shall be deemed to include the successors and assigns of such party. The Borrower shall not have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void), except as expressly permitted by the Loan Documents. No failure or delay of the Lender in exercising any power or right hereunder 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. Neither this Note nor any provision hereof may be waived, amended or modified, nor shall any departure therefrom be consented to, except pursuant to a written agreement entered into between the Borrower and the Lender with respect to which such waiver, amendment, modification or consent is to apply, subject to any consent required in accordance with Section 10.2 of the Credit Agreement.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

All communications and notices hereunder shall be in writing and given as provided in Section 10.1 of the Credit Agreement.

The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Note or the other Loan Documents, or for recognition or enforcement of any judgment, and the Borrower hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by applicable law, in such Federal court. The Borrower, and by accepting this Note, the Lender, agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Note shall affect any right that the Lender may otherwise have to bring any action or proceeding relating to this Note or the other Loan Documents against the Borrower, or any of its property, in the courts of any jurisdiction.

The Borrower, and by accepting this Note, the Lender, hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Note or the other Loan Documents in any court referred to in the preceding paragraph hereof. The Borrower, and by accepting this Note, the Lender, hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

The Borrower, and by accepting this Note, the Lender, irrevocably consents to service of process in the manner provided for notices herein. Nothing herein will affect the right of the Lender to serve process in any other manner permitted by law.

[This Note amends and restates in its entirety the promissory note or notes, if any, heretofore issued to the Lender under the First Restated Agreement, Second Restated Agreement, Third Restated Agreement and/or Fourth Restated Agreement.]1

THE BORROWER, AND BY ACCEPTING THIS NOTE, THE LENDER, EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE. THE BORROWER (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH LENDER WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT SUCH LENDER HAS BEEN INDUCED TO ACCEPT THIS NOTE AND ENTER INTO THE LOAN DOCUMENTS TO WHICH IT IS A PARTY BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.

SALEM COMMUNICATIONS HOLDING CORPORATION

By: /s/ XXXXXXXXXXXX
Name: XXXXXXXXXXXX
Title: XXXXXXXXXXXX

SCHEDULE TO NOTE

Table with 7 columns: Date, Class and Type of Loan, Amount of Loan, Amount of principal converted, paid or prepaid, Interest Rate on Eurodollar Loans, Interest Period for Eurodollar Loans, Notation Made By. The table contains several rows of dashed lines representing data entries.

FOR VALUE RECEIVED, the undersigned, SALEM COMMUNICATIONS HOLDING CORPORATION, a Delaware corporation (the "Borrower"), hereby promises to pay to the order of _____ (the "Swingline Lender") the unpaid principal amount of the Swingline Loans made by the Swingline Lender to the Borrower, in the amounts and at the times set forth in the Fifth Amended and Restated Credit Agreement, dated as of September 25, 2003, among Salem Communications Corporation, the Borrower, the Lenders party thereto, General Electric Capital Corporation and SunTrust Bank, as Syndication Agents, Fleet National Bank and ING (U.S.) Capital LLC, as Documentation Agents, and The Bank of New York, as Administrative Agent (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), and to pay interest from the date hereof on the principal balance of such Swingline Loans from time to time outstanding at the rate or rates and at the times set forth in the Credit Agreement, in each case at the office of the Administrative Agent located at One Wall Street, New York, New York, or at such other place as the Administrative Agent may specify from time to time, in lawful money of the United States in immediately available funds. Terms not otherwise defined herein but defined in the Credit Agreement are used herein with the same meanings.

The Swingline Loans evidenced by this Swingline Note are prepayable in the amounts, and under the circumstances, and their respective maturities are subject to acceleration upon the terms, set forth in the Credit Agreement. This Swingline Note is subject to, and should be construed in accordance with, the provisions of the Credit Agreement and is entitled to the benefits and security set forth in the Loan Documents.

The Swingline Lender is hereby authorized to record on the Schedule annexed hereto, and any continuation sheets which the Swingline Lender may attach hereto, (i) the date of each Swingline Loan made by the Swingline Lender to the Borrower, (ii) the maturity date applicable thereto, (iii) the interest rate applicable thereto and (iv) the date and amount of each payment or prepayment of the principal of, any such Swingline Loan. The entries made on such Schedule shall be prima facie evidence of the existence and amounts of the obligations recorded thereon, provided that the failure to so record or any error therein shall not in any manner affect the obligation of the Borrower to repay the Swingline Loans in accordance with the terms of the Credit Agreement.

Except as specifically otherwise provided in the Credit Agreement, the Borrower hereby waives presentment, demand, notice of dishonor, protest, notice of protest and all other demands, protests and notices in connection with the execution, delivery, performance, collection and enforcement of this Swingline Note.

Whenever in this Swingline Note either party hereto is referred to, such reference shall be deemed to include the successors and assigns of such party. The Borrower shall not have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void), except as expressly permitted by the Loan Documents. No failure or delay of the Swingline Lender in exercising any power or right hereunder 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. Neither this Swingline Note nor any provision hereof may be waived, amended or modified, nor shall any departure therefrom be consented to, except pursuant to a written agreement entered into between the Borrower and the Swingline Lender with respect to which such waiver, amendment, modification or consent is to apply, subject to any consent required in accordance with Section 10.2 of the Credit Agreement.

THIS SWINGLINE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

All communications and notices hereunder shall be in writing and given as provided in Section 10.1 of the Credit Agreement.

The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Swingline Note or the other Loan Documents, or for recognition or enforcement of any judgment, and the Borrower hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by applicable law, in such Federal court. The Borrower, and by accepting this Swingline Note, the Swingline Lender, agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Swingline Note shall affect any right that the Swingline Lender may otherwise have to bring any action or proceeding relating to this Swingline Note or the other Loan Documents against the Borrower, or any of its property, in the courts of any jurisdiction.

The Borrower, and by accepting this Swingline Note, the Swingline Lender, hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Swingline Note or the other Loan Documents in any court referred to in the preceding paragraph hereof. The Borrower, and by accepting this Swingline Note, the Swingline Lender, hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

The Borrower, and by accepting this Swingline Note, the Swingline Lender, irrevocably consents to service of process in the manner provided for notices herein. Nothing herein will affect the right of the Swingline Lender to serve process in any other manner permitted by law.

THE BORROWER, AND BY ACCEPTING THIS SWINGLINE NOTE, THE SWINGLINE LENDER, EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS SWINGLINE NOTE. THE BORROWER (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE SWINGLINE LENDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE SWINGLINE LENDER WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT THE SWINGLINE LENDER HAS BEEN INDUCED TO

SALEM EXHIBIT E
FORM OF AMENDED AND RESTATED GUARANTEE AGREEMENT
among
SALEM COMMUNICATIONS HOLDING CORPORATION,
SALEM COMMUNICATIONS CORPORATION,
EACH OF THE SUBSIDIARY GUARANTORS PARTY HERETO
and
THE BANK OF NEW YORK, AS ADMINISTRATIVE AGENT

Dated as of September 25, 2003

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EXHIBITS:

=====	=====
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-	-
-	-
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=====	=====

AMENDED AND RESTATED GUARANTEE AGREEMENT, dated as of September 25, 2003, among SALEM COMMUNICATIONS CORPORATION, a Delaware corporation (the "Parent"), SALEM COMMUNICATIONS HOLDING CORPORATION, a Delaware corporation (the "Borrower"), each of the Restricted Subsidiaries of the Parent listed on Exhibit A hereto (each such Restricted Subsidiary, individually, a "Subsidiary Guarantor" and, collectively, the "Subsidiary Guarantors" the Parent and the Subsidiary Guarantors are sometimes referred to collectively herein as the "Guarantors"), and THE BANK OF NEW YORK, as administrative agent under the Credit Agreement referred to in the next paragraph acting on behalf of the Secured Parties (as defined in such Credit Agreement).

RECITALS

I. Reference is made to each of the following:

A. the Fifth Amended and Restated Credit Agreement, dated as of September 25, 2003, among the Parent, the Borrower, the Lenders party thereto, General Electric Capital Corporation and SunTrust Bank, as Syndication Agents, Fleet National Bank and ING (U.S.) Capital LLC, as Documentation Agents, and The Bank of New York, as Administrative Agent (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement");

B. the Second Amended and Restated Parent Guaranty, dated as of June 15, 2001, among the Parent, the Borrower and the Administrative Agent (as amended prior to the date hereof, the "Existing Parent Guaranty"); and

C. the Second Amended and Restated Subsidiary Guaranty and Security Agreement, dated as of August 24, 2000, among the Subsidiary Guarantors party thereto, the Borrower and the Administrative Agent (as amended prior to the date hereof, the "Existing Subsidiary Guaranty").

II. This Guarantee Agreement amends, restates and combines the Existing Parent Guaranty and the guarantee provisions of the Existing Subsidiary Guaranty. This Guarantee Agreement is secured by the Security Documents.

III. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

IV. The Lenders have agreed to make Loans to, and the Issuing Bank has agreed to issue Letters of Credit for the account of, the Borrower pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. The Borrower is a wholly-owned Subsidiary of the Parent, and each of the Subsidiary Guarantors is a direct or indirect Subsidiary of the Parent. Each Guarantor acknowledges that (i) it will derive substantial benefit from the making of the Loans and the issuance of the Letters of Credit and (ii) the execution

and delivery by the Guarantors and the Borrower of this Guarantee Agreement is a condition precedent to the effectiveness of the Credit Agreement, and the Credit Parties would not have entered into the Credit Agreement if the Guarantors and the Borrower had not executed and delivered this Guarantee Agreement.

V. For convenience, this Guarantee Agreement is dated as of September 25, 2003, and references to certain matters related to the period prior hereto have been deleted.

Accordingly, the parties hereto agree as follows:

Article 1.

GUARANTEE; FRAUDULENT TRANSFER, ETC.; CONTRIBUTION

Section 1.1 Guarantee

Each Guarantor unconditionally guarantees, jointly with the other Guarantors and severally, as a primary obligor and not merely as a surety, the Obligations. Each Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it and that it will remain bound upon its guarantee notwithstanding any extension or renewal of any Obligation.

Section 1.2 Guarantee of Payment

Each Guarantor further agrees that its guarantee hereunder constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Administrative Agent or any other Secured Party to any of the security held for payment of the Obligations or to any balance of any deposit account or credit on the books of the Administrative Agent or any other Secured Party in favor of the Borrower or any other person.

Section 1.3 Fraudulent Transfer

Anything in this Guarantee Agreement to the contrary notwithstanding, (i) the obligations of each Subsidiary Guarantor hereunder shall be limited to a maximum aggregate amount equal to the greatest amount that would not render such Subsidiary Guarantor's obligations hereunder subject to avoidance as a fraudulent transfer, obligation or conveyance under Section 548 of Title 11 of the United States Code or any provisions of applicable state law (collectively, the "Fraudulent Transfer Laws"), in each case after giving effect to all other liabilities of such Subsidiary Guarantor, contingent or otherwise, that are relevant under the Fraudulent Transfer Laws (specifically excluding, however, any liabilities of such Subsidiary Guarantor (A) in respect of intercompany debt owed or owing to the Borrower or Affiliates of the Borrower to the extent that such debt would be discharged in an amount equal to the amount paid by such Subsidiary Guarantor hereunder and (B) under any Guarantee of senior unsecured debt or Indebtedness subordinated in right of payment to the Obligations, which Guarantee contains a limitation as to maximum amount similar to that set forth in this clause (i) this Section, pursuant to which the liability of such Subsidiary Guarantor hereunder is included in the liabilities taken into account in determining such maximum amount) and after giving effect as assets to the value (as determined under the applicable provisions of the Fraudulent Transfer Laws) of any rights to subrogation, contribution, reimbursement, indemnity or similar rights of such Subsidiary Guarantor pursuant to (I) applicable law or (II) any agreement providing for an equitable allocation among such Subsidiary Guarantor and other Affiliates of the Borrower of obligations arising under guarantees by such parties (including the agreements described in Section 1.4) and (ii) the Parent expressly waives any and all rights of subrogation, reimbursement, indemnity, exoneration, contribution or any other claim that it may now or hereafter have against the Borrower, any other Loan Party, any other guarantor or any other Person directly or contingently liable for the Obligations, or against or with respect to the property of the Borrower, such other Loan Party, such other guarantor or such other Person, arising from the existence or performance hereof, and, in furtherance, and not in limitation, of the preceding waiver, the Parent agrees that, in the event that any money or property shall be transferred to any Credit Party by the Parent pursuant to this Guarantee Agreement in reduction of the Obligations, such transfer shall be deemed to be a contribution to the capital of the applicable Loan Party, other guarantor or other Person (in the case of the transfer of property, in an amount equal to the fair market value of the property so transferred) as of the date of such transfer, and any such transfer shall not cause the Parent to be a creditor of such Loan Party.

Section 1.4 Contributions

In addition to all rights of indemnity and subrogation the Subsidiary Guarantors may have under applicable law (but subject to this paragraph), the Borrower agrees that (i) in the event a payment shall be made by any Subsidiary Guarantor hereunder, the Borrower shall indemnify such Subsidiary Guarantor for the full amount of such payment, and such Subsidiary Guarantor shall be subrogated to the rights of the Person to whom such payments shall have been made to the extent of such payment, and (ii) in the event that any assets of any Subsidiary Guarantor shall be sold pursuant to any Loan Document to satisfy any claim of any Secured Party, the Borrower shall indemnify such Subsidiary Guarantor in an amount equal to the greater of the book value or the fair market value of the assets so sold. Each Subsidiary Guarantor (a "Contributing Subsidiary Guarantor") agrees (subject to this paragraph) that, in the event a payment shall be made by any other Subsidiary Guarantor hereunder or assets of any other Subsidiary Guarantor shall be sold pursuant to any Loan Document to satisfy a claim of any Secured Party and such other Subsidiary Guarantor (the "Claiming Subsidiary Guarantor") shall not have been fully indemnified by the Borrower as provided in this paragraph, the Contributing Subsidiary Guarantor shall indemnify the Claiming Subsidiary Guarantor in an amount equal to the amount of such payment or the greater of the book value or the fair market value of such assets, as applicable, in each case multiplied by a fraction of which the numerator shall be the net worth of the Contributing Subsidiary Guarantor on the date hereof and the denominator shall be the aggregate net worth of all the Subsidiary Guarantors on the date hereof (or, in the case of any Subsidiary Guarantor becoming a party hereto pursuant to Article 14, the date of the Supplement hereto executed and delivered by such Subsidiary Guarantor). Any Contributing Subsidiary Guarantor making any payment to a Claiming Subsidiary Guarantor pursuant to this paragraph shall be subrogated to the rights of such Claiming Subsidiary Guarantor under this paragraph to the extent of such payment. Notwithstanding any provision of this paragraph to the contrary, all rights of the Subsidiary Guarantors under this paragraph and all other rights of indemnity, contribution or subrogation under applicable law or otherwise shall be fully subordinated to the final and indefeasible payment in full in cash of the Obligations. No failure on the part of the Borrower or any Subsidiary Guarantor to make the payments required by this paragraph (or any other payments required under applicable law or otherwise) shall in any respect limit the obligations and liabilities of any Subsidiary Guarantor with respect to its obligations under this paragraph, and each Subsidiary Guarantor shall remain liable for the full amount of the obligations of such Subsidiary Guarantor under this paragraph.

Article 2.

OBLIGATIONS NOT WAIVED

To the fullest extent permitted by applicable law, each Guarantor waives presentment to, demand of payment from, and protest to any Loan Party of any of the Obligations, and also waives notice of acceptance of its guarantee and notice of protest for nonpayment. To the fullest extent permitted by applicable law, the obligations of each Guarantor hereunder shall not be affected by (i) the failure of the Administrative Agent or any other Secured Party to assert any claim or demand or to enforce or exercise any right or remedy against the Borrower or any other Guarantor under the provisions of the Credit Agreement or any other Loan Document, or otherwise, (ii) any rescission, waiver, amendment or modification of, or any release from, any of the terms or provisions of this Guarantee Agreement, any other Loan Document, any Guarantee or any other agreement, including with respect to any other Guarantor under this Guarantee Agreement or (iii) the failure to perfect any security interest in, or the release of, any of the security held by or on behalf of the Administrative Agent or any other Secured Party.

Article 3.

SECURITY

Each Guarantor authorizes the Administrative Agent and each other Secured Party to (i) take and hold security for the payment of the obligations under this Guarantee Agreement pursuant to the Security Agreement and the Obligations and exchange, enforce, waive and release any such security, (ii) apply such security and direct the order or manner of sale thereof in accordance with the Loan Documents and (iii) release or substitute any one or more endorsees, other Guarantors or other obligors.

Article 4.

NO DISCHARGE OR DIMINISHMENT OF GUARANTEE

The obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than the final and indefeasible payment in full in cash of the Obligations), including any claim of waiver, release, surrender, alteration or compromise of any of the Obligations, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Administrative Agent or any other Secured Party to assert any claim or demand or to enforce any remedy under the Credit Agreement, any other Loan Document or any other agreement, by any waiver or modification of any provision of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the Obligations, or by any other act or omission that may or might in any manner or to any extent vary the risk of any Guarantor or that would otherwise operate as a discharge of any Guarantor as a matter of law or equity (other than the final and indefeasible payment in full in cash of all the Obligations).

Article 5.

DEFENSES OF BORROWER WAIVED

To the fullest extent permitted by applicable law, each of the Guarantors waives any defense based on or arising out of any defense of the Borrower or any other Loan Party or the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of the Borrower or any other Loan Party, other than the final and indefeasible payment in full in cash of the Obligations. The Administrative Agent and the other Secured Parties may, at their election, foreclose on any security held by one or more of them by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Obligations, make any other accommodation with the Borrower or any Guarantor or exercise any other right or remedy available to them against the Borrower or any Guarantor, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Obligations have been fully, finally and indefeasibly paid in cash. Pursuant to applicable law, each Guarantor waives any defense arising out of any such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of such Guarantor against the Borrower or any other Guarantor, as applicable, or any security.

Article 6.

AGREEMENT TO PAY; SUBORDINATION

In furtherance of the foregoing and not in limitation of any other right that the Administrative Agent or any other Secured Party has at law or in equity against any Guarantor by virtue hereof, upon the failure of the Borrower or any other Loan Party to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Administrative Agent or such other Secured Party as designated thereby in cash the amount of such unpaid Obligations. Upon payment by any Guarantor of any sums to the Administrative Agent or any Secured Party as provided above, all rights of such Guarantor against the applicable Loan Party arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior final and indefeasible payment in full in cash of the Obligations. In addition, any debt of the Borrower or any other Loan Party now or hereafter held by any Guarantor is hereby subordinated in right of payment to the prior final and indefeasible payment in full in cash of the Obligations. If any amount shall erroneously be paid to any Guarantor on account of (i) such subrogation, contribution, reimbursement, indemnity or similar right or (ii) any such debt of the Borrower or such other Loan Party, such amount shall be held in trust for the benefit of the Secured Parties and shall forthwith be paid to the Administrative Agent to be credited against the payment of the Obligations, whether matured or unmatured, in accordance with the terms of the Loan Documents.

Article 7.

INFORMATION

Each Guarantor assumes all responsibility for being and keeping itself informed of each Loan Party's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that such Guarantor assumes and incurs hereunder, and agrees that none of the Administrative Agent or the other Secured Parties will have any duty to advise any of the Guarantors of information known to it or any of them regarding such circumstances or risks.

Article 8.

REPRESENTATIONS AND WARRANTIES

Each of the Subsidiary Guarantors represents and warrants as to itself that all representations and warranties relating to it contained in the Credit Agreement are true and correct.

Article 9.

TERMINATION

The guarantees made hereunder (i) shall terminate when all Commitments have expired or otherwise terminated and the principal of and interest on each Loan and all fees and other amounts payable under the Loan Documents shall have been finally and indefeasibly paid in full in cash and all Letters of Credit have expired or otherwise terminated and all LC Disbursements have been indefeasibly reimbursed in full in cash and (ii) shall continue to be effective or be reinstated, as applicable, if at any time payment, or any part thereof, of any such Obligation is rescinded or must otherwise be restored by any Secured Party or any Guarantor upon the bankruptcy or reorganization of any Loan Party or otherwise.

In addition, if the obligations of any Subsidiary Guarantor under the Security Agreement have been released pursuant to Article 10 of the Security Agreement, such release shall also constitute the automatic release of such Subsidiary Guarantor from its obligations hereunder.

Article 10.

BINDING EFFECT; SEVERAL AGREEMENT; ASSIGNMENTS

Whenever in this Guarantee Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Guarantor that are contained in this Guarantee Agreement shall bind and inure to the benefit of each party hereto and its successors and assigns. This Guarantee Agreement shall become effective as to any Guarantor when a counterpart hereof executed on behalf of such Guarantor shall have been delivered to the Administrative Agent and a counterpart hereof shall have been executed on behalf of the Administrative Agent, and thereafter shall be binding upon such Guarantor and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of such Guarantor, the Administrative Agent and the other Secured Parties, and their respective successors and assigns, except that no Guarantor shall have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void), except as expressly contemplated by this Guarantee Agreement or the other Loan Documents. If any of the equity interests in any Subsidiary Guarantor is sold, transferred or otherwise disposed of pursuant to a transaction permitted by the Loan Documents and, immediately after giving effect thereto, such Subsidiary Guarantor shall no longer be a Subsidiary, then the obligations of such Subsidiary Guarantor under this Guarantee Agreement shall be automatically released. This Guarantee Agreement shall be construed as a separate agreement with respect to each Guarantor and may be amended, modified, supplemented, waived or released with respect to any Guarantor without the approval of any other Guarantor and without affecting the obligations of any other Guarantor hereunder.

Article 11.

WAIVERS; AMENDMENTS

Section 11.1 No Waiver

No failure or delay of the Administrative Agent in exercising any power or right hereunder 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. The rights and remedies of the Administrative Agent hereunder and of the other Secured Parties under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Guarantee Agreement or any other Loan Document or consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be permitted by Section 11.2, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Guarantor in any case shall entitle such Guarantor to any other or further notice or demand in similar or other circumstances.

Section 11.2 Amendments, etc.

Neither this Guarantee Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into by, between or among the Administrative Agent and the Guarantor or Guarantors with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 10.2 of the Credit Agreement.

Article 12.

NOTICES

All communications and notices hereunder shall be in writing and given as provided in Section 10.1 of the Credit Agreement. All communications and notices hereunder to the Administrative Agent, the Parent or the Borrower shall be given to it at its address for notices set forth in such Section, and all communications and notices hereunder to any other Guarantor shall be given to it c/o the Borrower at such address.

Article 13.

SURVIVAL OF AGREEMENT; SEVERABILITY

Section 13.1 Survival of Agreement

All covenants, agreements, representations and warranties made by the Guarantors herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Guarantee Agreement or any other Loan Document shall be considered to have been relied upon by the Administrative Agent and the other Secured Parties and shall survive the execution and delivery of any Loan Document, the making of any Loan and the issuance of any Letter of Credit, regardless of any investigation made by the Secured Parties or on their behalf, and shall continue in full force and effect until this Guarantee Agreement shall terminate.

Section 13.2 Severability

In the event any one or more of the provisions contained in this Guarantee Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Article 14.

ADDITIONAL GUARANTORS

Upon execution and delivery after the date hereof by the Administrative Agent and a Restricted Subsidiary of an instrument in the form of Exhibit B, such Restricted Subsidiary shall become a Subsidiary Guarantor hereunder with the same force and effect as if originally named as a Subsidiary Guarantor herein. The execution and delivery of any such instrument shall not require the consent of any other Guarantor hereunder. The rights and obligations of each Guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new Subsidiary Guarantor as a party to this Guarantee Agreement.

Article 15.

RIGHT OF SETOFF

If an Event of Default shall have occurred and be continuing, each Secured Party is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to setoff and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other Indebtedness at any time owing by such Secured Party to or for the credit or the account of any Guarantor against any or all the obligations of such Guarantor now or hereafter existing under this Guarantee Agreement and the other Loan Documents held by such Secured Party, irrespective of whether or not such Secured Party shall have made any demand under this Guarantee Agreement or any other Loan Document and although such obligations may be unmatured. The rights of each Secured Party under this Article are in addition to other rights and remedies (including other rights of setoff) which such Secured Party may have.

Article 16.

GOVERNING LAW; JURISDICTION; VENUE; WAIVER OF JURY TRIAL

Section 16.1 GOVERNING LAW

THIS GUARANTEE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 16.2 Consent to Jurisdiction

Each Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Guarantee Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guarantee Agreement shall affect any right that the Administrative Agent or any other Secured Party may otherwise have to bring any action or proceeding relating to this Guarantee Agreement or the other Loan Documents against any Guarantor, or any of its property, or in the courts of any jurisdiction.

Section 16.3 Waiver of Objection to Venue

Each Guarantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Guarantee Agreement or the other Loan Documents in any court referred to in Section 16.2. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Section 16.4 Consent to Service of Process

Each party to this Guarantee Agreement irrevocably consents to service of process in the manner provided for notices in Article 12. Nothing in this Guarantee Agreement will affect the right of any party to this Guarantee Agreement to serve process in any other manner permitted by law.

Section 16.5 WAIVER OF JURY TRIAL

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS GUARANTEE AGREEMENT. EACH PARTY HERETO (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTEE AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Article 17.

MISCELLANEOUS

Section 17.1 Consent to Fifth Amended and Restated Credit Agreement

By executing this Guarantee Agreement, each of the Subsidiary Guarantors consents to the amendment and restatement of the Fourth Restated Credit Agreement in the form of the Credit Agreement.

Section 17.2 Savings Clause

This Guarantee Agreement amends and restates the terms and conditions of the Existing Parent Guaranty and the Existing Subsidiary Guaranty and is not intended and should not be construed as in any way extinguishing or terminating the obligations under either thereof.

Section 17.3 Headings

Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Guarantee Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Guarantee Agreement.

Section 17.4 Counterparts

This Guarantee Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which, when taken together, shall constitute but one contract (subject to Article 10), and shall become effective as provided in Article 10. Delivery of an executed counterpart of this Guarantee Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Guarantee Agreement.

Section 17.5 Rules of Interpretation

The rules of interpretation specified in Sections 1.2, 1.3 and 1.4 of the Credit Agreement shall be applicable to this Guarantee Agreement.

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDED AND RESTATED GUARANTEE AGREEMENT

IN WITNESS WHEREOF, the parties hereto have duly executed this Amended and Restated Guarantee Agreement as of the day and year first above written.

SALEM COMMUNICATIONS HOLDING
CORPORATION

By: /s/ EILEEN E. HILL

Name: Eileen E. Hill
Title: Vice President

SALEM COMMUNICATIONS CORPORATION

By: /s/ EILEEN E. HILL

Name: Eileen E. Hill
Title: Vice President

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDED AND RESTATED GUARANTEE AGREEMENT

ATEP RADIO, INC.
BISON MEDIA, INC.
CARON BROADCASTING, INC.
CCM COMMUNICATIONS, INC.
COMMON GROUND BROADCASTING, INC.
GOLDEN GATE BROADCASTING COMPANY, INC.
INSPIRATION MEDIA, INC.
KINGDOM DIRECT, INC.
NEW ENGLAND CONTINENTAL MEDIA, INC.
NEW INSPIRATION BROADCASTINGCOMPANY, INC.
NI ACQUISITION CORP.
PENNSYLVANIA MEDIA ASSOCIATES, INC.
RADIO 1210, INC.
REACH SATELLITE NETWORK, INC.
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 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: /s/ EILEEN E. HILL

Name: Eileen E. Hill
Title: Vice President
SALEM COMMUNICATIONS ACQUISITION
CORPORATION SCA LICENSE CORPORATION

AS TO EACH OF THE FOREGOING

By: /s/ EILEEN E. HILL

Name: Eileen E. Hill
Title: Vice President

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDED AND RESTATED GUARANTEE AGREEMENT

INSPIRATION MEDIA OF TEXAS, LLC
SALEM MEDIA OF ILLINOIS, LLC
SALEM MEDIA OF NEW YORK, LLC
SALEM RADIO OPERATIONS, LLC
SALEM SATELLITE MEDIA, LLC

AS TO EACH OF THE FOREGOING

By: Salem Media Corporation, as Manager

By: /s/ EILEEN E. HILL

Name: Eileen E. Hill
Title: Vice President

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDED AND RESTATED GUARANTEE AGREEMENT

ONEPLACE, LLC
SCA-PALO ALTO, LLC

AS TO EACH OF THE FOREGOING

By: SCA License Corporation

By: /s/ EILEEN E. HILL

Name: Eileen E. Hill
Title: Vice President

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDED AND RESTATED GUARANTEE AGREEMENT

THE BANK OF NEW YORK, as Administrative Agent

By: /s/ STEPHEN M. NETTLER

Name: Stephen M. Nettler
Title: Vice President

SALEM EXHIBIT F
FORM OF AMENDED AND RESTATED SECURITY AGREEMENT
among
SALEM COMMUNICATIONS HOLDING CORPORATION,
SALEM COMMUNICATIONS CORPORATION,
EACH OF THE OTHER GRANTORS PARTY HERETO
and
THE BANK OF NEW YORK, AS ADMINISTRATIVE AGENT

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EXHIBITS:

Exhibit A	Form of Supplement
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AMENDED AND RESTATED SECURITY AGREEMENT, dated as of September 25, 2003, among SALEM COMMUNICATIONS CORPORATION, a Delaware corporation (the "Parent"), SALEM COMMUNICATIONS HOLDING CORPORATION, a Delaware corporation (the "Borrower"), each of the Restricted Subsidiaries of the Parent listed on Schedule I hereto (each such Restricted Subsidiary, individually, a "Subsidiary Guarantor" and, collectively, the "Subsidiary Guarantors" the Borrower, the Parent and the Subsidiary Guarantors are sometimes referred to collectively herein as the "Grantors"), and THE BANK OF NEW YORK, as administrative agent under the Credit Agreement referred to in the next paragraph acting on behalf of the Secured Parties (as defined in such Credit Agreement).

RECITALS

I. Reference is made to each of the following:

A. the Fifth Amended and Restated Credit Agreement, dated as of September 25, 2003, among the Parent, the Borrower, the Lenders party thereto, General Electric Capital Corporation and SunTrust Bank, as Syndication Agents, Fleet National Bank and ING (U.S.) Capital LLC, as Documentation Agents, and The Bank of New York, as Administrative Agent (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement");

B. the First Amended and Restated Parent Security Agreement, dated as of June 15, 2001, among the Parent, the Borrower and the Administrative Agent (as amended prior to the date hereof, the "Existing Parent Security Agreement");

C. the Second Amended and Restated Borrower Security Agreement, dated as of August 24, 2000, between the Borrower and the Administrative Agent (as amended prior to the date hereof, the "Existing Borrower Security Agreement"); and

D. the Second Amended and Restated Subsidiary Guaranty and Security Agreement, dated as of August 24, 2000, among the Subsidiary Guarantors party thereto, the Borrower and the Administrative Agent (as amended prior to the date hereof, the "Existing Subsidiary Guaranty").

II. This Security Agreement amends, restates and combines the Existing Parent Security Agreement, the Existing Borrower Security Agreement and the security provisions of the Existing Subsidiary Guaranty.

III. The Lenders have agreed to make Loans to, and the Issuing Bank has agreed to issue Letters of Credit for the account of, the Borrower pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. Each of the Subsidiary Guarantors and the Parent has agreed to guarantee, among other things, all the obligations of each Loan Party under the Loan Documents. The obligations of the Lenders to make Loans and the Issuing Bank to issue Letters of Credit are conditioned upon, among other things, the execution and delivery by the Grantors of an agreement in the form hereof to secure the Obligations.

IV. For convenience, this Security Agreement is dated as of September 25, 2003, and references to

certain matters related to the period prior hereto have been deleted.

Accordingly, the Grantors and the Administrative Agent, on behalf of itself and each other Secured Party (and each of their respective successors or assigns), hereby agree as follows:

Article 1.

DEFINITIONS; GRANT OF SECURITY; CONTINUING PERFECTION AND PRIORITY

Section 1.1 General Definitions

As used in this Security Agreement, the following terms shall have the meanings specified below:

"Account Debtor" means each Person who is obligated in respect of any Receivable or any Supporting Obligation or Collateral Support relating thereto.

"Accounts" means all "accounts" as defined in Article 9 of the UCC.

"Additional Grantor" has the meaning assigned to such term in Article 11.

"Applicable Date" means (i) in the case of any Grantor (other than an Additional Grantor), the date hereof, and (ii) in the case of any Additional Grantor, the date of the Supplement executed and delivered by such Additional Grantor.

"Authorization" means, collectively, any license, approval, permit or other authorization issued by the FCC or any other Governmental Authority.

"Borrower" has the meaning assigned to such term in the preliminary statement of this Security Agreement.

"Chattel Paper" means all "chattel paper" as defined in Article 9 of the UCC.

"Claim Proceeds" means, with respect to any Commercial Tort Claim or any Collateral Support or Supporting Obligation relating thereto, all Proceeds thereof, including all insurance proceeds and other amounts and recoveries resulting or arising from the settlement or other resolution thereof, in each case regardless of whether characterized as a "commercial tort claim" under Article 9 of the UCC or "proceeds" under the UCC.

"Collateral" has the meaning assigned to such term in Section 1.3(a).

"Collateral Records" means all books, instruments, certificates, Records, ledger cards, files, correspondence, customer lists, blueprints, technical specifications, manuals and other documents, and all computer software, computer printouts, tapes, disks and related data processing software and similar items, in each case that at any time represent, cover or otherwise evidence, or contain information relating to, any of the Collateral or are otherwise necessary or helpful in the collection thereof or realization thereupon.

"Collateral Support" means all property (real or personal) assigned, hypothecated or otherwise securing any of the Collateral, and shall include any security agreement or other agreement granting a lien or security interest in such real or personal property.

"Commercial Tort Claims" means all "commercial tort claims" as defined in Article 9 of the UCC and all Claim Proceeds; including all claims described on Schedule 3.7.

"Copyright License" means any written agreement, now or hereafter in effect, granting any right to any third party under any Copyright now or hereafter owned or held by or behalf of any Grantor or which any Grantor otherwise has the right to license, or granting any right to any Grantor under any Copyright now or hereafter owned by any third party, and all rights of any Grantor under any such agreement, including each agreement described on Schedule 3.6.

"Copyrights" means all of the following: (i) all copyright rights in any work subject to the copyright laws of the United States of America, whether as author, assignee, transferee or otherwise, and (ii) all registrations and applications for registration of any such copyright in the United States of America, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office or any similar offices in the United States of America, including those described on Schedule 3.6.

"Credit Agreement" has the meaning assigned to such term in the preliminary statement of this Security Agreement.

"Documents" means all "documents" as defined in Article 9 of the UCC.

"Equipment" means (i) all "equipment" as defined in Article 9 of the UCC, (ii) all machinery, manufacturing equipment, data processing equipment, computers, office equipment, furnishings, furniture, appliances, fixtures and tools, in each case, regardless of whether characterized as "equipment" under the UCC, and (iii) all accessions or additions to any of the foregoing, all parts thereof, whether or not at any time of determination incorporated or installed therein or attached thereto, and all replacements therefor, wherever located, now or hereafter existing.

"Federal Securities Laws" has the meaning assigned to such term in Section 6.3.

"General Intangibles" means (i) all "general intangibles" as defined in Article 9 of the UCC and (ii) all choses in action and causes of action, all indemnification claims, all goodwill, all Hedging Agreements, all tax refunds, all licenses, permits, concessions, franchises and authorizations, all Intellectual Property, all Payment Intangibles, all Authorizations and all Software, in each case, regardless of whether characterized as a "general intangible" under the UCC.

"Goods" means (i) all "goods" as defined in Article 9 of the UCC and (ii) all Equipment and Inventory and any computer program embedded in goods and any supporting information provided in connection with such program, to the extent (a) such program is associated with such goods in such a manner that it is

customarily considered part of such goods or (b) by becoming the owner of such goods, a Person acquires a right to use the program in connection with such goods, in each case, regardless of whether characterized as a "good" under the UCC.

"Grantor" and "Grantors" have the meanings assigned to such terms in the preliminary statement of this Security Agreement.

"Instruments" means all "instruments" as defined in Article 9 of the UCC.

"Insurance" means all insurance policies covering any or all of the Collateral (regardless of whether the Administrative Agent or any other Secured Party is the loss payee thereof) and all business interruption insurance policies.

"Intellectual Property" means all intellectual and similar property of any Grantor of every kind and nature, including inventions, designs, Patents, Copyrights, Trademarks, Licenses, domain names, Trade Secrets, confidential or proprietary technical and business information, know-how, show-how or other data or information, software and databases and all embodiments or fixations thereof and related documentation, registrations and franchises, and all additions, improvements and accessions to, and books and records describing or used in connection with, any of the foregoing.

"Inventory" means (i) all "inventory" as defined in Article 9 of the UCC and (ii) all goods held for sale or lease or to be furnished under contracts of service or so leased or furnished, all raw materials, work in process, finished goods and materials used or consumed in the manufacture, packing, shipping, advertising, selling, leasing, furnishing or production of such inventory or otherwise used or consumed in any Grantor's business, all goods which are returned to or repossessed by or on behalf of any Grantor, and all computer programs embedded in any goods, and all accessions thereto and products thereof, in each case, regardless of whether characterized as "inventory" under the UCC.

"Investment Property" means "investment property" as defined in Article 9 of the UCC.

"Investment-Related Property" means (i) all Pledged Collateral and (ii) all other Investment Property owned or held by or on behalf of any Grantor.

"Letter of Credit Rights" means all "letter-of-credit rights" as defined in Article 9 of the UCC and (ii) all rights, title and interests of each Grantor to any letter of credit, in each case regardless of whether characterized as a "letter-of-credit right" under the UCC.

"License" means any Copyright License, Patent License, Trademark License, Trade Secret License or other license (other than any Authorization) or sublicense to which any Grantor is a party.

"Material Commercial Tort Claims" means, with respect to each Grantor, (i) all Commercial Tort Claims asserted by it, or on its behalf, in writing, and (ii) each Commercial Tort Claim in excess of \$250,000 to which it has any right, title or interest and of which it is aware.

"Obligations" means (i) the due and punctual payment of (a) principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, and (b) all other monetary obligations, including reimbursement obligations in respect of LC Disbursements, fees, commissions, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Loan Parties to the Secured Parties, or that are otherwise payable to any Credit Party, in each case under the Loan Documents, (ii) the due and punctual performance of all covenants, agreements, obligations and liabilities of the Loan Parties or any other party (other than a Credit Party) under or pursuant to the Loan Documents and (iii) unless otherwise agreed upon in writing by the applicable Lender party thereto, all obligations of the Borrower, monetary or otherwise, under each Secured Hedging Agreement.

"Patent License" means any written agreement, now or hereafter in effect, granting to any third party any right to make, use or sell any invention on which a Patent, now or hereafter owned or held by or on behalf of any Grantor or which any Grantor otherwise has the right to license, is in existence, or granting to any Grantor any right to make, use or sell any invention on which a Patent, now or hereafter owned by any third party, is in existence, and all rights of any Grantor under any such agreement.

"Patents" means all of the following: (i) all letters patent of the United States of America, all registrations and recordings thereof and all applications for letters patent of the United States of America, including registrations, recordings and pending applications in the United States Patent and Trademark Office or any similar offices in the United States of America, including those described on Schedule 3.6, and (ii) all reissues, continuations, divisions, continuations in part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein.

"Payment Intangibles" means all "payment intangibles" as defined in Article 9 of the UCC.

"Pledged Collateral" means, collectively, Pledged Debt and Pledged Equity Interests.

"Pledged Debt" means all Indebtedness (other than Receivables) owed or owing to any Grantor, including all Indebtedness owed to any Grantor by the Parent or any of the Restricted Subsidiaries, including all Indebtedness described on Schedule 3.4, all Instruments, Chattel Paper or other documents, if any, representing or evidencing such debt, and all interest, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such debt, provided, however, "Pledged Debt" shall not include any Indebtedness owed or owing to any Grantor with respect to loans or advances permitted to be made pursuant to Section 7.4(1) of the Credit Agreement.

"Pledged Equity Interests" means all Equity Interests owned or held by or on behalf of any Grantor in any Restricted Subsidiary, including all such Equity Interests described on Schedule 3.4, and all

certificates, instruments and other documents, if any, representing or evidencing such Equity Interests and all interests of such Grantor on the books and records of the issuers of such Equity Interests, all of such Grantor's right, title and interest in, to and under any partnership, limited liability company, shareholder or similar agreements to which it is a party, and all dividends, distributions, cash, warrants, rights, options, instruments, securities and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Equity Interests.

"Proceeds" means (i) all "proceeds" as defined in Article 9 of the UCC, (ii) payments or distributions made with respect to any Collateral, (iii) any payment received from any insurer or other Person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property that constitutes the Collateral, and (iv) whatever is receivable or received when any of the Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary, including any claim of any Grantor against any third party for (and the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection with) (a) past, present or future infringement of any Patent now or hereafter owned or held by or on behalf of any Grantor, or licensed under a Patent License, (b) past, present or future infringement or dilution of any Trademark now or hereafter owned or held by or on behalf of any Grantor, or licensed under a Trademark License, or injury to the goodwill associated with or symbolized by any Trademark now or hereafter owned or held by or on behalf of any Grantor, (c) past, present or future infringement of any Copyright now or hereafter owned or held by or on behalf of any Grantor, or licensed under a Copyright License, (d) past, present or future infringement of any Trade Secret now or hereafter owned or held by or on behalf of any Grantor, or licensed under a Trade Secret License, and (e) past, present or future breach of any License, in each case, regardless of whether characterized as "proceeds" under the UCC.

"Receivables" means all rights to payment, whether or not earned by performance, for goods or other property sold, leased, licensed, assigned or otherwise disposed of, or services rendered or to be rendered, including all such rights constituting or evidenced by any Account, Chattel Paper, Instrument or other document, General Intangible or Investment-Related Property, together with all of the applicable Grantor's rights, if any, in any goods or other property giving rise to such right to payment, and all Collateral Support and Supporting Obligations relating thereto and all Receivables Records.

"Receivables Records" means (i) all originals of all documents, instruments or other writings or electronic records or other Records evidencing any Receivable, (ii) all books, correspondence, credit or other files, Records, ledger sheets or cards, invoices, and other papers relating to any Receivable, including all tapes, cards, computer tapes, computer discs, computer runs, record keeping systems and other papers and documents relating to any Receivable, whether in the possession or under the control of the applicable Grantor or any computer bureau or agent from time to time acting for such Grantor or otherwise, (iii) all evidences of the filing of financing statements and the registration of other instruments in connection therewith, and amendments, supplements or other modifications thereto, notices to other creditors or secured parties, and certificates, acknowledgments, or other writings, including lien search reports, from filing or other registration officers, (iv) all credit information, reports and memoranda relating thereto, and (v) all other written forms of information related in any way to the foregoing or any Receivable.

"Record" means a "record" as defined in Article 9 of the UCC.

"Secured Hedging Agreement" means each Hedging Agreement entered into by the Borrower with a Person that, at the time of the entry thereof, was a Lender (or an Affiliate thereof).

"Secured Parties" means (i) the Credit Parties, (ii) unless otherwise agreed upon in writing by it, each counterparty (other than a Loan Party) to a Secured Hedging Agreement, (iii) the beneficiaries of each indemnification obligation undertaken by or on behalf of any Grantor under any Loan Document, and (iv) the successors and assigns of each of the foregoing.

"Security Interest" has the meaning assigned to such term in Section 1.3(a).

"Software" means all "software" as defined in Article 9 of the UCC.

"Subsidiary Guarantor" and "Subsidiary Guarantors" have the meanings assigned to such terms in the preliminary statement of this Security Agreement.

"Supplement" means a supplement hereto, substantially in the form of Exhibit A.

"Supporting Obligations" means (i) all "supporting obligations" as defined in Article 9 of the UCC and (ii) all Guarantees and other secondary obligations supporting any of the Collateral, in each case regardless of whether characterized as a "supporting obligation" under the UCC.

"Trade Secret Licenses" means any written agreement, now or hereafter in effect, granting to any third party any right to use any Trade Secrets now or hereafter owned or held by or on behalf of any Grantor or which such Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trade Secrets now or hereafter owned by any third party, and all rights of any Grantor under any such agreement.

"Trade Secrets" means all trade secrets and all other confidential or proprietary information and know-how now or hereafter owned or used in, or contemplated at any time for use in, the business of any Grantor (all of the foregoing being collectively called a "Trade Secret"), whether or not such Trade Secret has been reduced to a writing or other tangible form, including all documents and things embodying, incorporating or referring in any way to such Trade Secret, the right to sue for any past, present and future infringement of any Trade Secret, and all proceeds of the foregoing, including licenses, royalties, income, payments, claims, damages and proceeds of suit.

"Trademark License" means any written agreement, now or hereafter in effect, granting to any third party any right to use any Trademark now or hereafter owned or held by or on behalf of any Grantor or which such Grantor otherwise has the right to license, or granting to any Grantor any right to use any Trademark now or hereafter owned by any third party, and all rights of any Grantor under any such agreement.

"Trademarks" means all of the following: (i) all trademarks, service marks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, logos,

other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all registration and recording applications filed in connection therewith, including registrations and registration applications in the United States Patent and Trademark Office or any similar offices in the United States of America, and all extensions or renewals thereof, including those described on Schedule 3.6, (ii) all goodwill associated therewith or symbolized by any of the foregoing and (iii) all other assets, rights and interests that uniquely reflect or embody such goodwill.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York or, when the context implies, the Uniform Commercial Code as in effect from time to time in any other applicable jurisdiction.

Section 1.2 Other Definitions; Interpretation

(a) Other Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

(b) Rules of Interpretation. The rules of interpretation specified in Sections 1.2, 1.3 and 1.4 of the Credit Agreement shall be applicable to this Security Agreement. All references herein to (i) a Schedule to this Security Agreement shall refer to such Schedule hereto or to a Supplement, as applicable, and (ii) provisions of the UCC shall include all successor provisions under any subsequent version or amendment to any Article of the UCC.

Section 1.3 Grant of Security

(a) Grant by each Grantor. As security for the payment or performance, as applicable, in full of the Obligations, each Grantor hereby bargains, sells, conveys, assigns, sets over, mortgages, pledges, hypothecates and transfers to the Administrative Agent (and its successors and assigns), for the ratable benefit of the Secured Parties, and hereby grants to the Administrative Agent (and its successors and assigns), for the ratable benefit of the Secured Parties, a security interest (the "Security Interest") in, all personal property and fixtures of such Grantor, including all of such Grantor's right, title and interest in, to and under the following, in each case whether now owned or existing or hereafter acquired or arising and wherever located (all of which being hereinafter collectively referred to as the "Collateral"):

- (i) all Accounts,
- (ii) all Chattel Paper,
- (iii) all Commercial Tort Claims,
- (iv) all Documents,
- (v) all Equipment,
- (vi) all General Intangibles,
- (vii) all Goods,
- (viii) all Instruments,
- (ix) all Insurance,
- (x) all Intellectual Property,
- (xi) all Inventory,
- (xii) all Investment-Related Property;
- (xiii) all Letter of Credit Rights,
- (xiv) all Proceeds of Authorizations and, subject to the provisions of Section 1.3(c), all Authorizations and the goodwill associated with all Authorizations,
- (xv) all Receivables and Receivables Records,
- (xvi) all other goods and other personal property of such Grantor, whether tangible or intangible,
- (xvii) to the extent not otherwise included in clauses (i) through (xvi) of this Section, all Collateral Records, Collateral Support and Supporting Obligations in respect of any of the foregoing,
- (xviii) to the extent not otherwise included in clauses (i) through (xvii) of this Section, all other property in which a security interest may be granted under the UCC or which may be delivered to and held by the Administrative Agent pursuant to the terms hereof (including the account referred to in Section 3.4(c)(ii) and all funds and other property from time to time therein or credited thereto), and
- (xix) to the extent not otherwise included in clauses (i) through (xviii) of this Section, all Proceeds, products, substitutions, accessions, rents and profits of or in respect of any of the foregoing.

(b) Revisions to UCC. For the avoidance of doubt, it is expressly understood and agreed that, to the extent the UCC is revised after the date hereof such that the definition of any of the foregoing terms included in the description or definition of the Collateral is changed, the parties hereto desire that any property which is included in such changed definitions, but which would not otherwise be included in the Security Interest on the date hereof, nevertheless be included in the Security Interest upon the effective date of such revision. Notwithstanding the immediately preceding sentence, the Security Interest is intended to apply immediately on the Fifth Restatement Effective Date to all of the Collateral to the fullest extent permitted by applicable law, regardless of whether any particular item of the Collateral was then subject to the UCC.

(c) Certain Limited Exclusions. Notwithstanding anything in this Section 1.3 to the contrary, in no event shall the Collateral include, and no Grantor shall be deemed to have granted a Security Interest in, (i) any right under any Authorization, lease, license or other contract or agreement constituting a General Intangible, but only to the extent that the granting of a security interest therein or an assignment thereof would violate any applicable law or any enforceable provision of such lease, license or other contract or agreement, as applicable, provided that to the extent such security interest at any time hereafter shall no longer be prohibited by law, and/or immediately upon such provision no longer being enforceable, as the case may be, the Collateral shall automatically and without any further action include, and the Grantors shall be deemed to have granted automatically and without any further action a Security Interest in, such right as if such law had never existed or such provision had never been enforceable, as the case may be, (ii) any Margin Stock, (iii) any of the outstanding capital stock of a "controlled foreign corporation" as defined in the Code in excess of 65% of the voting power of all classes of capital stock of such corporation entitled to vote, or (iv) any Equity Interests issued by an Unrestricted Subsidiary.

Article 2.

SECURITY FOR OBLIGATIONS; NO ASSUMPTION OF LIABILITY

Section 2.1 Security for Obligations

This Security Agreement secures, and the Collateral is collateral security for, the prompt and complete payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of Title 11 of the United States Code, or any similar provision of any other bankruptcy, insolvency, receivership or other similar law), of all Obligations.

Section 2.2 No Assumption of Liability

Notwithstanding anything to the contrary herein, the Security Interest is granted as security only and shall not subject the Administrative Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

Article 3.

REPRESENTATIONS AND WARRANTIES AND COVENANTS

Section 3.1 Generally

(a) Representations and Warranties. Each of the Grantors, jointly with the other Grantors and severally, represents and warrants to the Administrative Agent and the other Secured Parties that:

(i) As of the Applicable Date, (A) such Grantor's full legal name is as set forth on Schedule 3.1(a)(i), (B) such Grantor's chief executive office or its principal place of business is, and for the preceding four months has been, located at the office indicated on Schedule 3.1(a)(i), (C) such Grantor's jurisdiction of organization is the jurisdiction indicated on Schedule 3.1(a)(i), and (D) such Grantor's Federal Employer Identification Number and company organizational number is as set forth on Schedule 3.1(a)(i).

(ii) Except as set forth on Schedule 3.1(a)(i), such Grantor's legal name has not changed in the preceding five years.

(iii) Such Grantor has good and valid rights in, or title to, the Collateral with respect to which it has purported to grant the Security Interest, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such Collateral for its intended purposes, and except for Liens expressly permitted pursuant to the Loan Documents.

(iv) All actions and consents, including all filings, notices, registrations and recordings, necessary or desirable to create, perfect or ensure the first priority (subject only to Liens expressly permitted by the Loan Documents) of the Security Interest in the Collateral owned or held by it or on its behalf or for the exercise by the Administrative Agent or any other Secured Party of any voting or other rights provided for in this Security Agreement or the exercise of any remedies in respect of any such Collateral have been made or obtained, (A) except for (1) the filing of UCC financing statements naming such Grantor as "debtor" and the Administrative Agent as "secured party", or the making of other appropriate filings, registrations or recordings, containing a description of such Collateral in each applicable governmental, municipal or other office specified on Schedule 3.1(a)(iv), (2) the filing of a copy of applicable Loan Documents with the FCC and the Securities and Exchange Commission, which filings are for informational purposes and do not affect the validity or enforceability of the Loan Documents or the creation, perfection or priority of the Security Interest in the Collateral, and (3) with respect to federally registered Patents, Trademarks and Copyrights, the filing, registration or recordation of fully executed security agreements in the form hereof (or in such other form as shall be in all respects satisfactory to the Administrative Agent) and containing a description of all such Collateral consisting of Patents, Trademarks and Copyrights, together with all other necessary documents, with the United States Patent and Trademark Office or the United States Copyright Office, as applicable, (B) except for any such Collateral as to which the representations and warranties in this Section 3.1(a)(iv) would not be true solely by virtue of such Collateral having been used or disposed of in a manner expressly permitted hereunder or under any other Loan Document, (C) except to the extent that such Security Interest may not be perfected by filing, registering, recording or taking any other action in the United States of America and (D) except, at any time after the Fifth Restatement Effective Date, for Collateral having an aggregate fair market value of less than \$500,000.

(v) All Collateral owned or rights in Collateral held by it or on its behalf is owned or held by it or on its behalf free and clear of any Lien, except for Liens expressly permitted by the Loan Documents. It has not filed or consented to the filing of (A) any financing statement or analogous document under the UCC or any other applicable laws covering any such Collateral, (B) any assignment in which it assigns any such Collateral or any security agreement or similar instrument covering any such Collateral with the United States Patent and Trademark Office or the United States Copyright Office, or any similar offices in the United States of America, or (C) any assignment in which it assigns any such Collateral or any security agreement or similar instrument covering any such Collateral with any foreign governmental, municipal or other office, in each case which financing statement, analogous document, assignment or other instrument, as applicable, is still in effect, except for Liens expressly permitted by the Loan Documents.

(vi) The Security Interest in the Collateral owned or rights in the Collateral held by it or on its behalf (A) is effective to vest in the Administrative Agent, on behalf of the Secured Parties, the rights of the

Administrative Agent in such Collateral as set forth herein and (B) does not violate Regulation T, U or X as of the Applicable Date.

(vii) All leases, licenses (other than FCC Licenses) and other contracts and agreements as to which no security interest is granted by virtue Section 1.3(c) are not material to the business of the Parent and the Subsidiaries, taken as a whole.

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees as follows:

(i) It shall maintain, at its own cost and expense, such complete and accurate Records with respect to the Collateral owned or held by it or on its behalf as is consistent with its current practices and in accordance with such prudent and standard practices used in industries that are the same as or similar to those in which it is engaged, but in any event to include complete accounting Records indicating all payments and proceeds received with respect to any part of such Collateral, and, at such time or times as the Administrative Agent may reasonably request, promptly to prepare and deliver to the Administrative Agent a duly certified schedule or schedules in form and detail satisfactory to the Administrative Agent showing the identity and amount of any and all such Collateral.

(ii) It shall, at its own cost and expense, take any and all commercially reasonable actions necessary to defend title to the Collateral owned or rights in Collateral held by it or on its behalf against all Persons and to defend the Security Interest in such Collateral and the priority thereof against any Lien or other interest not expressly permitted by the Loan Documents, and in furtherance thereof, it shall not take, or permit to be taken, any action not otherwise expressly permitted by the Loan Documents that could impair the Security Interest or the priority thereof or any Secured Party's rights in or to such Collateral.

(iii) The Administrative Agent and such Persons as the Administrative Agent may designate shall have the right, at the cost and expense of such Grantor, to inspect all of its Records (and to make extracts and copies from such Records), to discuss its affairs with its officers and independent accountants and to verify under reasonable procedures the validity, amount, quality, quantity, value, condition and status of, or any other matter relating to, the Collateral owned or rights therein held by or on behalf of such Grantor, including, in the case of Receivables, Pledged Debt, General Intangibles, Commercial Tort Claims or Collateral in the possession of any third person, by contacting Account Debtors, contract parties or other obligors thereon or any third person possessing such Collateral for the purpose of making such a verification. The Administrative Agent shall have the absolute right to share on a confidential basis any information it gains from such inspection or verification with any Secured Party.

(iv) At its option, the Administrative Agent may discharge past due taxes, assessments, charges, fees, Liens, security interests or other encumbrances at any time levied or placed on the Collateral owned or held by or on behalf of such Grantor, and not permitted by the Loan Documents, and may pay for the maintenance and preservation of such Collateral to the extent such Grantor fails to do so as required by the Loan Documents, and such Grantor agrees, jointly with the other Grantors and severally, to reimburse the Administrative Agent on demand for any payment made or any expense incurred by the Administrative Agent pursuant to the foregoing authorization; provided, however, that nothing in this paragraph shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Administrative Agent or any other Secured Party to cure or perform, any covenants or other promises of any Grantor with respect to taxes, assessments, charges, fees, Liens, security interests or other encumbrances and maintenance as set forth herein or in the other Loan Documents.

(v) It shall remain liable for the failure to observe and perform all the conditions and obligations to be observed and performed by it under each contract, agreement or instrument relating to the Collateral owned or held by it or on its behalf, all in accordance with the terms and conditions thereof, and it agrees, jointly with the other Grantors and severally, to indemnify and hold harmless the Administrative Agent and the other Secured Parties from and against any and all liability for such performance.

(vi) It shall not make, or permit to be made, an assignment, pledge or hypothecation of the Collateral owned or held by it or on its behalf, or grant any other Lien in respect of such Collateral, except as expressly permitted by the Loan Documents. Except for Liens or transfers expressly permitted by the Loan Documents, it shall not make or permit to be made any transfer of such Collateral, and it shall remain at all times in possession of such Collateral and the direct owner, beneficially and of record, of the Pledged Equity Interests included in such Collateral, except that (A) Inventory may be sold in the ordinary course of business and (B) unless and until the Administrative Agent shall notify it that an Event of Default shall have occurred and be continuing and that, during the continuance thereof, it shall not sell, convey, lease, assign, transfer or otherwise dispose of any such Collateral (which notice may be given by telephone if promptly confirmed in writing), it may use and dispose of such Collateral in any lawful manner not inconsistent with the provisions of this Security Agreement or any other Loan Document.

(vii) It shall, at its own cost and expense, maintain or cause to be maintained insurance covering (A) physical loss or damage to the Collateral owned or held by it or on its behalf and (B) liability arising from the use or intended use, or otherwise attributable or relating to, such Collateral, in each case in accordance with Section 6.10 of the Credit Agreement. The policies covering such insurance (1) shall, in the case of each policy under clause (A) of this paragraph, contain a standard loss payable clause and shall name the Administrative Agent or its agent as sole loss payee in respect of each claim resulting in a payment under any such insurance policy exceeding \$500,000, (2) shall, in the case of each policy under clause (B) of this paragraph, be indorsed to provide, in respect of the interests of the Administrative Agent and the other Secured Parties, that the Administrative Agent shall be an additional insured and (3) shall, in the case of each policy under clauses (A) and (B) of this paragraph, provide (to the extent customary in the insurance industry) that 30 days' prior written notice of any cancellation or modification thereof or any reduction of amounts payable thereunder shall be given to the Administrative Agent, and in the event that such Grantor at any time or times shall fail to pay any premium in whole or part relating thereto, the Administrative Agent may, in its sole discretion, pay such premium. Such Grantor irrevocably makes, constitutes and appoints the Administrative Agent (and all officers, employees or agents designated by the Administrative Agent) as such Grantor's true and lawful agent (and attorney in fact) for the purpose, during the continuance of an Event of Default, of making, settling and adjusting claims in respect of such Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. In the event that such Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required hereby or to pay any premium in whole or part relating thereto, the Administrative Agent may, without waiving or releasing any obligation or liability of the

Grantors hereunder or any Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Administrative Agent deems advisable. All sums disbursed by the Administrative Agent in connection with this paragraph, including reasonable attorneys' fees and expenses, court costs, expenses and other charges relating thereto, shall be payable, upon demand, by the Grantors to the Administrative Agent and shall be additional Obligations secured hereby.

Section 3.2 Equipment and Inventory

Each of the Grantors, jointly with the other Grantors and severally, represents and warrants to the Administrative Agent and the other Secured Parties that, as of the Applicable Date, all of the Equipment and Inventory included in the Collateral owned or held by it or on its behalf (other than mobile goods, Inventory and Equipment in transit and other Collateral in which possession is not maintained in the ordinary course of its business) is kept only at the locations specified on Schedule 3.2. In addition, each Grantor covenants and agrees that it shall not permit Equipment or Inventory with a value in excess of \$250,000 owned or held by it or on its behalf (and shall not permit, with respect to all Grantors, taken as a whole, Equipment and Inventory with a value in excess of \$500,000 in the aggregate) to be in the possession or control of any warehouseman, bailee, agent or processor for a period of greater than thirty (30) consecutive days, unless such warehouseman, bailee, agent or processor shall have been notified of the Security Interest and, at the request of the Administrative Agent, shall have agreed in writing to hold such Equipment or Inventory subject to the Security Interest and the instructions of the Administrative Agent and to waive and release any Lien held by it with respect to such Equipment or Inventory, whether arising by operation of law or otherwise.

Section 3.3 Receivables

(a) Representations and Warranties. Each of the Grantors, jointly with the other Grantors and severally, represents and warrants to the Administrative Agent and the other Secured Parties that no Receivable included in the Collateral owned or held by it or on its behalf is evidenced by an Instrument or Chattel Paper that has not been delivered to the Administrative Agent.

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees that:

(i) It will not, without the Administrative Agent's prior written consent (which consent shall not be unreasonably withheld), grant any extension of the time of payment of any such Receivable, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any Supporting Obligation or Collateral Support relating thereto, or allow any credit or discount whatsoever thereon, other than extensions, credits, discounts, releases, compromises or settlements granted or made in the ordinary course of business and in accordance with such practices reasonably believed by such Grantor to be prudent.

(ii) Except as otherwise provided in this Section, it shall continue to collect all amounts due or to become due to it under all such Receivables and any Supporting Obligations or Collateral Support relating thereto, and diligently exercise each material right it may have thereunder, in each case at its own cost and expense, and in connection with such collections and exercise, it shall, upon the occurrence and during the continuance of an Event of Default, take such action as it or the Administrative Agent may reasonably deem necessary. Notwithstanding the foregoing, the Administrative Agent shall have the right at any time after the occurrence and during the continuance of an Event of Default to notify, or require such Grantor to notify, any Account Debtor with respect to any such Receivable, Supporting Obligation or Collateral Support of the Administrative Agent's security interest therein, and in addition, at any time during the continuation of an Event of Default, the Administrative Agent may: (A) direct such Account Debtor to make payment of all amounts due or to become due to such Grantor thereunder directly to the Administrative Agent and (B) enforce, at the cost and expense of such Grantor, collection thereof and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor would be able to have done. If the Administrative Agent notifies such Grantor that it has elected to collect any such Receivable, Supporting Obligation or Collateral Support in accordance with the preceding sentence, any payments thereof received by such Grantor shall not be commingled with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the Administrative Agent hereunder and shall be forthwith delivered to the Administrative Agent in the same form as so received (with any necessary indorsement), and such Grantor shall not grant any extension of the time of payment thereof, compromise, compound or settle the same for less than the full amount thereof, release the same, wholly or partly, or allow any credit or discount whatsoever thereon.

(iii) It shall use commercially reasonable efforts to keep in full force and effect any Supporting Obligation or Collateral Support relating to any Receivable.

Section 3.4 Investment-Related Property

(a) Representations and Warranties. Each of the Grantors, jointly with the other Grantors and severally, represents and warrants to the Administrative Agent and the other Secured Parties that:

(i) Schedule 3.4 sets forth, as of the Applicable Date, all of the Pledged Collateral included in the Collateral owned or held by or on behalf of such Grantor.

(ii) All Pledged Equity Interests included in the Collateral owned or held by it or on its behalf have been duly authorized and validly issued and are fully paid and non-assessable, and such Grantor is the direct owner, beneficially and of record, thereof, free and clear of all Liens (other than Liens expressly permitted by the Loan Documents).

(iii) All Pledged Debt included in the Collateral owned or held by it or on its behalf has been duly authorized, issued and delivered and, where necessary, authenticated, and, to the knowledge of such Grantor, constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and general equitable principles (whether considered in a proceeding in equity or at law).

(iv) All Pledged Collateral consisting of certificated securities, Chattel Paper or Instruments has been delivered to the Administrative Agent.

(v) Other than the Pledged Equity Interests that constitute General Intangibles, there is no Pledged

Collateral other than that represented by certificated securities or Instruments in the possession of the Administrative Agent.

(b) Registration in Nominee Name; Denominations. Each Grantor hereby agrees that (i) without limiting Article 5, the Administrative Agent, on behalf of the Secured Parties, shall have the right (in its sole and absolute discretion) to hold Investment-Related Property included in the Collateral owned or held by it or on its behalf in the Administrative Agent's own name as pledgee, the name of its nominee (as pledgee or as sub-agent) or the name of the applicable Grantor, endorsed or assigned, where applicable, in blank or in favor of the Administrative Agent, (ii) at the Administrative Agent's request, such Grantor will promptly give to the Administrative Agent copies of any material notices or other written communications received by it with respect to any Investment-Related Property included in the Collateral owned or held by it or on its behalf registered in its name and (iii) the Administrative Agent shall at all times have the right to exchange any certificates, instruments or other documents representing or evidencing any Investment-Related Property included in the Collateral owned or held by or on behalf of such Grantor for certificates, instruments or other documents of smaller or larger denominations for any purpose consistent with this Security Agreement.

(c) Voting and Distributions.

(i) Unless and until an Event of Default shall have occurred and be continuing:

(A) Each Grantor shall be entitled to exercise any and all voting and/or other consensual rights and powers inuring to an owner of the Investment-Related Property included in the Collateral owned or held by it or on its behalf, or any part thereof, for any purpose consistent with the terms of this Security Agreement and the other Loan Documents; provided, however, that such Grantor will not be entitled to exercise any such right if the result thereof could materially and adversely affect the rights inuring to a holder of the Investment-Related Property or the rights and remedies of any of the Secured Parties under this Security Agreement or any other Loan Document or the ability of any of the Secured Parties to exercise the same.

(B) The Administrative Agent shall execute and deliver to each Grantor, or cause to be executed and delivered to each Grantor, all such proxies, powers of attorney and other instruments as such Grantor may reasonably request for the purpose of enabling it to exercise the voting and/or consensual rights and powers it is entitled to exercise pursuant to subsection (c) (i) (A) and to receive the cash payments it is entitled to receive pursuant to subsection (c) (i) (C).

(C) Each Grantor shall be entitled to receive, retain and use any and all cash dividends, interest and principal paid on the Investment-Related Property included in the Collateral owned or held by it or on its behalf to the extent and only to the extent that such cash dividends, interest and principal are not prohibited by, and not otherwise paid in a manner that violates the terms and conditions of the Credit Agreement, the other Loan Documents and applicable laws. All non-cash dividends, interest and principal, and all dividends, interest and principal paid or payable in cash or otherwise in connection with a partial or total liquidation or dissolution, return of capital, capital surplus or paid in surplus, and all other distributions (other than distributions referred to in the preceding sentence) made on or in respect of the Investment-Related Property included in the Collateral owned or held by it or on its behalf, whether paid or payable in cash or otherwise, whether resulting from a subdivision, combination or reclassification of the outstanding Equity Interests in any issuer or received in exchange for any Investment-Related Property, or any part thereof, or in redemption thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, shall be and become part of the Collateral, and, if received by such Grantor, shall not be commingled with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the Administrative Agent hereunder and shall be forthwith delivered to the Administrative Agent in the same form as so received (with any necessary endorsement).

(ii) Without limiting the generality of the foregoing, upon the occurrence and during the continuance of an Event of Default and to the extent not prohibited under the Communications Act:

(A) All rights of each Grantor to dividends, interest or principal that it is authorized to receive pursuant to subsection (c) (i) (C) shall cease, and all such rights shall thereupon become vested in the Administrative Agent, which shall have the sole and exclusive right and authority to receive and retain such dividends, interest or principal, as applicable. All dividends, interest and principal received by or on behalf of any Grantor contrary to the provisions of this Section shall be held in trust for the benefit of the Administrative Agent, shall be segregated from other property or funds of such Grantor and shall be forthwith delivered to the Administrative Agent upon demand in the same form as so received (with any necessary endorsement). Any and all money and other property paid over to or received by the Administrative Agent pursuant to the provisions of this subsection (c) (ii) (A) shall be retained by the Administrative Agent in an account to be established in the name of the Administrative Agent, for the ratable benefit of the Secured Parties, upon receipt of such money or other property and shall be applied in accordance with the provisions of Section 6.2. Subject to the provisions of this subsection (c) (ii) (A), such account shall at all times be under the sole dominion and control of the Administrative Agent, and the Administrative Agent shall at all times have the sole right to make withdrawals therefrom and to exercise all rights with respect to the funds and other property from time to time therein or credited thereto as set forth in the Loan Documents. After all Events of Default have been cured or waived, the Administrative Agent shall, within five Business Days after all such Events of Default have been cured or waived, repay to the applicable Grantor all cash dividends, interest and principal (without interest) that such Grantor would otherwise be permitted to retain pursuant to the terms of subsection (c) (i) (C) and which remain in such account.

(B) All rights of each Grantor to exercise the voting and consensual rights and powers it is entitled to exercise pursuant to subsection (c) (i) (A), and the obligations of the Administrative Agent under subsection (c) (i) (B), shall cease, and all such rights shall thereupon become vested in the Administrative Agent, which shall have the sole and exclusive right and authority to exercise such voting and consensual rights and powers, provided that, unless otherwise directed by the Required Lenders, the Administrative Agent shall have the right from time to time following and during the continuance of an Event of Default to permit such Grantor to exercise such rights. After all Events of Default have been cured or waived, the applicable Grantor will have the right to exercise the voting and

consensual rights and powers that it would otherwise be entitled to exercise pursuant to the terms of subsection (c) (i) (A).

Section 3.5 Letter of Credit Rights

Each of the Grantors, jointly with the other Grantors and severally, represents and warrants to the Administrative Agent and the other Secured Parties that Schedule 3.5 sets forth, as of the Applicable Date, each letter of credit giving rise to a Letter of Credit Right included in the Collateral owned or held by or on behalf of such Grantor.

Section 3.6 Intellectual Property Collateral

(a) Representations and Warranties. Each of the Grantors, jointly with the other Grantors and severally, represents and warrants to the Administrative Agent and the other Secured Parties that Schedule 3.6 sets forth, as of the Applicable Date, (i) all of the material federally registered and material non-federally registered Patents and Trademarks, included in the Collateral owned or held by or on behalf of such Grantor and (ii) all of the material federally registered and material non-federally registered Copyrights, included in the Collateral owned or held by or on behalf of such Grantor.

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees as follows:

(i) It will not, nor will it permit any of its licensees (or sublicensees) to, do any act, or omit to do any act, whereby any Patent included in the Collateral that is material to the conduct of its business may become invalidated or dedicated to the public, and it shall continue to mark any products covered by any such Patent with the relevant patent number as necessary to establish and preserve its maximum rights under applicable patent laws.

(ii) It will (either directly or through its licensees or its sublicensees), for each Trademark included in the Collateral (A) maintain such Trademark in full force free from any claim of abandonment or invalidity for non-use, (B) maintain the quality of products and services offered under any such Trademark, (C) display such Trademark with notice of Federal or other analogous registration to the extent necessary to establish and preserve its rights under applicable law, and (D) not knowingly use or knowingly permit any of its licensees or sublicensees to use such Trademark in violation of any third party's valid and legal rights, except to the extent that a failure to do so would not have a Material Adverse Effect.

(iii) It will (either directly or through its licensees or its sublicensees), for each work covered by a Copyright included in the Collateral, continue to publish, reproduce, display, adopt and distribute the material work with appropriate copyright notice as necessary to establish and preserve its maximum rights under applicable copyright laws, except to the extent that a failure to do so would not have a Material Adverse Effect.

(iv) It will promptly notify the Administrative Agent in writing if it knows that any Intellectual Property included in the Collateral may become abandoned, lost or dedicated to the public, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office or the United States Copyright Office, or any similar offices or tribunals in the United States of America) regarding such Grantor's ownership of any such Intellectual Property, its right to register the same, or to keep and maintain the same, except to the extent that a failure to do so would not have a Material Adverse Effect.

(v) In no event shall it, either directly or through any agent, employee, licensee or designee, file an application for any Intellectual Property material to the conduct of its business with the United States Patent and Trademark Office, the United States Copyright Office or any similar offices in the United States of America, unless, as soon as practicable, it notifies the Administrative Agent in writing thereof and, upon request of the Administrative Agent, executes and delivers any and all agreements, instruments, documents and papers as the Administrative Agent may request to evidence the Administrative Agent's security interest in such Intellectual Property, and such Grantor hereby appoints the Administrative Agent as its attorney-in-fact to execute and file such writings for the foregoing purposes, all acts of such attorney being hereby ratified and confirmed; such power, being coupled with an interest, is irrevocable.

(vi) It will take all commercially reasonable steps that are consistent with the practice in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar offices or tribunals in the United States of America, to maintain and pursue each material application relating to the Intellectual Property included in the Collateral owned or held by it or on its behalf (and to obtain the relevant grant or registration) and to maintain each issued Patent and each registered Trademark and Copyright included in the Collateral that is material to the conduct of its business, including timely filings of applications for renewal, affidavits of use, affidavits of incontestability and payment of maintenance fees, and, if consistent, in good faith, with reasonable business judgment, to initiate opposition, interference and cancellation proceedings against third parties. In the event that it has reason to believe that any Intellectual Property included in the Collateral has been or is about to be infringed, misappropriated or diluted by a third party, it shall, as soon as practicable, notify the Administrative Agent in writing and shall, if consistent, in good faith, with reasonable business judgment, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and take such other actions as are appropriate under the circumstances to protect such Intellectual Property, except to the extent that a failure to do so would not have a Material Adverse Effect.

(vii) During the continuance of an Event of Default, it shall take such action as the Administrative Agent may reasonably deem necessary to obtain all requisite consents or approvals by the licensor of each License included in the Collateral owned or held by it or on its behalf to effect the assignment (as collateral security) of all of its right, title and interest thereunder to the Administrative Agent or its designee.

(viii) It shall take commercially reasonable steps necessary to protect the secrecy of all material Trade Secrets used in the conduct of its business, including restricting access to such Trade Secrets.

(ix) It shall continue to take commercially reasonable steps to collect all amounts due or to become due to such Grantor under all material Intellectual Property included in the Collateral owned or held by it or on its behalf, and diligently exercise each material right it may have thereunder, in each case at its own cost and expense, and in connection with such collections and exercise, it shall, upon the occurrence and during the

continuance of an Event of Default, take such action as it or the Administrative Agent may reasonably deem necessary. Notwithstanding the foregoing, the Administrative Agent shall have the right at any time after the occurrence and during the continuance of an Event of Default to notify, or require such Grantor to notify, any relevant obligors with respect to such amounts of the Administrative Agent's security interest therein.

Section 3.7 Commercial Tort Claims

(a) Representations and Warranties. Each of the Grantors, jointly with the other Grantors and severally, represents and warrants to the Administrative Agent and the other Secured Parties that Schedule 3.7 sets forth, as of the Applicable Date, all Material Commercial Tort Claims.

(b) Covenants and Agreements. Each Grantor hereby covenants and agrees that it shall provide the Administrative Agent with prompt written notice of each Material Commercial Tort Claim, and any judgment, settlement or other disposition thereof.

Article 4.

FURTHER ASSURANCES

Each Grantor hereby covenants and agrees, at its own cost and expense, to execute, acknowledge, deliver and/or cause to be duly filed all such further agreements, instruments and other documents (including favorable legal opinions in connection with any Transaction if reasonably required by the Administrative Agent), and take all such further actions, that the Administrative Agent may from time to time reasonably request to preserve, protect and perfect the Security Interest granted by it and the rights and remedies created hereby, including the payment of any fees and taxes required in connection with its execution and delivery of this Security Agreement, the granting by it of the Security Interest and the filing of any financing statements or other documents in connection herewith or therewith. In addition, to the extent permitted by applicable law, each Grantor hereby irrevocably authorizes the Administrative Agent to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral owned or held by it or on its behalf without the signature of such Grantor and agrees that a photographic or other reproduction of this Security Agreement or of a financing statement signed by such Grantor shall be sufficient as a financing statement and may be filed as a financing statement in any and all jurisdictions. Each Grantor hereby further irrevocably authorizes the Administrative Agent to file a Record or Records, including financing statements, in all jurisdictions and with all filing offices that the Administrative Agent may determine, in its sole and absolute discretion, are necessary, advisable or prudent to perfect the Security Interest granted by it and agrees that such financing statements may describe the Collateral owned or held by it or on its behalf in the same manner as described herein or may contain an indication or description of collateral that describes such property in any other manner that the Administrative Agent may determine, in its sole and absolute discretion, is necessary, advisable or prudent to perfect the Security Interest granted by such Grantor, including describing such property as "all assets" or "all personal property."

Article 5.

ADMINISTRATIVE AGENT APPOINTED ATTORNEY-IN-FACT

Each Grantor hereby appoints the Administrative Agent and any officer or agent thereof, as its true and lawful agent and attorney in fact for the purpose of carrying out the provisions of this Security Agreement and taking any action and executing any instrument that the Administrative Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest, and without limiting the generality of the foregoing, the Administrative Agent shall have the right, with power of substitution for such Grantor and in such Grantor's name or otherwise, for the use and benefit of the Administrative Agent and the other Secured Parties, upon the occurrence and during the continuance of an Event of Default and at such other time or times permitted by the Loan Documents, (i) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral owned or held by it or on its behalf or any part thereof; (ii) to demand, collect, receive payment of, give receipt for, and give discharges and releases of, any of such Collateral; (iii) to sign the name of such Grantor on any invoice or bill of lading relating to any of such Collateral; (iv) to send verifications of Receivables owned or held by it or on its behalf to any Account Debtor; (v) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on any of the Collateral owned or held by it or on its behalf or to enforce any rights in respect of any of such Collateral; (vi) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to any of such Collateral; (vii) to notify, or to require such Grantor to notify, Account Debtors and other obligors to make payment directly to the Administrative Agent, and (viii) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with any of such Collateral, and to do all other acts and things necessary to carry out the purposes of this Security Agreement, as fully and completely as though the Administrative Agent were the absolute owner of such Collateral for all purposes; provided, however, that nothing herein contained shall be construed as requiring or obligating the Administrative Agent or any other Secured Party to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Administrative Agent or any other Secured Party, or to present or file any claim or notice, or to take any action with respect to any of the Collateral or the monies due or to become due in respect thereof or any property covered thereby, and no action taken or omitted to be taken by the Administrative Agent or any other Secured Party with respect to any of the Collateral shall give rise to any defense, counterclaim or offset in favor of such Grantor or to any claim or action against the Administrative Agent or any other Secured Party. The provisions of this Article shall in no event relieve any Grantor of any of its obligations hereunder or under the other Loan Documents with respect to any of the Collateral or impose any obligation on the Administrative Agent or any other Secured Party to proceed in any particular manner with respect to any of the Collateral, or in any way limit the exercise by the Administrative Agent or any other Secured Party of any other or further right that it may have on the date of this Security Agreement or hereafter, whether hereunder, under any other Loan Document, by law or otherwise. Any sale pursuant to the provisions of this paragraph shall be deemed to conform to the commercially reasonable standards as provided in Section 9-611 of the UCC as in effect in the State of New York or its equivalent in other jurisdictions (or any successor provisions).

Article 6.

REMEDIES UPON DEFAULT

Section 6.1 Remedies Generally

(a) General Rights. Upon the occurrence and during the continuance of an Event of Default, each Grantor agrees to deliver each item of Collateral owned or held by it or on its behalf to the Administrative Agent on demand, and it is agreed that the Administrative Agent shall have the right to take any of or all the following actions at the same or different times: (i) with respect to any Collateral consisting of Intellectual Property or

Commercial Tort Claims, on demand, to cause the Security Interest to become an assignment, transfer and conveyance of any such Collateral by the applicable Grantors to the Administrative Agent, or, in the case of Intellectual Property, to license or sublicense, whether general, special or otherwise, and whether on an exclusive or non-exclusive basis, any such Collateral throughout the world on such terms and conditions and in such manner as the Administrative Agent shall determine, unless any of the Grantor's obligations set forth in this clause (a) would violate any then-existing licensing arrangements to the extent that waivers cannot be obtained, (ii) with or without legal process and with or without prior notice or demand for performance, to take possession of the Collateral owned or held by it or on its behalf and without liability for trespass to enter any premises where such Collateral may be located for the purpose of taking possession of or removing such Collateral and, generally, to exercise any and all rights afforded to a secured party under the UCC or other applicable law, and (iii) appoint a receiver for all or any portion of the Collateral. Without limiting the generality of the foregoing, each Grantor agrees that the Administrative Agent shall have the right, upon the occurrence and during the continuance of an Event of Default, subject to the mandatory requirements of applicable law, to sell or otherwise dispose of any of the Collateral owned or held by or on behalf of such Grantor, at public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Administrative Agent shall deem appropriate. The Administrative Agent shall be irrevocably authorized at any such sale of such Collateral constituting securities (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing such Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale, the Administrative Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely, free from any claim or right on the part of the applicable Grantor, and such Grantor hereby waives (to the extent permitted by law) all rights of redemption, stay, valuation and appraisal which such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

(b) Sale of Collateral. The Administrative Agent shall give each Grantor ten days' written notice (which such Grantor agrees is reasonable notice within the meaning of Section 9-611 of the UCC as in effect in the State of New York or its equivalent in other jurisdictions (or any successor provisions)) of the Administrative Agent's intention to make any sale of any of the Collateral owned or held by or on behalf of such Grantor. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which such Collateral will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Administrative Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral to be sold may be sold in one lot as an entirety or in separate parcels, as the Administrative Agent may (in its sole and absolute discretion) determine. The Administrative Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Administrative Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of any of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Administrative Agent until the sale price is paid by the purchaser or purchasers thereof, but the Administrative Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by applicable law, private) sale made pursuant to this Section, any Secured Party may bid for or purchase, free (to the extent permitted by applicable law) from any right of redemption, stay, valuation or appraisal on the part of such Grantor (all said rights being also hereby waived and released to the extent permitted by law), any of the Collateral offered for sale and may make payment on account thereof by using any claim then due and payable to such Secured Party from such Grantor as a credit against the purchase price, and such Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to such Grantor therefor. For purposes hereof, (i) a written agreement to purchase any of the Collateral shall be treated as a sale thereof, (ii) the Administrative Agent shall be free to carry out such sale pursuant to such agreement, and (iii) no Grantor shall be entitled to the return of any of the Collateral subject thereto, notwithstanding the fact that after the Administrative Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Administrative Agent may proceed by a suit or suits at law or in equity to foreclose upon any of the Collateral and to sell any of the Collateral pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver. Any sale pursuant to the provisions of this Article shall be deemed to conform to the commercially reasonable standards as provided in Part 6 of Article 9 of the UCC as in effect in the State of New York or its equivalent in other jurisdictions (or any successor provisions). Without limiting the generality of the foregoing, each Grantor agrees as follows: (A) if the proceeds of any sale of the Collateral owned or held by it or on its behalf pursuant to this Article are insufficient to pay all the Obligations, it shall be liable for the resulting deficiency and the fees, charges and disbursements of any counsel employed by the Administrative Agent or any other Secured Party to collect such deficiency, (B) it hereby waives any claims against the Administrative Agent arising by reason of the fact that the price at which any such Collateral may have been sold at any private sale pursuant to this Article was less than the price that might have been obtained at a public sale, even if the Administrative Agent accepts the first offer received and does not offer such Collateral to more than one offeree, (C) there is no adequate remedy at law for failure by it to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees that its agreements in this Section may be specifically enforced, (D) the Administrative Agent may sell any such Collateral without giving any warranties as to such Collateral, and the Administrative Agent may specifically disclaim any warranties of title or the like, and (E) the Administrative Agent shall have no obligation to marshal any such Collateral.

(c) Authorizations. Notwithstanding anything to the contrary contained in any Loan Document or in any other agreement, instrument or document executed by any Grantor and delivered to the Administrative Agent, the Administrative Agent will not take any action pursuant to any Loan Document or any other document referred to above which would constitute or result in any assignment of any Authorization issued by the FCC or constitute or result in any change of control (whether de jure or de facto) of such Grantor or any of its subsidiaries if such assignment of any such Authorization or change of control would require, under then existing law, the prior approval of the FCC without first obtaining such prior approval of the FCC. Upon the occurrence of an Event of Default or at any time thereafter during the continuance thereof, such Grantor agrees to take any action which the Administrative Agent may reasonably request in order to obtain from the FCC or any other Governmental Authority such approval as may be necessary to enable the Administrative Agent to exercise and enjoy the full rights and benefits granted to the Administrative Agent by this Security Agreement and the other documents

referred to above, including specifically, at the cost and expense of such Grantor, the use of best efforts to assist in obtaining approval of the FCC or such other Governmental Authority for any action or transaction contemplated by this Security Agreement for which such approval is or shall be required by law, and specifically, without limitation, upon request, to prepare, sign and file with the FCC or such other Governmental Authority the assignor's or transferor's portion of any application or applications for consent to the assignment of Authorization or transfer of control necessary or appropriate under the FCC's or such other Governmental Authority's rules and regulations for approval of (i) any sale or other disposition of the Pledged Equity Interests or other Collateral by or on behalf of the Administrative Agent, or (ii) any assumption by the Administrative Agent of voting rights in the Pledged Equity Interests effected in accordance with the terms of this Security Agreement. It is understood and agreed that all foreclosure and related actions will be made in accordance with the Communications Act and applicable regulations and published policies and decisions of the FCC (including any requirement that, after an Event of Default has occurred and is continuing, (A) each applicable Grantor shall maintain the voting rights such Grantor is entitled to exercise pursuant to Section 3.4(c)(i)(A) in respect of such Pledged Equity Interests and (B) with respect to any foreclosure on the Pledged Equity Interests in any Subsidiary that directly or indirectly holds an FCC License, (1) the Administrative Agent shall conduct a public (i.e., auction) or private arm's length sale of such Pledged Equity Interests and (2) prior to the exercise of any rights over such Pledged Equity Interests purchased at a public or private sale, the purchaser shall obtain prior FCC approval pursuant to 47 U.S.C. §310(d) and the statutes, regulations and published policies and decisions enforced by such other Governmental Authorities pertaining to such foreclosure and related actions.

Section 6.2 Application of Proceeds of Sale

The Administrative Agent shall apply the proceeds of any collection or sale of the Collateral, as well as any Collateral consisting of cash (except as otherwise provided in Section 6.11 of the Credit Agreement), as follows:

FIRST, to the payment of all reasonable costs and expenses incurred by the Administrative Agent (in its capacity as such hereunder or under any other Loan Document) in connection with such collection or sale or otherwise in connection with this Security Agreement, any other Loan Document or any of the Obligations, including all out of pocket court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Administrative Agent hereunder or under any other Loan Document on behalf of any Grantor and any other reasonable out-of-pocket costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Loan Document;

SECOND, to the payment in full of the Obligations (the amounts so applied to be distributed among the Secured Parties pro rata in accordance with the amounts of the Obligations owed to them on the date of any such distribution); and

THIRD, to the applicable Grantor, its successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Administrative Agent shall have sole and absolute discretion as to the time of application of any such proceeds, monies or balances in accordance with this Security Agreement. Upon any sale of the Collateral by the Administrative Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the purchase money by the Administrative Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Administrative Agent or such officer or be answerable in any way for the misapplication thereof.

Section 6.3 Investment-Related Property

In view of the position of each Grantor in relation to the Investment-Related Property, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar statute hereafter enacted analogous in purpose or effect (such Act and any such similar statute as from time to time in effect being called the "Federal Securities Laws") with respect to any disposition of the Investment-Related Property permitted hereunder. Each Grantor understands that compliance with the Federal Securities Laws might very strictly limit the course of conduct of the Administrative Agent if the Administrative Agent were to attempt to dispose of all or any part of the Investment-Related Property, and might also limit the extent to which or the manner in which any subsequent transferee of any Investment-Related Property could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Administrative Agent in any attempt to dispose of all or part of the Investment-Related Property under applicable Blue Sky or other state securities laws or similar laws analogous in purpose or effect. Each Grantor recognizes that in light of such restrictions and limitations the Administrative Agent may, with respect to any sale of the Investment-Related Property, limit the purchasers to those who will agree, among other things, to acquire such Investment-Related Property for their own account, for investment, and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that in light of such restrictions and limitations, the Administrative Agent, in its sole and absolute discretion, (i) may proceed to make such a sale whether or not a registration statement for the purpose of registering such Investment-Related Property, or any part thereof, shall have been filed under the Federal Securities Laws and (ii) may approach and negotiate with a single potential purchaser to effect such sale. Each Grantor acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Administrative Agent shall incur no responsibility or liability for selling all or any part of the Investment-Related Property at a price that the Administrative Agent, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a single purchaser were approached. The provisions of this Section will apply notwithstanding the existence of a public or private market upon which the quotations or sales prices may exceed substantially the price at which the Administrative Agent sells any such Investment-Related Property.

Section 6.4 Grant of License to Use Intellectual Property

For the purpose of enabling the Administrative Agent to exercise rights and remedies under this Article, at such time as the Administrative Agent shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants, to the extent it has the right to grant, to the Administrative Agent an

irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to such Grantor) to use, license or sublicense any of the Collateral consisting of Intellectual Property now owned or held or hereafter acquired or held by or on behalf of such Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof. The use of such license by the Administrative Agent shall be exercised, at the option of the Administrative Agent, upon the occurrence and during the continuation of an Event of Default; provided that any license, sublicense or other transaction entered into by the Administrative Agent in accordance herewith shall be binding upon such Grantor notwithstanding any subsequent cure of an Event of Default. Any royalties and other payments received by the Administrative Agent shall be applied in accordance with Section 6.2.

Section 6.5 Registration, etc.

Each Grantor agrees that, upon the occurrence and during the continuance of an Event of Default, if for any reason the Administrative Agent desires to sell any of the Pledged Collateral owned or held by or on behalf of such Grantor at a public sale, it will, at any time and from time to time, upon the written request of the Administrative Agent, use its best efforts to take or to cause, where applicable, the issuer of such Pledged Collateral to take such action and prepare, distribute and/or file such documents, as are required or advisable in the reasonable opinion of counsel for the Administrative Agent to permit the public sale of such Pledged Collateral. Each Grantor further agrees to indemnify, defend and hold harmless the Administrative Agent, each other Secured Party, any underwriter and their respective officers, directors, affiliates and controlling Persons from and against all loss, liability, expenses, costs of counsel (including reasonable fees and expenses of legal counsel), and claims (including the costs of investigation) that they may incur, insofar as such loss, liability, expense or claim, as applicable, relates to such Grantor or any of its property, and arises out of or is based upon any alleged untrue statement of a material fact contained in any prospectus (or any amendment or supplement thereto) or in any notification or offering circular, or arises out of or is based upon any alleged omission to state a material fact required to be stated therein or necessary to make the statements in any thereof not misleading, except insofar as the same may have been caused by any untrue statement or omission based upon information furnished in writing to such Grantor or the issuer of such Pledged Collateral, as applicable, by the Administrative Agent or any other Secured Party expressly for use therein. Each Grantor further agrees, upon such written request referred to above, to use its best efforts to qualify, file or register, or cause, where applicable, the issuer of such Pledged Collateral to qualify, file or register, any of the Pledged Collateral owned or held by or on behalf of such Grantor under the Blue Sky or other securities laws of such states as may be requested by the Administrative Agent and keep effective, or cause to be kept effective, all such qualifications, filings or registrations. Each Grantor will bear all costs and expenses of carrying out its obligations under this Section. Each Grantor acknowledges that there is no adequate remedy at law for failure by it to comply with the provisions of this Section and that such failure would not be adequately compensable in damages, and therefore agrees that its agreements contained in this Section may be specifically enforced.

Article 7.

REIMBURSEMENT OF ADMINISTRATIVE AGENT

Each Grantor agrees, jointly with the other Grantors and severally, to pay to the Administrative Agent the amount of any and all reasonable out-of-pocket expenses, including the reasonable fees, other charges and disbursements of counsel and of any experts or agents, that the Administrative Agent may incur in connection with (i) the administration of this Security Agreement relating to such Grantor or any of its property, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral owned or held by or on behalf of such Grantor, (iii) the exercise, enforcement or protection of any of the rights of the Administrative Agent hereunder relating to such Grantor or any of its property, or (iv) the failure by such Grantor to perform or observe any of the provisions hereof. Without limitation of its indemnification obligations under the other Loan Documents, each of the Grantors agrees, jointly with the other Grantors and severally, to indemnify the Administrative Agent and the other Indemnitees against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related out-of-pocket expenses, including reasonable counsel fees, other charges and disbursements, incurred by or asserted against any Indemnitee arising out of, in any way connected with, or as a result of (a) the execution or delivery by such Grantor of this Security Agreement or any other Loan Document or any agreement or instrument contemplated hereby or thereby, or the performance by such Grantor of its obligations under the Loan Documents and the other transactions contemplated thereby or (b) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee. Any amounts payable as provided hereunder shall be additional Obligations secured hereby and by the other Security Documents. The provisions of this Section shall remain operative and in full force and effect regardless of the termination of this Security Agreement or any other Loan Document, the consummation of the transactions contemplated hereby or thereby, the repayment of any of the Obligations, the invalidity or unenforceability of any term or provision of this Security Agreement or any other Loan Document or any investigation made by or on behalf of the Administrative Agent or any other Secured Party. All amounts due under this Section shall be payable within ten days of written demand therefor and shall bear interest at the rate specified in Section 3.1 of the Credit Agreement.

Article 8.

WAIVERS; AMENDMENTS

No failure or delay of the Administrative Agent in exercising any power or right hereunder 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. The rights and remedies of the Administrative Agent and the other Secured Parties hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Security Agreement or any other Loan Document or consent to any departure by any Grantor therefrom shall in any event be effective unless the same shall be permitted by this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Grantor in any case shall entitle such Grantor to any other or further notice or demand in similar or other circumstances. Neither this Security Agreement nor any provision hereof may be waived, amended, supplemented or otherwise modified, or any departure therefrom consented to, except pursuant to an agreement or agreements in writing entered into by, between or among the Administrative Agent and the Grantor or Grantors with respect to which such waiver, amendment, other modification or consent is to apply, subject to any consent required in accordance with Section 10.2 of the Credit Agreement.

Article 9.

SECURITY INTEREST ABSOLUTE

All rights of the Administrative Agent hereunder, the Security Interest and all obligations of each Grantor hereunder shall be absolute and unconditional irrespective of (i) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, any agreement with respect to any of the Obligations, or any other agreement or instrument relating to any of the foregoing, (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other waiver, amendment, supplement or other modification of, or any consent to any departure from, the Credit Agreement, any other Loan Document or any other agreement or instrument relating to any of the foregoing, (iii) except as otherwise expressly permitted under the Loan Documents or effected pursuant thereto, any exchange, release or non-perfection of any Lien on any other collateral, or any release or waiver, amendment, supplement or other modification of, or consent under, or departure from, any guaranty, securing or guaranteeing all or any of the Obligations, or (iv) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Obligations or in respect of this Security Agreement or any other Loan Document.

Article 10.

TERMINATION; RELEASE

This Security Agreement and the Security Interest shall terminate when all Commitments have expired or otherwise terminated and all Obligations have been finally and indefeasibly paid in full and all Letters of Credit have expired and all LC Disbursements have been reimbursed. Upon the effectiveness of any release of the Security Interest in any Collateral pursuant to Section 10.2 of the Credit Agreement, the Security Interest in such Collateral shall be automatically released. Upon any Transfer of Collateral permitted by the Loan Documents to a Person (other than a Loan Party), the Security Interest in such Collateral shall be automatically released (other than to the extent any such Transfer of such Collateral would, immediately after giving effect thereto, result in the receipt by such Grantor of any other property (whether in the form of Proceeds or otherwise) that would, but for the release of the Security Interest therein pursuant to this clause, constitute Collateral, in which event the Lien created hereunder shall continue in such other property received). In addition, if (i) any of the Pledged Equity Interests in any Subsidiary are Transferred pursuant to a transaction permitted by the Loan Documents to a Person (other than a Loan Party) and, immediately after giving effect thereto, such Subsidiary would no longer be a Subsidiary or (ii) if any Subsidiary is designated as an Unrestricted Subsidiary pursuant to Section 10.14 of the Credit Agreement, then the obligations of such Subsidiary under this Security Agreement and the Security Interest in the Collateral owned or rights in Collateral held by or on behalf of such Subsidiary shall be automatically released. In connection with any termination or release pursuant to this Section, the Administrative Agent shall execute and deliver to the applicable Grantor, at such Grantor's own cost and expense, all Uniform Commercial Code termination statements and similar documents that such Grantor may reasonably request to evidence such termination or release. Any execution and delivery of documents pursuant to this Article shall be without recourse to or warranty by the Administrative Agent or any other Secured Party.

Article 11.

ADDITIONAL GRANTORS

Upon execution and delivery after the date hereof by the Administrative Agent and a Restricted Subsidiary of a Supplement, such Restricted Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as a Grantor herein (each an "Additional Grantor"). The execution and delivery of any Supplement shall not require the consent of any other Grantor hereunder. The rights and obligations of each Grantor hereunder and each other Loan Party and other party (other than a Credit Party) under the Loan Documents shall remain in full force and effect notwithstanding the addition of any Additional Grantor as a party to this Security Agreement.

Article 12.

NOTICES

All communications and notices hereunder shall be in writing and given as provided in Section 10.1 of the Credit Agreement. All communications and notices hereunder to the Administrative Agent or the Borrower shall be given to it at its address for notices set forth in such Section, and all communications and notices hereunder to any other Grantor shall be given to it c/o the Borrower at such address.

Article 13.

BINDING EFFECT; SEVERAL AGREEMENT; ASSIGNMENTS

Whenever in this Security Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of any Grantor that are contained in this Security Agreement shall bind and inure to the benefit of each party hereto and its successors and assigns. This Security Agreement shall become effective as to any Grantor when a counterpart hereof executed on behalf of such Grantor shall have been delivered to the Administrative Agent and a counterpart hereof shall have been executed on behalf of the Administrative Agent, and thereafter shall be binding upon such Grantor and the Administrative Agent and their respective successors and assigns, and shall inure to the benefit of such Grantor, the Administrative Agent and the other Secured Parties, and their respective successors and assigns, except that no Grantor shall have the right to assign its rights or obligations hereunder or any interest herein or in any of the Collateral (and any such attempted assignment shall be void), except as expressly contemplated by this Security Agreement or the other Loan Documents. This Security Agreement shall be construed as a separate agreement with respect to each of the Grantors and may be amended, supplemented, waived or otherwise modified or released with respect to any Grantor without the approval of any other Grantor and without affecting the obligations of any other Grantor hereunder.

Article 14.

SURVIVAL OF AGREEMENT; SEVERABILITY

All covenants, agreements, representations and warranties made by the Grantors herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Security Agreement or any other Loan Document shall be considered to have been relied upon by the Administrative Agent and the other Secured Parties and shall survive the execution and delivery of any Loan Document and the making of any Loan or issuance of any Letter of Credit, regardless of any investigation made by the Secured Parties or on their behalf, and shall continue in full force and effect until this Security Agreement shall terminate. In the event any one

or more of the provisions contained in this Security Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of such invalid, illegal or unenforceable provisions.

Article 15.

GOVERNING LAW

THIS SECURITY AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Article 16.

COUNTERPARTS

This Security Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which, when taken together, shall constitute but one contract (subject to Article 13), and shall become effective as provided in Article 13. Delivery of an executed counterpart of this Security Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Security Agreement.

Article 17.

HEADINGS

Article and Section headings used herein are for convenience of reference only, are not part of this Security Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Security Agreement.

Article 18.

JURISDICTION; VENUE; CONSENT TO SERVICE OF PROCESS

Each Grantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or Federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Security Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Security Agreement shall affect any right that the Administrative Agent or any other Secured Party may otherwise have to bring any action or proceeding relating to this Security Agreement or the other Loan Documents against such Grantor or any of its property in the courts of any jurisdiction. Each Grantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Security Agreement or the other Loan Documents in any foregoing court referred to in this Article. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. Each party hereto irrevocably consents to service of process in the manner provided for notices in Article 12. Nothing in this Security Agreement will affect the right of any party hereto to serve process in any other manner permitted by law.

Article 19.

SAVINGS CLAUSE

This Security Agreement is an amendment and restatement of the terms and conditions of the Existing Parent Security Agreement, the Existing Borrower Security Agreement and the security provisions of the Existing Subsidiary Guaranty and is not intended and should not be construed as in any way extinguishing or terminating the Obligations or the security interest granted under any of the Existing Parent Security Agreement, the Existing Borrower Security Agreement or the Existing Subsidiary Guaranty.

Article 20.

WAIVER OF JURY TRIAL

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS SECURITY AGREEMENT. EACH PARTY HERETO (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS SECURITY AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS ARTICLE.

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDED AND RESTATED SECURITY AGREEMENT

IN WITNESS WHEREOF, the parties hereto have duly executed this Amended and Restated Security Agreement as of the day and year first above written.

SALEM COMMUNICATIONS HOLDING
CORPORATION

By: /s/ EILEEN E. HILL

Name: Eileen E. Hill

Title: Vice President
SALEM COMMUNICATIONS CORPORATION

By: /s/ EILEEN E. HILL
Name: Eileen E. Hill
Title: Vice President

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDED AND RESTATED SECURITY AGREEMENT

ATEP RADIO, INC.
BISON MEDIA, INC.
CARON BROADCASTING, INC.
CCM COMMUNICATIONS, INC.
COMMON GROUND BROADCASTING, INC.
GOLDEN GATE BROADCASTING COMPANY,
INC.
INSPIRATION MEDIA, INC.
KINGDOM DIRECT, INC.
NEW ENGLAND CONTINENTAL MEDIA, INC.
NEW INSPIRATION BROADCASTING
COMPANY, INC.
NI ACQUISITION CORP.
PENNSYLVANIA MEDIA ASSOCIATES, INC.
RADIO 1210, INC.
REACH SATELLITE NETWORK, INC.
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 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: /s/ EILEEN E. HILL
Name: Eileen E. Hill
Title: Vice President

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDED AND RESTATED SECURITY AGREEMENT

SALEM COMMUNICATIONS ACQUISITION CORPORATION
SCA LICENSE CORPORATION

AS TO EACH OF THE FOREGOING

By: /s/ EILEEN E. HILL
Name: Eileen E. Hill
Title: Vice President

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDED AND RESTATED SECURITY AGREEMENT

INSPIRATION MEDIA OF TEXAS, LLC
SALEM MEDIA OF ILLINOIS, LLC
SALEM MEDIA OF NEW YORK, LLC
SALEM RADIO OPERATIONS, LLC

SALEM SATELLITE MEDIA, LLC

AS TO EACH OF THE FOREGOING

By: Salem Media Corporation, as Manager

By: /s/ EILEEN E. HILL

Name: Eileen E. Hill
Title: Vice President

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDED AND RESTATED SECURITY AGREEMENT

ONEPLACE, LLC
SCA-PALO ALTO, LLC

AS TO EACH OF THE FOREGOING

By: SCA License Corporation

By: /s/ EILEEN E. HILL

Name: Eileen E. Hill
Title: Vice President

SALEM COMMUNICATIONS HOLDING CORPORATION
AMENDED AND RESTATED SECURITY AGREEMENT

THE BANK OF NEW YORK, as Administrative Agent

By: /s/ STEPHEN M. NETTLER

Name: Stephen M. Nettler
Title: Vice President

Schedule I
Good Standing Certificates

Loan Party	Jurisdiction	Date of Certificate
Salem Communications Holding Corporation	Delaware	May 23, 2003
Salem Communications Corporation	Delaware	May 23, 2003
ATEP Radio, Inc.	California	May 23, 2003
Bison Media, Inc.	Colorado	May 20, 2003
Caron Broadcasting, Inc.	Ohio	May 27, 2003
CCM Communications, Inc.	Tennessee	May 23, 2003
Common Ground Broadcasting, Inc.	Oregon	June 18, 2003
Golden Gate Broadcasting Company, Inc.	California	May 23, 2003
Inspiration Media, Inc.	Washington	May 23, 2003
Inspiration Media of Texas, LLC	Texas	May 28, 2003
Kingdom Direct, Inc.	California	May 23, 2003
New England Continental Media, Inc.	Massachusetts	June 2, 2003

New Inspiration Broadcasting Company, Inc.	California	May 23, 2003
NI Acquisition Corp.	California	June 13, 2003
OnePlace, LLC	Delaware	May 23, 2003
Pennsylvania Media Associates, Inc.	Pennsylvania	June 4, 2003
Radio 1210, Inc.	California	May 23, 2003
Reach Satellite Network, Inc.	Tennessee	May 23, 2003
Salem Communications Acquisition Corporation	Delaware	May 23, 2003
Salem Media Corporation	New York	June 3, 2003
Salem Media of Colorado, Inc.	Colorado	May 20, 2003
Salem Media of Georgia, Inc.	Delaware	May 23, 2003
Salem Media of Hawaii, Inc.	Delaware	May 23, 2003
Salem Media of Illinois, LLC	Delaware	May 23, 2003
Salem Media of Kentucky, Inc.	Kentucky	May 23, 2003
Salem Media of New York, LLC	Delaware	May 23, 2003
Salem Media of Ohio, Inc.	Ohio	May 27, 2003
Salem Media of Oregon, Inc.	Oregon	May 23, 2003
Salem Media of Texas, Inc.	Texas	May 28, 2003
Salem Media of Virginia, Inc.	Virginia	May 23, 2003
Salem Music Network, Inc.	Texas	May 28, 2003
Salem Radio Network Incorporated	Delaware	May 23, 2003
Salem Radio Operations, LLC	Delaware	May 23, 2003
Salem Radio Properties, Inc.	Delaware	May 23, 2003
Salem Radio Representatives, Inc.	Texas	May 28, 2003
Salem Satellite Media, LLC	Delaware	May 23, 2003
SCA License Corporation	Delaware	May 23, 2003
SCA-Palo Alto, LLC	Delaware	May 23, 2003
South Texas Broadcasting, Inc.	Texas	May 28, 2003
SRN News Network, Inc.	Texas	May 28, 2003

SALEM EXHIBIT G
FORM OF COMPLIANCE CERTIFICATE

I, _____, do hereby certify that I am the _____ of Salem Communications Holding Corporation (the "Borrower"), and that, as such, I am duly authorized to execute and deliver this Compliance Certificate on the Borrower's behalf pursuant to Section 6.1(e) of the Fifth Amended and Restated Credit Agreement, dated as of September 25, 2003, by and among Salem Communications Corporation, the Borrower, the Lenders party thereto, General Electric Capital Corporation and SunTrust Bank, as Syndication Agents, Fleet National Bank and ING (U.S.) Capital LLC, as Documentation Agents, and The Bank of New York, as Administrative Agent (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein which are not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

I hereby certify that:

1. To the best of my knowledge, all financial statements delivered herewith have been prepared in accordance with GAAP. There have been no changes in GAAP or in the application thereof since the date of the audited financial statements referred to in Section 4.4(a) of the Credit Agreement which have affected the preparation of the financial statements delivered herewith or any of the financial covenants contained in Section 7.12 of the Credit Agreement[, except as follows:1

2. There exists no violation of any covenant or agreement contained in any Loan Document, and no condition or event has occurred which would constitute a Default [, except as follows2]

3. Attached are true and correct calculations demonstrating compliance with Sections 7.1(a)(ii), 7.4(c)(iii), 7.4(g), 7.4(h), 7.4(i), 7.4(n), 7.5(d), 7.8(c), 7.8(d) and 7.12 of the Credit Agreement.

4. The aggregate amount of Net Equity Proceeds received with respect to all Equity Issuances occurring after the Fifth Restatement Date ("Aggregate Net Equity Proceeds") is \$ _____, calculated as follows:

1.	Aggregate Net Equity Proceeds as shown on the immediately preceding Compliance Certificate	\$ _____ 3
2.	Amount of Net Equity Proceeds Received during the fiscal period covered by this Compliance Certificate	\$ _____
3.	Aggregate Net Equity Proceeds	\$ _____

5. The aggregate amount of Net Proceeds received with respect to all Transfers occurring after the Fifth Restatement Date of any property or asset of the Parent or any Restricted Subsidiary other than Transfers described in clauses (a) and (b) of Section 7.5 of the Credit Agreement ("Aggregate Net Proceeds") is \$ _____, calculated as follows:

1.	Aggregate Net Proceeds as shown on the immediately preceding Compliance Certificate	\$ _____ 4
2.	Amount of Net Proceeds Received during the fiscal period covered by this Compliance Certificate	\$ _____
3.	Aggregate Net Proceeds	\$ _____

6. Attached is a list of all of the Subsidiary Guarantors and the Unrestricted Subsidiaries as of the date hereof, and each Person required to execute and deliver the Guarantee Documents or the Security Documents pursuant to the Credit Agreement or any other Loan Document has heretofore done so[, except as follows:]5

7. There has been no change to the information disclosed in the Schedules to the Security Agreement, as most recently supplemented [or as previously certified][, except as follows:]6

8. There has been no change to the jurisdiction of organization or legal name of any Loan Party since the date of the last Compliance Certificate delivered pursuant to the Credit Agreement.

IN WITNESS WHEREOF, I have executed this Compliance Certificate on this ___ day of _____, 20__.

-
- 1 Specify each such change and the effect thereof on the financial statements accompanying this Compliance Certificate.
 - 2 Specify all such violations, conditions and events, the nature and status thereof and any action taken or proposed to be taken with respect thereto.
 - 3 Enter zero if this is the first Compliance Certificate delivered after the Fifth Restatement Date.
 - 4 Enter zero if this is the first Compliance Certificate delivered after the Fifth Restatement Date.
 - 5 Identify each Restricted Subsidiary which has not heretofore executed the Security Documents and specify the date of the creation or acquisition thereof.
 - 6 Specify each such change.

SALEM EXHIBIT H

FORM OF REVOLVING INCREASE SUPPLEMENT

REVOLVING INCREASE SUPPLEMENT, dated as of _____, 200_, to the Fifth Amended and Restated Credit Agreement, dated as of September 25, 2003 (as amended, supplemented or otherwise modified and in effect on the date hereof, the "Credit Agreement"), among Salem Communications Corporation, a Delaware corporation, Salem Communications Holding Corporation, a Delaware corporation, the Lenders party thereto, General Electric Capital Corporation and SunTrust Bank, as Syndication Agents, Fleet National Bank and ING (U.S.) Capital LLC, as Documentation Agents, and The Bank of New York, as Administrative Agent. Terms defined in the Credit Agreement are used herein with the same meanings.

1. Pursuant to Section 2.5(f) of the Credit Agreement, the Borrower hereby proposes to increase (the "Increase") the aggregate Revolving Commitments from \$_____ to \$_____.

2. Each of the following Increasing Lenders has been invited by the Borrower, and has agreed, subject to the terms hereof, to increase its Revolving Commitment as follows:

Increasing Lender	Revolving Commitment (after giving effect to the Increase)
-----	\$
-----	\$
-----	\$
-----	\$

3. Each of the following New Lenders has been invited by the Borrower, and has agreed, subject to the terms hereof, to become a party to the Credit Agreement and, for all purposes of the Loan Documents, be deemed a "Lender" with a Revolving Commitment in the amount set forth below:

New Lender	Revolving Commitment
-----	\$
-----	\$
-----	\$
-----	\$

4. Each of the Parent and the Borrower hereby represents and warrants to the Administrative Agent, each Increasing Lender and each New Lender that, assuming the Administrative Agent executes and delivers this Revolving Increase Supplement, all of the applicable conditions set forth in clauses (i) through (x) of Section 2.5(f) of the Credit Agreement have been satisfied and each of the Borrower and the Parent is in compliance with all of the applicable terms of such Section.

5. Pursuant to Section 2.5(f) of the Credit Agreement, by execution and delivery of this Revolving Increase Supplement, together with the satisfaction of all of the applicable requirements set forth in such Section, (i) each Increasing Lender's Revolving Commitment shall be increased to the amount set forth above next to its name and (ii) each New Lender shall become a party to the Credit Agreement and shall, for all purposes of the Loan Documents, be deemed a "Lender" having a Revolving Commitment as set forth above next to its name.

6. This Revolving Increase Supplement may be executed in counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this Revolving Increase Supplement to be duly executed by their respective authorized officers as of the day and year first above written.

SALEM COMMUNICATIONS CORPORATION

By: /s/ NAME
Name: NAME
Title: TITLE

SALEM COMMUNICATIONS HOLDING CORPORATION

By: /s/ NAME
Name: NAME
Title: TITLE

THE BANK OF NEW YORK, as Administrative Agent

By: /s/ NAME
Name: NAME
Title: NAME

[INSERT SIGNATURE BLOCK FOR EACH INCREASING LENDER AND NEW LENDER]

SALEM EXHIBIT I

FORM OF B TERM INCREASE SUPPLEMENT

B TERM INCREASE SUPPLEMENT, dated as of ____, 200__, to the Fifth Amended and Restated Credit Agreement, dated as of September 25, 2003 (as amended, supplemented or otherwise modified and in effect on the date hereof, the "Credit Agreement"), among Salem Communications Corporation, a Delaware corporation, Salem Communications Holding Corporation, a Delaware corporation, the Lenders party thereto, General Electric Capital Corporation and SunTrust Bank, as Syndication Agents, Fleet National Bank and ING (U.S.) Capital LLC, as Documentation Agents, and The Bank of New York, as Administrative Agent. Terms defined in the Credit Agreement are used herein with the same meanings.

1. Pursuant to Section 2.5(f) of the Credit Agreement, the Borrower hereby proposes that new or additional B Term Commitments be assumed or provided in an aggregate amount equal to \$_____.

2. Each of the following Increasing Lenders has been invited by the Borrower, and has agreed, subject to the terms hereof, to assume a new or additional B Term Commitment as follows:

Table with 2 columns: Increasing Lender, New or Additional B Term Commitment. Includes dashed lines for input and dollar signs.

3. Each of the following New Lenders has been invited by the Borrower, and has agreed, subject to the terms hereof, to become a party to the Credit Agreement and, for all purposes of the Loan Documents, be deemed a "Lender" with a new B Term Commitment in the amount set forth below:

=====
New Lender

New B Term Commitment
=====

\$

\$

\$
=====

4. Each of the Parent and the Borrower hereby represents and warrants to the Administrative Agent, each Increasing Lender and each New Lender that, assuming the Administrative Agent executes and delivers this B Term Increase Supplement, all of the applicable conditions set forth in clauses (i) through (x) of Section 2.5(f) of the Credit Agreement have been satisfied and each of the Borrower and the Parent is in compliance with all of the applicable terms of such Section.

5. Pursuant to Section 2.5(f) of the Credit Agreement, by execution and delivery of this B Term Increase Supplement, together with the satisfaction of all of the applicable requirements set forth in such Section, (i) each Increasing Lender's new or assumed B Term Commitment shall be in the amount set forth above next to its name, (ii) each New Lender shall become a party to the Credit Agreement and shall, for all purposes of the Loan Documents, be deemed a "Lender" having a new B Term Commitment as set forth above next to its name and (iii) subject to the terms and conditions of the Credit Agreement, each of the Increasing Lenders and the New Lenders severally agrees to make a B Term Loan in dollars on _____, 200_ in a principal amount not exceeding its new or assumed B Term Commitment, as applicable.

6. This B Term Increase Supplement may be executed in counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this B Term Increase Supplement to be duly executed by their respective authorized officers as of the day and year first above written.

SALEM COMMUNICATIONS CORPORATION

By: /s/ NAME

Name: NAME
Title: TITLE

SALEM COMMUNICATIONS HOLDING CORPORATION

By: /s/ NAME

Name: NAME
Title: TITLE

THE BANK OF NEW YORK, as Administrative Agent

By: /s/ NAME

Name: NAME
Title: NAME

SALEM EXHIBIT J

FORM OF C TERM INCREASE SUPPLEMENT

C TERM INCREASE SUPPLEMENT, dated as of _____, 200_, to the Fifth Amended and Restated Credit Agreement, dated as of September 25, 2003 (as amended, supplemented or otherwise modified and in effect on the date hereof, the "Credit Agreement"), among Salem Communications Corporation, a Delaware corporation, Salem Communications Holding Corporation, a Delaware corporation, the Lenders party thereto, General Electric Capital Corporation and SunTrust Bank, as Syndication Agents, Fleet National Bank and ING (U.S.) Capital LLC, as Documentation Agents, and The Bank of New York, as Administrative Agent. Terms defined in the Credit Agreement are used herein with the same meanings.

1. Pursuant to Section 2.5(f) of the Credit Agreement, the Borrower hereby proposes that new or additional C Term Commitments be assumed or provided in an aggregate amount equal to \$_____.

2. Each of the following Increasing Lenders has been invited by the Borrower, and has agreed, subject to the terms hereof, to assume a new or additional C Term Commitment as follows:

Increasing Lender	New or Additional C Term Commitment
-----	\$
-----	\$
-----	\$

3. Each of the following New Lenders has been invited by the Borrower, and has agreed, subject to the terms hereof, to become a party to the Credit Agreement and, for all purposes of the Loan Documents, be deemed a "Lender" with a new C Term Commitment in the amount set forth below:

New Lender	New C Term Commitment
-----	\$
-----	\$
-----	\$

4. Each of the Parent and the Borrower hereby represents and warrants to the Administrative Agent, each Increasing Lender and each New Lender that, assuming the Administrative Agent executes and delivers this C Term Increase Supplement, all of the applicable conditions set forth in clauses (i) through (x) of Section 2.5(f) of the Credit Agreement have been satisfied and each of the Borrower and the Parent is in compliance with all of the applicable terms of such Section.

5. Pursuant to Section 2.5(f) of the Credit Agreement, by execution and delivery of this C Term Increase Supplement, together with the satisfaction of all of the applicable requirements set forth in such Section:

- (a) each Increasing Lender's new or assumed C Term Commitment shall be in the amount set forth above next to its name;
- (b) each New Lender shall become a party to the Credit Agreement and shall, for all purposes of the Loan Documents, be deemed a "Lender" having a new C Term Commitment as set forth above next to its name; [and]
- (c) subject to the terms and conditions of the Credit Agreement, each of the Increasing Lenders and the New Lenders severally agrees to make a C Term Loan in dollars on _____, 200_ in a principal amount not exceeding its new or assumed C Term Commitment, as applicable[;
- (d) the Applicable Margin with respect to the C Term Loans shall be as follows: [INSERT RELEVANT INFORMATION];
- (e) the C Term Maturity Date with respect to the C Term Loans shall be _____, 200_; and
- (f) the C Term Loans shall amortize as follows: [INSERT RELEVANT INFORMATION] */ .

6. This C Term Increase Supplement may be executed in counterparts.

IN WITNESS WHEREOF, the parties hereto have caused this C Term Increase Supplement to be duly executed by their respective authorized officers as of the day and year first above written.

SALEM COMMUNICATIONS CORPORATION

By: _____ /s/ NAME
Name: NAME
Title: TITLE

SALEM COMMUNICATIONS HOLDING CORPORATION

By: /s/ NAME
 Name: NAME
 Title: TITLE

THE BANK OF NEW YORK, as Administrative Agent

By: /s/ NAME
 Name: NAME
 Title: NAME

* / Include clauses (d) through (f) only in the first C Term Increase Supplement.

Salem Schedule 2.1
 To Fifth Amended and Restated Credit Agreement
 Dated as of September 25, 2003

List of Commitments

Name of Lender	Revolving Commitment	B Term Commitment	Total Commitments
The Bank of New York	\$11,500,000	\$11,500,000	\$23,000,000
General Electric Capital Corporation	\$8,750,000	\$8,750,000	\$17,500,000
SunTrust Bank	\$8,750,000	\$8,750,000	\$17,500,000
Fleet National Bank	\$8,750,000	\$8,750,000	\$17,500,000
ING (U.S.) Capital, LLC	\$8,750,000	\$8,750,000	\$17,500,000
Wells Fargo Foothill, LLC	\$8,500,000	\$8,500,000	\$17,000,000
Credit Lyonnais, New York Branch	\$7,500,000	\$7,500,000	\$15,000,000
Credit Suisse First Boston, acting through its Cayman Islands Branch	\$7,500,000	\$7,500,000	\$15,000,000
UBS AG, Cayman Islands Branch	\$5,000,000	\$5,000,000	\$10,000,000
TOTALS	\$75,000,000	\$75,000,000	\$150,000,000

Salem Schedule 2.1(B)
 To Fifth Amended and Restated Credit Agreement
 Dated as of September 25, 2003

Description of Loan Continuations and Conversions on Fifth Restatement Effective Date

	I	II	III	IV
Name of Continuing Lender	RC Loans (under and as defined in the Fourth Restated Agreement)*	Portion of RC Loans (under and as defined in the Fourth Restated Agreement)* converted to B Term Loan	Excess of I over II (net payable to Continuing Lender)	Additional B Term Loan (excess of B Term Commitment over II)
The Bank of New York	\$11,666,666.66	\$11,500,000.00	\$166,666.66	\$0
Fleet National Bank	\$11,111,111.11	\$8,750,000.00	\$2,361,111.11	\$0
ING (U.S.) Capital, LLC	\$8,333,333.33	\$8,333,333.33	\$0	\$416,666.67
SunTrust Bank	\$8,888,888.90	8,750,000.00	\$138,888.90	\$0

Name of Incoming Lender	B Term Loan
General Electric Capital Corporation	\$8,750,000
Wells Fargo Foothill, LLC	\$8,500,000
Credit Lyonnais, New York Branch	\$7,500,000
Credit Suisse First Boston, acting through its Cayman Islands Branch	\$7,500,000
UBS AG, Cayman Islands Branch	\$5,000,000

EXHIBIT 10.04

MEMORANDUM OF TERMS OF EMPLOYMENT

THIS MEMORANDUM OF TERMS OF EMPLOYMENT ("Memorandum"), is made and entered into as of September 16, 2003, by and between Salem Communications Corporation, (hereinafter referred to as "Employer"), and Mr. David A. R. Evans (hereinafter referred to as "Executive"), upon the following terms and conditions:

1. EXECUTIVE'S RESPONSIBILITIES. Executive agrees to devote his or her entire business time, attention and energies to the business of Employer. Executive also agrees to perform all services hereunder in a manner loyal and faithful to Employer. With the written consent of the Board of Directors, Executive may accept paid board or trustee positions for other entities and may accept fees for public speaking and published writings. Executive may reasonable participate as a member in community, civic, similar organizations and may pursue personal investments that do not interfere with the normal business activities of Salem. Executive's title shall be Executive Vice President and Chief Financial Officer reporting directly to President & Chief Executive Officer of the Employer. Executive agrees to perform all duties reasonable and consistent with a Executive Vice President and Chief Financial Officer as the President & Chief Executive Officer of the Employer may assign to Executive from time-to-time.

2. TERM. Executive's employment with the Employer is voluntarily entered into, and Executive is free to resign at any time. It is understood that this Memorandum shall not create a contract for any specific term, expressed or implied, of employment. The relationship of the Employer to Executive shall be one of voluntary employment "at will," with no definite period of employment, regardless of the date or method of payment of wages or salary. The relationship may be terminated by either Executive or Employer at any time, with or without cause and with or without prior notice. No person, other than the President & Chief Executive Officer of the Employer has authority to enter into an agreement for employment for any specified period of time or to make any agreement contrary to the foregoing, and then, only by an agreement in writing signed by them. Subject to the foregoing, the period of time from the date this Memorandum is entered into ("Commencement Date") until the date it terminates ("Termination Date") shall be referred to herein as the "Term."

3. COMPENSATION. For all of the services rendered by Executive in any capacity under this Memorandum, Employer shall compensate Executive, less applicable deductions and withholding taxes, in accordance with Employer's payroll practices as they may exist from time-to-time and as such compensation elements may be amended, suspended or discontinued to the extent permitted by applicable law at Employer's sole option or discretion, as follows:

3.1 Annual Base Salary. Executive's annual base salary shall be as follows:

- (i) In the first year of employment, Executive shall be paid Three Hundred Ten Thousand Dollars (\$310,000),
- (ii) In the second year of employment, Executive shall be paid Three Hundred Thirty Thousand Dollars (\$330,000),

(iii) In the third year of employment, Executive shall be paid Three Hundred Fifty Thousand Dollars (\$350,000), and,

(iv) Each such amount shall be payable in equal installments on the 5th and 20th days of each month, subject to applicable state, local and federal tax and social security tax withholding requirements and other amounts as permitted or required pursuant to law, rule or regulation.

3.2 Annual Bonus. In addition to the annual base salary Executive shall be eligible for an annual merit bonus in an amount to be determined at the discretion of the Board of Directors of Salem; provided that such merit bonus may be paid in cash, option or a combination thereof. The amount of the annual bonus, if applicable, is not earned until the date of its determination and distribution.

3.3 Signing Bonus. Executive shall be entitled to a one-time bonus of Twenty Thousand Dollars (\$20,000) payable within thirty days of the date of this memorandum.

3.4 Professional License Fees. Salem will pay the reasonable expenses associated with maintaining Executive's CPA License as well as the reasonable expenses associated with any Continuing Professional Education required to maintain the license.

3.5 Travel and Entertainment Expenses. Reasonable, bona-fide Employer-related entertainment and travel expenses incurred by Executive in accordance with the Employee Handbook, Code of Ethical Conduct and written policies, all as issued by Employer, relating thereto shall be reimbursed or paid by Employer.

3.6 Fringe Benefits. Except as set forth below in this Section, Executive shall be eligible to participate in all benefit plans that are available to all executive level Salem employees from time to time pursuant to the terms of such plans. The availability and terms of such fringe benefits shall be set by the Board of Directors and may change from time to time. Executive shall be required to comply with all conditions attendant to coverage by the fringe benefit plans hereunder and shall be entitled only in accordance with the terms and conditions of such plans as they may be enumerated from time to time.

3.7 Vacation. Notwithstanding such vacation time as allocated in Salem's Employee Handbook, Executive shall accrue four (4) weeks of vacation.

3.8 Health Insurance. Notwithstanding the foregoing, Executive shall be entitled to health care coverage for himself and his dependents in accordance with any health plan available to executive level employees of Salem.

4. Termination

4.1 In the event of Executive's resignation or termination for Cause, Executive shall be entitled only to the compensation earned through the date of termination. In the event of Executive's termination without Cause, in addition to Executive's base salary earned through the date of termination, and upon execution of the then existing form separation and release agreement of Employer, Executive shall be entitled to receive: (1) severance in an amount equal to the base salary Executive would otherwise have received for nine (9) months and (2) professional outplacement assistance for twelve (12) consecutive months. In the event that Executive is terminated and such termination is without Cause (provided that, for purposes of this sentence only, termination resulting from Executive's death or Disability, as defined in Section 4.2 hereof, shall not be considered for "Cause"), and notwithstanding anything in the applicable Stock Option Grant to the contrary: (a) those certain options granted to Executive on December 14, 2001, with a purchase price per share of \$22.42, shall be deemed to have vested in eight (8) equal installments commencing as of December 14, 2002 (i.e. 12.5% per year), (b) those certain options granted to Executive on September 11, 2003, with a purchase price per share of \$30.00, shall be deemed to have vested in eight (8) equal installments commencing as of September 11, 2004 (i.e. 12.5% per year) and (c) the unexercised portion of such options shall expire and become unexercisable one (1) year from the date of Executive's termination. Termination, with or without cause, or resignation, shall not affect any rights of Executive that have become vested under any benefit plan, stock option plan or arrangement.

4.1 For the purposes of this Agreement, "Cause" shall mean, without limitation, the following: (i) the death of Executive; (ii) any mental or physical impairment which prevents Executive from performing the essential functions of his full duties for a period of 90 days at anytime during the term of this Agreement ("Disability"); (iii) continued gross neglect, malfeasance or gross insubordination in performing duties assigned to Executive; (iv) a conviction for a crime involving moral turpitude; (v) an egregious act of dishonesty (including without limitation theft or embezzlement) in connection with employment, or a malicious action by Executive toward Salem, Company Affiliates or Related Entities; (vi) a violation of confidentiality provisions; (vii) a willful breach of this Agreement; (viii) disloyalty; and (ix) material and repeated failure to carry out reasonably assigned duties or instructions consistent with Executive's position.

5. EXECUTIVE'S OBLIGATIONS

5.1 Confidential Information. Executive agrees that, during the Term or at any time thereafter: (a) Executive shall not use for any purpose other than the duly authorized business of Employer, or disclose to any third party, any information relating to Employer or any of its affiliated companies which is proprietary to Employer or any of its affiliated companies ("Confidential Information"), including any customer list, contact information, rate schedules, programming, data, plans, intellectual property, trade secrets or any written (including in any electronic form) or oral communication incorporating Confidential Information in any way (except as may be required by law or in the performance of Executive's duties under this Memorandum consistent with Employer's policies) regardless of whether or not such information has been labeled as "confidential"; and (b) Executive shall comply with any and all confidentiality obligations of Employer to a third party, whether arising under a written agreement or otherwise.

5.2 Work For Hire. (a) The results and proceeds of Executive's services to Employer, including, without limitation, any works of authorship resulting from Executive's services during Executive's employment with Employer and/or any of its affiliated companies and any works in progress resulting from such services, shall be works-made-for-hire and Employer shall be deemed the sole owner of any and all rights of every nature in such works, whether such rights are now known or hereafter defined or discovered, with the right to use the works

in perpetuity in any manner Employer determines in its sole discretion without any further payment to Executive. If, for any reason, any of such results and proceeds are not legally deemed a work-made-for-hire and/or there are any rights in such results and proceeds which do not accrue to Employer under the preceding sentence, then Executive hereby irrevocably assigns and agrees to assign any and all of Executive's right, title and interest thereto, whether now known or hereafter defined or discovered, and Employer shall have the right to use the work in perpetuity in any location and in any manner Employer determines in its sole discretion without any further payment to Executive.

(b) Executive shall do any and all things which Employer may deem useful or desirable to establish or document Employer's rights in any such results and proceeds, including, without limitation, the execution of appropriate copyright, trademark and/or patent applications, assignments or similar documents and, if Executive is unavailable or unwilling to execute such documents, Executive hereby irrevocably designates the President & Chief Executive Officer of Employer or his designee as Executive's attorney-in-fact with the power to execute such documents on Executive's behalf. To the extent Executive has any rights in the results and proceeds of Executive's services under this Memorandum that cannot be assigned as described above, Executive unconditionally and irrevocably waives the enforcement of such rights.

(c) Works-made-for-hire do not include subject matter that meets all of the following criteria: (1) is conceived, developed and created by Executive on Executive's own time without using the Employer's equipment (other than the personal computer regularly used by Employer), supplies or facilities or any trade secrets of confidential information, (2) is unrelated to the actual or reasonably anticipated business or research and development of Employer of which Executive is or becomes aware; and (3) does not result from any work performed by Executive for Employer.

5.3 Return of Property. All documents, data, recordings, equipment or other property, whether tangible or intangible, including all information stored in electronic form, obtained or prepared by or for Executive and utilized by Executive in the course of Executive's employment with Employer or any of its affiliated companies shall remain the exclusive property of Employer. Upon termination of employment, Executive shall promptly return all of Employer's property to Employer.

5.4 Use of Executive's Name, Image and Likeness. Employer may make use of Executive's name, photograph, drawing or other likeness in connection with the advertising or the giving of publicity to Employer, Salem Communications or a program broadcast or content provided by Employer, Salem Communications or any affiliated companies. In such regard, Employer may make recordings, transcriptions, videotapes, films and other reproductions of any and all actions performed by Executive in his or her capacity as an Executive of Employer, including without limitation any voice-over or announcing material provided by Executive (collectively "Executive Performances"). Employer shall have the right to broadcast, display, license, assign or use any Executive Performances on a royalty-free basis without additional compensation payable to Executive.

6. PERSONAL CONDUCT. Executive agrees to promptly and faithfully comply with all present and future policies, requirements, directions, requests and rules and regulations of Employer in connection with Employer's business, including without limitation the policies and requirements set forth in Employer's Employee Handbook and Code of Ethical Conduct. Executive further agrees to comply with all laws and regulations pertaining to Executive's employment with Employer. Executive hereby agrees not to engage in any activity that is in direct conflict with the essential interests of the Business. Executive hereby acknowledges that nothing set forth in the Employee Handbook or the Code of Ethical Conduct or any other policy issued by Employer shall be deemed to create a separate contractual obligation, guarantee or inducement between Executive and Employer.

7. MISCELLANEOUS PROVISIONS.

7.1 Venue; Choice of Law. Regardless of where it is signed, this Memorandum shall be deemed to be an agreement made in the city and state where Executive's principal work area or office is located ("Venue") and shall be interpreted as an agreement to be performed wholly in the State where the Venue is located. The laws of the State where the Venue is located shall be applied without regard to the principles of conflicts of laws.

7.2 Resolution of Disputes. Employer and Executive mutually agree to resolve any and all legal claims arising from or in any way or relating to Executive's employment with Employer through mediation or, if mediation does not resolve the claim or dispute within ten (10) days of notice demanding mediation, by binding arbitration under the Federal Arbitration Act subject to the terms and conditions provided below. Notwithstanding the foregoing, insured workers compensation claims (other than wrongful discharge claims) and claims for unemployment insurance are excluded from arbitration under this Memorandum. This Memorandum does not prevent the filing of charges with administrative agencies such as the Equal Employment Opportunity Commission, the National Labor Relations Board, or equivalent state agencies. Arbitration shall be conducted in the Venue in accordance with either of the following, at Executive's election: (a) the American Arbitration Association: Employment Rules of Procedure, (b) the Rules of Procedure for Christian Conciliation sponsored by the Christian Legal Society, or (c) the rules of procedure issued by another alternative dispute resolution service mutually acceptable to Executive and Employer. Any award issued in accordance with this Section 7.2 shall be rendered as a judgment in any trial court having competent jurisdiction. Employer shall pay the arbitration fees and expenses, less any filing fee amount that Executive would otherwise have to pay to pursue a comparable lawsuit in a United States district court in the jurisdiction where the dispute arises or state court in the jurisdiction where the dispute arises, whichever is less. All other rights, remedies, exhaustion requirements, statutes of limitation and defenses applicable to claims asserted in a court of law will apply in the arbitration. Executive expressly waives any presumption or rule, if any, which requires this Memorandum to be construed against Employer.

7.3 Injunctive Relief. Employer has entered into this Memorandum in order to obtain the benefit of Executive's unique skills, talent, and experience. Executive acknowledges and agrees that any violation of one or more subsections of Section 4 of this Memorandum will result in irreparable damage to Employer, and, accordingly, Employer may obtain injunctive and other equitable relief for any breach or threatened breach of such sections, in addition to any other remedies available to Employer, without being required to prove actual damages, post bond or furnish other security.

7.4 Integration. This Memorandum comprises the entire understanding of the parties with respect to the subject matter and shall supersede all other prior written or oral agreements, including without limitation that certain employment agreement entered into by and between Employer and Executive as of September 15, 2000.

7.5 Amendments and Waivers. No term or provision of this Memorandum 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. Notwithstanding anything in this Memorandum to the contrary, no person other than the President & Chief Executive Officer of Employer has the capacity to amend, waive, discharge or terminate the provisions of Section 2 relating to the "at will" nature of Executive's employment, and then, such action may only be taken in writing.

7.6 Severability. If any portion of this Memorandum shall be held to be illegal, invalid, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, and this Memorandum shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein. Additionally, in lieu of each such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Memorandum a provision as similar to such former provision as shall be legal, valid and enforceable.

6.7 Survival; Modification of Terms. No change in Executive's duties or salary shall affect, alter, or otherwise release Executive from the covenants and agreements contained herein. All post-termination covenants, agreements, representations and warranties made herein by Executive shall survive the expiration or termination of this Memorandum or employment under this Memorandum in accordance with their respective terms and conditions.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum effective as of October 1, 2003.

ACCEPTED AND AGREED:

"Executive"

"Employer"

Salem Communications Corporation

By: /s/ DAVID A.R. EVANS

By: /s/ EDWARD G. ATSINGER III

David A.R. Evans

Edward G. Atsinger III
President and Chief Executive Officer

EXHIBIT 31.1

Certification of Chief Executive Officer

I, Edward G. Atsinger III, certify that:

1. I have reviewed this report on Form 10-Q of Salem Communications Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 6, 2003

By: /s/ EDWARD G. ATSINGER III

Edward G. Atsinger III

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 302 has been provided to Salem Communications Corporation and will be retained by Salem Communications Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 31.2

Certification of Chief Financial Officer

I, David A.R. Evans, certify that:

1. I have reviewed this report on Form 10-Q of Salem Communications Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 6, 2003

By: /s/ DAVID A.R. EVANS

David A.R. Evans
Chief Financial Officer

A signed original of this written statement required by Section 302 of the Sarbanes-Oxley Act of 2002 or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 302 has been provided to Salem Communications Corporation and will be retained by Salem Communications Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.1

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

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

- the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 6, 2003

By: /s/ EDWARD G. ATSSINGER III

Edward G. Atsinger III
President and Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to Salem Communications Corporation and will be retained by Salem Communications Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

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

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

- the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 6, 2003

By: /s/ DAVID A.R. EVANS

David A.R. Evans
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to Salem Communications Corporation and will be retained by Salem Communications Corporation and furnished to the Securities and Exchange Commission or its staff upon request.
